



**SERIES**

**MAINSTREAMING CLIMATE ACTION  
INTO NIGERIA'S DEVELOPMENT PLAN**

**POLICY PAPER**

## **Moving from plans to action**

Mainstreaming climate action  
into Nigeria's budget and  
economic planning

**Ebipere Clark**

**January 2025**

## **Suggested citation**

Clark, E. (2025). *Moving from plans to action: Mainstreaming climate action into Nigeria's budget and economic planning* (Policy paper). Africa Policy Research Institute.

Cover photo by Sunday Abegunde on Unsplash.



## About this Series

Nigeria has made notable progress on climate action in recent years: the submission of its updated Nationally Determined Contribution (NDC) to the UNFCCC; the passing of the Climate Change Act; and the establishment of the National Council on Climate Change (NCCC), to name but a few. However, operational challenges remain. Misalignment of targets and goals, overlapping institutional mandates and multiple points of interface with government all present obstacles to further progress.

This series of eight research briefs aims to support the Nigerian government in overcoming these hurdles and mainstreaming climate action across its key economic sectors and development agenda. The series provides a comprehensive analysis of the challenges and opportunities associated with integrating climate considerations into Nigeria's economic planning, with a focus on both adaptation and mitigation.

The briefs delve deep into specific sectors crucial to Nigeria's economy and climate future. These include: decarbonizing the petroleum and transportation sectors; aligning industry, trade, and investment with climate goals; promoting climate-smart agriculture and food security; leveraging the digital economy for green development; analyzing the role of critical minerals in Nigeria's climate transition; and exploring the potential of green jobs. Each brief examines existing policies, initiatives, and institutional frameworks within the sector, identifying climate-related risks, vulnerabilities, and opportunities. Furthermore, they provide concrete recommendations for policy changes, capacity building, and investment strategies to facilitate climate action.

By analyzing climate finance opportunities, highlighting the role of the private sector, and emphasizing the importance of aligning with international climate commitments, the series offers a roadmap for Nigeria to achieve a sustainable and climate-resilient future. The research not only provides valuable insights for policymakers but also fosters collaboration among government institutions, private sector actors, and development partners to effectively mainstream climate action into Nigeria's national development agenda.

## Table of contents

<b>Executive summary</b>	<b>1</b>
<b>Introduction</b>	<b>2</b>
<b>Climate-resilient and green budgeting for developing countries</b>	<b>5</b>
Introduction	5
Climate-resilient budgeting	5
Green budgeting	6
Case studies of mainstreaming climate action	6
<b>Economic costs of inaction on climate change in Nigeria</b>	<b>10</b>
The future of climate budgeting	10
<b>Recommendations</b>	<b>14</b>
<b>References</b>	<b>15</b>
<b>Appendix</b>	<b>16</b>
A1. Similarities and differences between CRB and GB	16
A2. A balanced approach: Integrating GB and CRB	17



## Acronyms

<b>CCA</b>	Climate Change Act of Nigeria
<b>CMD</b>	Centre for Management Development
<b>CRB</b>	Climate-resilient budgeting
<b>CCIA</b>	Climate change impact appraisal
<b>CRGE</b>	Climate Resilient Green Economy
<b>CoFMfCA</b>	Coalition of Finance Ministers for Climate Action
<b>EIAs</b>	environmental impact assessments
<b>FEC</b>	Federal Executive Council
<b>FGN</b>	Federal Government of Nigeria
<b>FMBEP</b>	Federal Ministry of Budget and Economic Planning
<b>FMEnv</b>	Federal Ministry of Environment
<b>FMF</b>	Federal Ministry of Finance
<b>GB</b>	green budgeting
<b>IC-CMAP</b>	Intergovernmental Committee on Carbon Market Activation Plan
<b>IFMIS</b>	Integrated Financial Management Information System
<b>INFF</b>	Integrated National Financing Framework
<b>LAPAs</b>	Local Adaptation Plans of Action
<b>MDA</b>	Ministries, Departments and Agencies
<b>MoF</b>	Ministry of Finance
<b>MRV</b>	measurement, reporting and verification
<b>MTEF</b>	Medium-Term Expenditure Framework
<b>MTRF</b>	Medium-Term Revenue Framework
<b>NAPA</b>	National Adaptation Plan of Action
<b>NBS</b>	National Bureau of Statistics
<b>NCAPs</b>	National Climate Action Plans
<b>NCCC</b>	National Council on Climate Change
<b>NDC</b>	Nationally Determined Contributions
<b>NPC</b>	National Planning Commission
<b>NISER</b>	Nigeria Institute for Socio-Economic Research
<b>NSGBP</b>	Nigerian Sovereign Green Bond Program
<b>PC-CAGES</b>	Presidential Committee on Climate Action and Green Economic Solutions
<b>PEFA</b>	Public Expenditure and Financial Accountability
<b>PFM</b>	public financial management
<b>S/CFWG</b>	Sustainability/Climate Finance Working Group
<b>SDG</b>	Sustainable Development Goal

## Executive summary

This brief examines how Nigeria can effectively integrate climate action into its national budgeting and economic planning processes. With Nigeria facing significant climate vulnerabilities and committed to international agreements like the Paris Agreement, mainstreaming climate considerations into fiscal planning is both a critical and urgent task. This integration not only aligns Nigeria's development goals with global sustainability targets but also enhances resilience to climate-induced risks.

The recent restructuring of Nigeria's Federal Ministry of Budget and Economic Planning (FMBEP) as a separate entity from the Federal Ministry of Finance (FMF) presents a unique opportunity to prioritize climate objectives within national planning. However, this shift also introduces potential challenges, such as the need for clear role delineation and enhanced coordination across ministries to avoid bureaucratic inefficiencies. Addressing these political and institutional dynamics is essential for the success of climate mainstreaming.

The brief also explores the theoretical underpinnings and practical challenges of implementing climate-resilient and green budgeting frameworks within Nigeria's context. It highlights practical constraints, such as limited data infrastructure and fiscal constraints, that could hinder full-scale implementation. To bridge the gap between theory and practice, the brief suggests incremental steps, including piloting and developing a robust measurement, reporting and verification (MRV) system. These actions will build the necessary foundations for comprehensive climate action within national fiscal frameworks.

Drawing on case studies from other developing countries, the brief provides insights into how similar nations are integrating climate resilience into their budgeting processes. Lessons from Ethiopia, Kenya and Uganda demonstrate the importance of climate finance tracking, inter-ministerial collaboration and strategic investment in data systems.

In conclusion, the brief offers actionable recommendations for Nigeria, focusing on enhancing FMBEP's role in climate governance, establishing effective MRV systems and increasing access to climate finance. These steps will enable Nigeria to foster green growth, attract investments in climate-smart sectors and transition toward a low-carbon, sustainable economy. As Nigeria advances its climate mainstreaming efforts, the country will be better positioned to secure its economic stability and promote resilience against escalating climate risks.



## Introduction

The research project is designed to assist the Federal Government of Nigeria (FGN) in incorporating climate considerations into national financial and development strategies. It aims to review and enhance government budgeting and economic planning by integrating green growth priorities, assessing the economic costs of inaction on climate change and investigating the incorporation of climate metrics into economic frameworks. The project will also explore existing and potential green finance mechanisms to support climate-related projects and foster alignment and collaboration among governmental bodies, the private sector and development partners to mainstream climate action effectively within national economic planning.

### Integrating climate action into budget and economic planning

The need to integrate climate considerations into Nigeria's national budget and economic planning is critical, given the country's exposure to climate impacts and its commitment to sustainable development. FMBEP holds a central role in shaping Nigeria's economic landscape, making it a critical player in mainstreaming climate action. Effective climate integration in budgeting will align the FMBEP's priorities with those of other Ministries, Departments and Agencies (MDAs), helping to unify efforts toward a resilient and low-carbon economy.

Nigeria's commitment to international climate agreements, such as the Paris Agreement, underscores the urgency of these efforts. By embedding climate action into budget processes, the government can ensure that economic strategies are resilient to future climate crises. Moreover, aligning budget and planning processes with Sustainable Development Goals (SDGs), especially SDG 13 (Climate Action), will prepare the country for both immediate and long-term climate challenges.

Global developments in climate finance, including advocacy from leaders like Mia Mottley and outcomes from the recent 2023 Paris Financing Summit, signal a shift in climate finance mechanisms, providing new opportunities for countries like Nigeria to access funds and partnerships. The establishment of an African Union ratings agency also highlights the increasing focus on climate-aware financial planning across the continent, which Nigeria can leverage to enhance its climate resilience efforts.

Integrating climate considerations into national budgeting will not only mitigate risks but also foster growth in climate-smart sectors, attract green investments and support the transition to a just and equitable energy future. This strategic approach is essential for securing Nigeria's economic stability and promoting sustainable development in the face of escalating climate risks.

### Analysis of the political economy of Nigeria

In 2023, Nigeria restructured its ministerial roles, separating Planning and Budgeting from the FMF. This change established a new FMBEP, while the Minister of Finance retained the role of Coordinating Minister for the Economy. This administrative shift holds significant implications for Nigeria's political economy, presenting both opportunities and challenges.

The decision to specialize promises a more focused approach to economic planning and fiscal management. Dedicated leadership aims to enhance policy coherence and effectiveness, with the Coordinating Minister ensuring alignment across economic sectors. Such alignment is crucial for addressing infrastructure and development comprehensively.

## Moving from plans to action: Mainstreaming climate action into Nigeria's budget and economic planning

However, potential pitfalls exist. The creation of a separate ministry risks bureaucratic overlap and inefficiencies without clear role delineation, leading to resource allocation issues. Additionally, the restructuring may face resistance from vested interests, causing political friction and complicating policy implementation. For example, there is an ongoing initiative to mainstream the SDGs into economic policy and it remains unclear as to how might mainstreaming climate change (SDG #13) relate to this.

Despite these challenges, the restructuring offers opportunities to integrate economic planning with budgeting more effectively. Enhanced transparency and accountability can foster public trust and encourage citizen engagement, leading to informed public discourse and strengthening democracy.

Yet, threats remain. Economic instability could arise if changes are poorly managed, exacerbating fiscal challenges like deficits and debt. Security issues, including terrorism and ethnic conflicts, further threaten national cohesion and complicate policy efforts.

In summary, while the restructuring presents opportunities for improved governance, it also poses challenges requiring careful management. Success depends on effective leadership, clear role delineation and strong inter-ministerial collaboration. By addressing these challenges, Nigeria can enhance economic governance and achieve sustainable development.

### From theory to practice

While mainstreaming climate action into national budgeting frameworks offers a compelling theoretical approach to sustainable development, practical challenges must be addressed to make this a reality within Nigeria's unique context. Climate mainstreaming, as a concept, involves embedding climate goals across economic and financial planning, drawing from international best practices. However, translating these theoretical frameworks into actionable strategies often requires adaptations that account for Nigeria's specific operational and resource constraints.

A primary challenge will lie in the practical implementation of climate mainstreaming tools. These tools demand reliable data, yet Nigeria faces significant gaps in data infrastructure, which hinders the effective MRV systems essential for tracking climate-related expenditures, activities, outputs and outcomes. Additionally, limited institutional capacity in key areas may affect the deployment of these frameworks, particularly when it comes to aligning various MDAs around a unified climate agenda.

Moreover, funding constraints further complicate the path from theory to practice. While frameworks may be theoretically robust, they depend on securing sufficient financing. With Nigeria's limited fiscal space and heavy reliance on external funding, achieving the necessary scale for effective climate action will present a considerable challenge. Potential avenues for funding do exist; however, accessing these resources requires Nigeria to establish a comprehensive and nationwide action plan.

To bridge the gap between theory and practice, Nigeria must adapt these climate mainstreaming strategies to fit its existing capacities. This could involve incremental steps, such as piloting proposed techniques and technologies in key sectors before expanding nationwide or leveraging partnerships to strengthen national MRV capabilities. Practicality will demand a phased approach, tailored to align theoretical frameworks with Nigeria's operational realities, while steadily building the necessary infrastructure to support full-scale implementation over time.



## About the Federal Ministry of Budget and Economic Planning

FMBEP originated as the National Planning Commission (NPC) in 1992 (*Decree No. 12 – later amended by Act 71 of 1993*). It was responsible for national development planning and economic management. In recent times, the FMBEP was merged with the FMF but operates now as a standalone ministry. By its originating Act, the FMBEP is empowered to provide policy advice to the President and Nigeria, set national priorities and evaluate the country's resources. Additionally, the Act tasks the Ministry with formulating and coordinating development plans at all government levels, monitoring plan implementation and conducting research to enhance national capabilities.

Amongst the agencies that the FMBEP oversees are:

- ▶ Budget Office of the Federation<sup>1</sup>: Responsible for budget preparation, implementation and monitoring at the federal level.
- ▶ National Bureau of Statistics (NBS)<sup>2</sup>: Responsible for collecting, analyzing and publishing statistical data related to the Nigerian economy and society.
- ▶ Nigeria Institute for Socio-Economic Research (NISER)<sup>3</sup>: Responsible for conducting and coordinating socio-economic research to guide national development.
- ▶ Centre for Management Development (CMD): Tasked with stimulating, promoting and coordinating management education, training and development in Nigeria.

Due to its statutory coordinating role, the FMBEP is a member, the Secretary, or sometimes the Chair of various national councils, committees and commissions, for example:

- ▶ National Economic Council: where the FMBEP acts as the Secretariat.
- ▶ National Council on Infrastructure.
- ▶ National Council on Nutrition.
- ▶ National Council on Climate Change (NCCC).

Currently, the FMBEP is focusing on improving the “*Planning-Budgeting-and-Financing*” of the activities and ambitions of the FGN by enforcing a tighter integration between national plans and agency budgets for financing by FMF. The FMBEP intends to redesign the planning and budgeting processes to be significantly more objective. For example, the Ministerial Department of Planning would use “Statistical Data from NBS” and “Research Data from NISER” to verify and align plans from MDAs with budgets. This will impact existing and future development initiatives and has direct implications for any implementation of National Climate Action Plans (NCAPs) such as Nigeria's 2025 Nationally Determined Contributions (NDC 3.0) and 2030 targets.

*“In all respects, your NDCs 3.0 will be the most important climate documents produced so far this century in securing the safety and prosperity of your peoples.”*

– Simon Stiell (UNFCCC, 2024)

# Climate-resilient & green budgeting for developing countries

## Introduction

The escalating impacts of climate change, particularly in developing countries, necessitate integrating climate considerations into public financial management (PFM). Climate-resilient budgeting (CRB) and green budgeting (GB) are emerging as crucial tools in this endeavor. CRB focuses on allocating resources to adapt to climate change's adverse effects and build resilience, while GB encompasses broader environmental considerations, including mitigation, into budget frameworks (Mogelgaard et al., 2018; OECD, 2023). This literature review examines the conceptual frameworks, methodologies and applications of CRB and GB, emphasizing their relevance for developing countries (See Appendix 1).

## Climate-resilient budgeting

### Conceptual framework

CRB aims to allocate resources to adapt to climate change's adverse effects and build resilience in vulnerable sectors and communities (Bellon & Massetti, 2022; Mogelgaard et al., 2018). Governments' Ministry of Finance (MoF) play a pivotal role in driving climate action through their influence on economic strategy, fiscal policy and financial regulation (Coalition of Finance Ministers for Climate Action, 2023). Integrating climate change into the budget cycle involves strategic planning, budget preparation and approval, execution and accounting, monitoring and evaluation and policy review (UNDP, 2021).

### Tools and methodologies

Several tools and methodologies facilitate CRB:

- ▶ Climate Public Expenditure and Institutional Review: A comprehensive analysis of public expenditure and its relationship to climate change (UNDP, 2021).
- ▶ Public Expenditure and Financial Accountability (PEFA) climate module: Assesses the responsiveness of PFM systems to climate change (Allan & Nicholson, 2021).
- ▶ Climate budget tagging: Classifies and tracks budget expenditures related to climate change adaptation and mitigation (Allan & Nicholson, 2021; Bellon & Massetti, 2022; OECD, 2023).
- ▶ Climate change impact appraisal (CCIA): Systematically assesses the implications of climate change for program performance and addresses climate change (Allan & Nicholson, 2021).

### Applications in developing countries

Case studies from Africa demonstrate diverse approaches to integrating climate resilience into budgets (Allan & Nicholson, 2021). Ethiopia's Climate Resilient Green Economy (CRGE) Facility – detailed later - is a notable example (Bhandary, 2024). Challenges include limited capacity, data availability and institutional coordination (Bhandary, 2024). However, successful cases highlight CRB's potential to enhance adaptation and protect development gains.



## Green budgeting

### Conceptual framework

GB integrates climate and environmental considerations into budget frameworks and policies (OECD, 2023). The OECD GB Framework offers a comprehensive approach, encompassing institutional arrangements, methods and tools, accountability and transparency and an enabling environment (OECD, 2023).

### Tools and methodologies

GB utilizes various tools:

- ▶ GBT identifies and tracks expenditures with environmental impacts (OECD, 2023, 2024).
- ▶ Environmental impact assessments (EIAs): Evaluate potential environmental effects of budget measures (OECD, 2024).
- ▶ Climate risk and vulnerability assessments: Evaluate potential climate change impacts on government finances and service delivery by analyzing hazards, vulnerabilities and potential costs (Coalition of Finance Ministers for Climate Action (CoFMfCA), 2023).
- ▶ Macro-fiscal models: Assess economic and fiscal implications of climate mitigation policies (OECD, 2024).

### Applications in developing countries

Despite significant challenges, several developing countries are making notable strides in adopting GB practices. Ethiopia (Dagne et al., 2022) has integrated climate goals into its long-term development plans, ensuring that budget allocations reflect its commitment to sustainable growth. South Africa (Allan & Nicholson, 2021) is in the process of developing climate budget tagging systems while incorporating climate risk assessments into its budget guidelines, signaling a shift toward mainstreaming climate considerations. Uganda (Allan & Nicholson, 2021; CoFMfCA, 2023) has adapted its performance-based budgeting framework to address climate concerns, leveraging existing systems to achieve better climate outcomes. Similarly, Rwanda (Allan & Nicholson, 2021) has focused on embedding climate resilience into its agricultural sector planning, prioritizing adaptation measures in its strategic approach. Together, these examples illustrate how developing nations are using GB as a tool to build climate resilience and sustainability, despite limited resources and capacity constraints.

## Case studies of mainstreaming climate action

Climate change poses significant challenges to developing countries, necessitating the integration of climate considerations into national planning, budgeting and financing processes. This document examines how four countries - Uganda, Kenya, Ethiopia and Nepal - are mainstreaming climate action into their governance systems, with a focus on whether they employ GB or CRB techniques.

### Nepal

Nepal's vulnerability to climate-induced water hazards led to integrating climate adaptation into its development. The National Adaptation Plan of Action (NAPA) and Local Adaptation Plans of Action (LAPAs) mainstream climate resilience locally (Mogelgaard et al., 2018). Nepal's 2010 NAPA identified priority climate adaptation actions, leading to the 2011 LAPAs, which translate national priorities into local actions. LAPAs are implemented in 90 villages and 7 municipalities, embedding adaptation in local plans. The 2011 Climate Change Policy mandates 80% of the budget for local initiatives, further supported by a 2013 budget code. In 2015, Nepal initiated their National Adaptation Plan

## Moving from plans to action: Mainstreaming climate action into Nigeria's budget and economic planning

process to address medium and long-term adaptation needs, aiming to integrate climate adaptation into broader policies. The Nepal Climate Change Support Program facilitates capacity building and coordination. Challenges include data availability and monitoring effectiveness.

- ▶ **Planning initiatives:** Nepal has integrated climate considerations into key national documents, including Vision 2025, the National Climate Change Policy (2019) and the NAPA.
- ▶ **Budgeting approaches:** Nepal introduced a dedicated climate change budget code in 2013 to channel funding for climate activities from central to local levels. The government has implemented a climate finance tracking system within the Integrated Financial Management Information System (IFMIS).
- ▶ **Financing mechanisms:** Nepal has established the Climate Resilient Green Economy Facility as a national fund to mobilize finance from various sources and drive investments in resilience and green growth.
- ▶ **Climate mainstreaming mechanisms - GB and CRB:** Nepal's approach aligns more closely with CRB techniques, with a strong focus on integrating climate considerations into national and local development planning.
- ▶ **Implementation challenges and progress:** While Nepal has made significant progress in implementing climate budget tagging and tracking systems, as well as developing localized adaptation plans, challenges remain in fully capturing all climate-related expenditures and ensuring effective implementation at all levels of government.

## Ethiopia

Ethiopia established the CRGE Facility in 2013 within the MoF to manage international climate finance flows across all sectors. The CRGE Facility was created to support the implementation of Ethiopia's CRGE strategy, which aims to achieve middle-income status by 2025 while addressing climate change. The government's goal in establishing the CRGE Facility was to mainstream climate action through national climate funds that engage with sectoral ministries. Ethiopia's CRGE strategy integrates climate action into national development (Dagne et al., 2022). The CRGE influences plans like the Growth and Transformation Plans and NDCs. Challenges include institutional capacity, technical expertise and data constraints, particularly in monitoring and evaluation (FDRE, 2020).

- ▶ **Planning initiatives:** Ethiopia has integrated climate change considerations into key national documents, including Vision 2025, the Growth and Transformation Plans and the CRGE strategy.
- ▶ **Budgeting approaches:** Ethiopia has implemented a climate finance tracking system within the IFMIS to tag climate-related expenditures. The government has invested over USD 22.1 billion from 2011-2019 in climate change mitigation and adaptation projects and programs.
- ▶ **Financing mechanisms:** Ethiopia has established the CRGE Facility as a national fund to mobilize finance from various sources and drive investments in resilience and green growth.
- ▶ **Climate mainstreaming mechanisms - GB and CRB:** Ethiopia's approach aligns more closely with CRB techniques, with a strong focus on integrating climate considerations into national development planning and sectoral strategies.
- ▶ **Implementation challenges and progress:** While Ethiopia has made significant progress, challenges remain, including identifying and quantifying needs for climate investment, limited capacity to access international climate finance and difficulties in unlocking private finance for climate action.

## Kenya

Kenya's vulnerability to climate shocks led to climate budget tagging and a Disaster Risk Financing Strategy (Allan & Nicholson, 2021). Challenges include institutional coordination and funding sustainability.

- ▶ **Planning initiatives:** Kenya has integrated climate considerations into key national documents, including Vision 2030, the National Climate Change Response Strategy and the Climate Change Act of 2016 (World Bank, 2020).



- ▶ **Budgeting approaches:** Kenya has developed a comprehensive approach to identify climate-related spending. In 2021, the National Treasury published "The Landscape of Climate Finance" report, mapping climate funding across public and private sectors (World Bank, 2020).
- ▶ **Financing mechanisms:** Kenya has established a multi-donor National Drought Emergency Fund to ensure the availability of funds for drought preparedness, response and recovery.
- ▶ **Climate mainstreaming mechanisms - GB and CRB:** Kenya has implemented a climate finance tracking system within the IFMIS to tag climate-related expenditures. The system covers sectors, ministries, agencies, recurrent and investment budgets and sub-national transfers.
- ▶ **Implementation challenges and progress:** While Kenya has made significant progress in integrating climate considerations into its planning and budgeting processes, challenges remain, including the need to increase financing for climate adaptation and improve multi-agency and multi-level coordination.

## Uganda

Uganda integrates climate change into PFM through budget call circulars, performance-based budgeting and environmental taxes/exemptions (Allan & Nicholson, 2021). Challenges include fiscal constraints and the need for broader government ownership.

- ▶ **Planning initiatives:** Uganda has developed key policy documents to guide its climate action, including the National Climate Change Policy in 2015 and a Climate Change Learning Strategy. These aim to build capacity for climate-resilient development and integrate climate change considerations into sector and local government planning (IMF, 2024).
- ▶ **Budgeting approaches:** Uganda has piloted climate budget tracking in select government programs and local governments, with plans to scale up to all programs by FY 2023/24. The government has developed a methodology to define and identify climate expenditures in the budget system (Local Development Partners Group, 2023).
- ▶ **Financing mechanisms:** A methodology has been established to track climate change appropriations and expenditures through budget codes in the Program Budgeting System. However, climate finance remains limited, with only 660 million UGX allocated to the climate change program in FY 2020/21, mostly for wages (UNICEF, 2023).
- ▶ **Climate mainstreaming mechanisms - GB and CRB:** Uganda is moving towards CRB techniques, with efforts to track and integrate climate considerations across the budget process. However, full implementation of GB or CRB is not yet achieved.
- ▶ **Implementation challenges and progress:** Uganda faces challenges in allocating sufficient resources and fully operationalizing CRB across government. Further reforms and capacity building are needed to strengthen climate integration in public financial management.

## Summary & conclusion

All four countries have made significant strides in mainstreaming climate action into their planning, budgeting and financing functions. They have developed national climate change policies and strategies, implemented climate budget tagging systems and established dedicated climate funds. However, the degree of implementation and the specific approaches vary:

- ▶ Uganda and Nepal are in earlier stages of implementing CRB techniques.
- ▶ Kenya and Ethiopia have more advanced systems for climate finance tracking and have integrated climate considerations more deeply into their national development plans.
- ▶ All countries face challenges in allocating sufficient resources for climate action and fully operationalizing CRB across all levels of government.

## Moving from plans to action: Mainstreaming climate action into Nigeria's budget and economic planning

While all four countries are moving towards CRB techniques, full implementation of GB or CRB has not yet been achieved in any of them. Common challenges include limited financial resources, capacity constraints and the need for improved coordination across government agencies and levels. To further advance climate mainstreaming efforts, these countries should focus on:

- ▶ Strengthening climate finance tracking systems
- ▶ Enhancing capacity for climate-responsive planning and budgeting at all government levels
- ▶ Increasing allocation of resources for climate action
- ▶ Improving coordination mechanisms for climate-related initiatives
- ▶ Developing innovative financing mechanisms to leverage private sector investments in climate action

By addressing these areas, Uganda, Kenya, Ethiopia and Nepal can continue to improve their climate mainstreaming efforts and build more resilient, low-carbon economies.





## Economic costs of inaction on climate change in Nigeria

Nigeria's National Policy on Climate Change (2012, 2021) identifies agriculture, water resources, public health and coastal regions as highly vulnerable. The economic costs of inaction include reduced agricultural yields, infrastructure damage and increased disease burden amongst other issues. The agricultural sector, employing a significant population and contributing to GDP, is particularly vulnerable to droughts and floods. Coastal regions face risks from sea-level rise, erosion and flooding, threatening communities and economic activity. The 2021 revision of this policy suggests that climate change could cost Nigeria between 6% and 30% of its GDP by 2050 if no concrete adaptation action is taken (FGN, 2021). Despite the development of a national adaptation plan framework and project, the finalization of a national adaptation plan is urgently required.

## The future of climate budgeting

The future of climate budgeting lies in a more integrated, comprehensive and transformative approach, including enhanced integration into PFM, strengthened governance, innovative financing, capacity building and international cooperation. Climate-resilient and green budgeting are essential for integrating climate change into PFM. While green budget tagging is valuable, advanced tools like macro-fiscal modeling and risk assessments are needed. Again, the economic costs of inaction, especially in agriculture and infrastructure, underscore the urgency of implementing these tools in developing countries. By learning from others and adapting best practices, policymakers can mainstream climate action into budgets, driving sustainable development.

### Policy analysis

Recent Nigerian policy documents, including National Integrated Infrastructure Master Plan 2020<sup>4</sup>, National Development Plan (2021 – 2025)<sup>5</sup>, National Climate Change Policy 2021-2030<sup>6</sup>, Investing in Nigeria's Energy Transition Opportunity<sup>7</sup> and NDC 2021, reflect a unified effort to incorporate climate considerations into national and sectoral strategies. These documents underscore the importance of mainstreaming climate change across sectors such as energy, agriculture and infrastructure, with the goal of establishing a climate-resilient economy and integrating climate resilience into infrastructure planning. Key themes, including Renewable Energy & Energy Efficiency, Climate Smart Agriculture and Disaster Risk Reduction, are consistently highlighted, alongside the necessity for international cooperation and private sector involvement.

However, these documents also reveal certain gaps. While they set ambitious targets and strategies, details on implementation mechanisms and financial sources are sparse. Despite the emphasis on data and monitoring, there is a lack of detail on addressing current gaps for effective planning and evaluation. The focus on adaptation and social impacts is limited and there is a need for better coordination among policies and MDAs in other economic sectors, such as Trade and Industry, to address the comprehensive challenge of climate action.

### Existing mechanisms & processes

The Medium-Term Expenditure Framework (MTEF) serves as a strategic planning tool, outlining the government's medium-term spending priorities, including allocations for national initiatives. It emphasizes a forward-looking approach, considering both current and emerging needs and aligning expenditures with national objectives.

## Moving from plans to action: Mainstreaming climate action into Nigeria's budget and economic planning

However, the effectiveness of the MTEF is contingent upon accurate revenue forecasting, fiscal discipline and robust monitoring and evaluation mechanisms.

In addition, Nigeria is implementing its Integrated National Financing Framework (INFF 2022)<sup>8</sup>. The INFF 2022 highlights the importance of integrating SDGs into budgetary planning and execution and suggests several mechanisms such as "SDG-informed MTEF/MTRF, data collection on SDG financing, participatory budgeting, parliamentary oversight on SDG alignment, SDG-aligned budget performance reports, SDG tagging, SDG audits, etc." These mechanisms aim to ensure that budget allocation and execution are in line with the country's SDG commitments. CRB/ GB type methodologies, such as SDG tagging, are present in the INFF. As SDG 13, climate change is identified in section 7.2.2. of INFF 2022 as a crosscutting theme.

**Consequently, given the ongoing implementation of the INFF, a decision will need to be made as to whether climate change should be mainstreamed independently or as one of the SDGs within the INFF.**

Outside of budgetary appropriation, the primary mechanism for allocating climate or green funds has been the Nigerian Sovereign Green Bond Program (NSGBP). A continental first, the NSGBP started in 2017. It grew via favorable regulations and issuer diversification, this catalyzed funding for renewable energy, energy efficiency and climate resilience projects. However, the market faces critical challenges such as: a) the lack of standardized impact measurement and reporting frameworks, b) transparency and accountability issues due to the lack of independent verification and c) limited accessibility and awareness among the investment public. Addressing these challenges will be crucial for the sustainable growth and effectiveness of the NSGBP.

### FMBEP role in national climate policy, legislation and action

Most national climate policy, legislation and action documents were developed before 2023 and may not make explicit reference to National Planning as a separate Ministry but may refer to it implicitly as a role, or as the National Planning Commission, or via actions of the Budget Office.

The Climate Change Act, 2021 (CCA, 2021) of Nigeria establishes a framework for addressing climate change, with specific mentions of national planning entities. The Act explicitly states that the Federal Ministry of Environment (FMEnv) shall consult with the "*Federal Ministry responsible for National Planning*" in setting carbon budgets for Nigeria.

While the CCA (2021) does not extensively detail the broader role of the "Ministry responsible for National Planning" in climate change mitigation and adaptation, it implies significant involvement. The emphasis of the CCA (2021) on mainstreaming climate action across various sectors suggests that the "Ministry responsible for National Planning" would play a crucial role in integrating climate objectives into national development plans and economic strategies. This includes aligning climate action with national economic priorities and ensuring budgetary support for climate initiatives.

The CCA (2021) mandates the formulation of a National Climate Change Action Plan, which should guide mitigation and adaptation efforts. The FMBEP, responsible for broader national development strategies, would be instrumental in integrating this Action Plan's objectives into overarching national development frameworks. Additionally, FMBEP's role in formulating and coordinating development plans at all government levels, positions it as a key player in ensuring climate considerations are embedded across various sectors and levels of governance.



However, the CCA (2021) could benefit from more explicit provisions outlining the FMBEP's responsibilities in mainstreaming climate change beyond carbon budgeting. Strengthening inter-ministerial coordination mechanisms, particularly between the NCCC and the FMEnv and the FMBEP, would enhance the effectiveness of Nigeria's climate action. Clarifying and reinforcing the role of national planning entities would be crucial for effectively integrating climate action into Nigeria's broader development and economic planning processes.

This oversight resulted in FMBEP not being provided with a separate and distinct membership of the NCCC to the FMF.

## Carbon Budgeting and the Role of FMBEP

The CCA (2021) delineates the responsibilities for carbon budgeting among key MDAs, establishing a framework that ensures systematic planning and accountability in addressing climate change. Central to this structure is the FMEnv, which collaborates with the Federal Ministry of National Planning (now FMBEP) to set the carbon budget. This collaborative effort underpins the nation's climate policy, reflecting a concerted governmental focus on sustainability.

FMEnv holds the primary responsibility for proposing and submitting the carbon budget to the Federal Executive Council (FEC) for approval. This task is cyclical, with a new budget required every twelve months, along with provisions for revisions, if necessary. Such periodic reviews guarantee that Nigeria's carbon targets remain responsive to evolving climate realities. Furthermore, the Ministry publishes climate vulnerability assessments at multiple levels, offering a crucial basis for adaptation strategies within the broader climate action framework. It may also issue guidelines to refine emissions measurement and reporting, thereby informing future budgets with precision.

The Secretariat of the NCCC is tasked with monitoring and reporting on the alignment of national emissions within the set budget. This role is critical to ensuring that the country adheres to its emissions targets, reinforcing accountability at the national or sovereign level in line with its international commitments. As an intermediary, the NCCC further acts as a conduit for the carbon budget's journey to the FEC, adding a layer of review and potential recommendations.

In summary, the responsibilities are distributed to ensure a cohesive approach, with the FMEnv at the helm, supported by a network of oversight and collaboration from key governmental institutions. With its experience in socio-economic data, research and information via NBS and NISER, the FMBEP can provide the technical capacity in the development of the MRV strategy and implementation plans that will form the basis of a National Carbon Accounting Framework.

## Stakeholder perspectives: Challenges & opportunities

From discussions with stakeholders, there were two overriding themes around a) obtaining funding given the current domestic and international economies and b) coordinating efforts among parties to achieve impact.

- ▶ **Funding and finance:** The current domestic and international economic landscape presents a complex environment for climate finance in Nigeria.
  - ▶ Domestically, high inflation and interest rates, currency depreciation and the domestic energy crisis have put a strain on the government's fiscal capacity and diverted resources away from climate action. Implicitly, a greater role will be required of the private sector; however, the recapitalization of the domestic banking sector will inevitably reduce their participation, leading to the need for greater participation of domestic capital markets.
  - ▶ Internationally, a global slowdown and competition for climate funds will make it more difficult for Nigeria to secure adequate international support. Despite this, opportunities lie in leveraging Nigeria's green growth

potential and attracting private sector investment in renewable energy and climate-smart agriculture. Strategic approaches that address these complexities and capitalize on emerging opportunities will be crucial if Nigeria is to secure the necessary funding for its climate action goals.

- ▶ **Coordinating efforts for impact:** Significant effort will be required to coordinate and drive stakeholders in a common direction. Currently all climate initiatives are to be coordinated by and routed through the Special Presidential Envoy on Climate Action rather than the NCCC.
  - ▶ As mentioned, the ongoing INFF implementation provides a template for mainstreaming and financing the SDGs, however, it is not clear if climate action will use this mechanism or be treated separately. In addition to this, it is unclear how national climate action plans and initiatives will be originated and prioritized. The NCCC – of which the FMBEP is a direct member – is operational but not effective; whilst FMBEP is not represented within the Presidential Committee on Climate Action and Green Economic Solutions (PC-CAGES).
- ▶ **National MRV system:** Private Sector stakeholders mentioned that the lack of a national MRV system impacted their ability to fully utilize carbon financing tools.
  - ▶ National MRV systems are essential for effective climate action. They track emissions to ensure alignment with carbon budgets and NDC targets, and if designed accordingly, they can also monitor the impact of climate finance. This transparent data allows for informed decision-making, efficient resource allocation and accountability in achieving global climate goals.<sup>9</sup>
- ▶ **Increasing climate risk premiums:** Underscoring the urgent need for climate action and national policy on climate risk, climate change is escalating the cost of capital in emerging markets and developing economies via increased risk perception due to:
  - ▶ **Physical risks:** Climate-related events, like floods and droughts, cause direct economic damage and disrupt business operations.
  - ▶ **Transition risks:** The shift to a low-carbon economy creates policy and technological uncertainties, potentially disrupting economic models and hindering competitiveness.
  - ▶ **Financial risks:** The potential for stranded assets and climate-related litigation deters investment, increasing the perceived risk and cost of capital.



## Recommendations

The following are the immediate recommendations from this brief analysis.

- ▶ **Climate action mainstreaming methodology:** The FMBEP should consider a methodology to adopt into the current INFF work program. A balanced or mixed (GB and CRB) approach is recommended. A focus on risks and impacts implies CRB; however, this requires detailed data (discussed below); a focus on sustainability implies GB. Both will be required.
  - ▶ The FMBEP should perform an in-depth needs analysis of climate mainstreaming objectives.
  - ▶ The FMBEP should designate key areas for piloting and a roadmap towards full national implementation.
- ▶ **Membership of the PC-CAGES:** The FMBEP is not represented on the PC-CAGES; however, FMF is. This appears to have been an oversight.
  - ▶ The FMBEP should propose itself for membership of the PC-CAGES.
- ▶ **Membership of Intergovernmental Committee on Carbon Market Activation Plan (IC-CMAP).** The FMBEP is not represented on the IC-CMAP; however, FMF is. This also appears to have been an oversight, given its role in carbon budgeting.
  - ▶ The FMBEP should propose itself for membership of IC-CMAP.
- ▶ **Membership of the Sustainability/Climate Finance Working Group (S/CFWG).** The INFF is led by the FMF. It is understood that an S/CFWG – under the chair of FMF – is underdevelopment to bring together public and private sector stakeholders in the domestic finance and banking sectors.
  - ▶ The FMBEP is to meet with the FMF to action its membership of S/C-FWG.
- ▶ **Establishment of a National Sustainability/Climate Research and Data Group.** The national requirement for credible data, reports and metrics underpins a significant part of climate action and finance.
  - ▶ The FMBEP (via NBS and NISER) should work with PC-CAGES, the NCCC and private sector specialists to develop the data infrastructure to support current and future national climate policy and action.
  - ▶ The FMBEP (via the NBS and NISER) should work with the PC-CAGES, the NCCC, state governments and private sector specialists to develop State Adaptation Plans.

## References

- Allan, S., & Nicholson, K. (2021). *Inclusive budgeting and financing for climate change in Africa: The integration of climate change into budgeting and finance*. Collaborative Africa Budget Reform Initiative (CABRI).
- Bellon, M. & Massetti, E., (2022) *Planning and Mainstreaming Adaptation to Climate Change in Fiscal Policy*. (IMF Staff Climate Note 2022/003). International Monetary Fund.  
<https://www.imf.org/en/Publications/staff-climate-notes/Issues/2022/03/16/Planning-and-Mainstreaming-Adaptation-to-Climate-Change-in-Fiscal-Policy-512776>
- Bhandary, R. R. (2024). The role of institutional design in mobilizing climate finance: Empirical evidence from Bangladesh, Brazil, Ethiopia and Indonesia. *PLOS Climate*, 3(3), e0000246.
- Coalition of Finance Ministers for Climate Action (CoFMfCA). (2023). *Strengthening the role of Ministries of Finance in driving climate action: Key messages for Finance Ministers and policymakers*.
- Dagne, A., Elliott, C., Corfee, J., & Tsehay, S. (2022). *Mainstreaming climate change in Ethiopia's planning process: A path to a climate-resilient green economy*. World Resources Institute.
- FDRE. (2020). Federal Democratic Republic of Ethiopia. (2020). *Ethiopia's Climate Resilient Green Economy National Adaptation Plan Implementation Roadmap*. Environment, Forest and Climate Change Commission. <https://napglobalnetwork.org/wp-content/uploads/2020/08/napgn-en-2020-Ethiopia-climate-resilient-green-economy-nap-roadmap.pdf>.
- Federal Ministry of Environment, Federal Republic of Nigeria. (2012). *FGN National Climate Change Policy*.
- Federal Ministry of Environment, Federal Republic of Nigeria. (2021). *FGN National Climate Change Policy for Nigeria*.
- International Monetary Fund. (2024, January 19) *Uganda: Technical Assistance Report-PFM Climate Assessment: Public Investment & Fiscal Risks Management*. IMF eLibrary. <https://www.elibrary.imf.org/view/journals/019/2024/012/article-A001-en.xml>
- Local Development Partners Group. (2023, August 28). *PEFA Climate Responsive Public Financial Management Assessment Report*. <https://www.idpg.or.ug/wp-content/uploads/2023/09/PEFA-CGRPFM-Climate-Assessment-Report-28-Aug-23-Vol.3.pdf>.
- Mogelgaard, K., Dinshaw, A., Ginoya, N., Gutierrez, M., Preethan, P., & Waslander, J. (2018). *From planning to action: Mainstreaming climate change adaptation into development*. World Resources Institute.
- OECD. (2023). *Green budgeting: Governing green through the budget cycle*. OECD Publishing.
- OECD. (2024). *Beyond green tagging: Linking budgets better with climate goals*. OECD Publishing.
- United Nations Development Programme (UNDP). (2021). *A guidance note for governments to integrate climate change into budgeting with a focus on medium-term budgets*.
- UNDP. (2012). *Mainstreaming climate change in national development processes and UN country programming: A guide to assist UN country teams in integrating climate change risks and opportunities*.
- World Bank. (2020, August 20). *Faster Access to Better Financing for Emergency Response and Resilience in Kenya*. <https://www.worldbank.org/en/country/kenya/brief/faster-access-to-better-financing-for-emergency-response-resilience-kenya>
- United Nations Framework Convention on Climate Change. (2024, March 14). *From Vision to Reality: NDCs 3.0 – bending the curve*. [https://unfccc.int/sites/default/files/resource/message\\_to\\_parties\\_ndcs\\_3.0.pdf](https://unfccc.int/sites/default/files/resource/message_to_parties_ndcs_3.0.pdf)
- UNICEF. (2023). *Uganda National Budget Brief 2023-2024*. <https://www.unicef.org/esa/media/13256/file/UNICEF-Uganda-National-Budget-Brief-2023-2024.pdf>



## Appendix

### A1. Similarities and differences between CRB and GB

Both CRB and GB share the fundamental goal of integrating climate change considerations into public financial management. They both utilize budget tagging as a tool, albeit with different focuses (climate vs. environment). Both approaches face challenges in terms of capacity building, data availability and institutional coordination. However, they offer distinct opportunities for addressing climate change and promoting sustainable development.

Feature	Climate-Resilient Budgeting	Green Budgeting
<b>Focus</b>	Primarily on adaptation to climate change impacts.	Encompasses both mitigation (reducing emissions) & adaptation.
<b>Scope</b>	Often narrower, targeting specific climate vulnerabilities and sectors.	Broader, integrating environmental considerations across all sectors and policies.
<b>Tools &amp; Methodologies</b>	CPEIR, PEFA climate module, climate budget tagging, CCIA.	Green budget tagging, EIAs, macro-fiscal models.
<b>Application</b>	More prevalent in developing countries, often with support from international organizations.	More established in OECD countries, with increasing adoption in developing countries.
<b>Challenges</b>	Limited capacity, data availability, institutional coordination, aligning with development goals.	Moving beyond tagging, integrating with broader economic and fiscal policies, ensuring political commitment.
<b>Opportunities</b>	Enhancing resilience, protecting development gains, accessing climate finance, improving risk management.	Promoting sustainable development, reducing emissions, aligning budgets with climate goals, attracting green investments.

## A2. A balanced approach: Integrating GB and CRB

A balanced approach to addressing climate change within a country's budget necessitates harnessing the strengths of both GB and CRB. These approaches, rather than being mutually exclusive, work best in tandem. GB focuses on aligning a country's financial management with overarching environmental and climate objectives. It achieves this through various mechanisms such as CBT, which classifies budget items based on their environmental impact. Several countries, including Kenya, are developing such systems. GB also advocates for integrating climate considerations into budget circulars, guiding ministries to align spending with national climate strategies. Additionally, it promotes **green public procurement** and encourages the issuance of **green bonds** to mobilize resources for eco-friendly projects.

CRB, on the other hand, emphasizes building resilience to the unavoidable impacts of climate change. CRB starts with **assessing climate risks** and vulnerabilities, aiming to understand how climate change might impact government finances and service delivery. These assessments then inform project appraisals and investment decisions, ensuring resilience against climate impacts. CRB also advocates for developing and implementing specific **climate adaptation plans**, setting targets and allocating resources for these measures. Finally, it recognizes the disproportionate impact of climate change on vulnerable communities, advocating for stronger social protection systems.

A balanced approach would strategically combine these strengths. GB would ensure that public finances are strategically aligned with broader climate goals, with transparent and accountable climate-related spending. CRB would run parallel, focusing on anticipating and managing risks, integrating adaptation into budgetary planning and building resilience across all government operations.

Several concrete examples illustrate this balanced approach. A key aspect is **strategic planning and budgeting**, where climate change is interwoven with national development plans and medium-term budget frameworks. This might involve:

- ▶ **Comprehensive climate risk and vulnerability assessments:** Cabo Verde's **Strategic National Agenda for Climate Resilience** provides an excellent example of such an assessment. By understanding its unique vulnerabilities, Cabo Verde can tailor its budget to focus on the most pressing climate risks.
- ▶ **Developing costed climate change strategies:** This means not only identifying necessary climate actions but also determining their financial implications and how they will be funded. Ethiopia's experience with integrating climate change into its ten-year development plan, including using budget tagging to track climate-related expenditures, offers valuable insights.
- ▶ **Clear institutional frameworks for coordination:** Establishing a dedicated climate finance unit within the MoF, as seen in Cabo Verde, can help streamline climate action across different government departments.

The balanced approach extends to **budget formulation and execution**. Budget circulars can explicitly mandate ministries to consider climate risks and align spending with national strategies. Strengthened climate budget tagging systems can track and monitor spending effectiveness. Furthermore, integrating climate risk assessments into public investment guidelines, as Ethiopia has done, ensures that infrastructure projects are resilient to climate impacts.

Finally, **monitoring, evaluation and reporting** are crucial for a successful balanced approach. Robust frameworks for tracking progress on mitigation and adaptation targets are essential. This data should then inform regular reviews



and updates to climate change strategies. Transparent reporting on climate-related expenditures and the impact of climate action is vital for accountability.

A balanced approach using both GB and CRB provides a comprehensive framework for integrating climate action into national budgeting. By combining strategic planning, informed budget allocation and robust monitoring, countries can ensure that their public finances are not only environmentally sustainable but also, resilient to climate change.

## Endnotes

- 1 <https://budgetoffice.gov.ng/>
- 2 <https://nigerianstat.gov.ng/>
- 3 <https://niser.gov.ng/>
- 4 <https://nationalplanning.gov.ng/wp-content/uploads/2022/10/REVIEWED-NIIMP.pdf>
- 5 [https://nationalplanning.gov.ng/wp-content/uploads/2021/12/NDP-2021-2025\\_AA\\_FINAL\\_PRINTING.pdf](https://nationalplanning.gov.ng/wp-content/uploads/2021/12/NDP-2021-2025_AA_FINAL_PRINTING.pdf)
- 6 [https://climatechange.gov.ng/wp-content/uploads/2021/08/NCCP\\_NIGERIA\\_REVISED\\_2-JUNE-2021.pdf](https://climatechange.gov.ng/wp-content/uploads/2021/08/NCCP_NIGERIA_REVISED_2-JUNE-2021.pdf)
- 7 <https://www.energytransition.gov.ng/wp-content/uploads/2022/05/Investing-in-Nigeria-Energy-Transition.pdf>
- 8 <https://www.undp.org/nigeria/publications/nigeria-integrated-national-financing-framework>
- 9 To better understand MRV and Carbon budgeting, visit: <https://www.worldbank.org/en/news/video/2022/07/27/understanding-the-measurement-reporting-and-verification-mrv-of-carbon-credits>



## About APRI

APRI – Africa Policy Research Institute is an independent and nonpartisan African think tank. It researches key policy issues affecting African countries and the African continent. APRI provides insights into the German and European Union policy-making processes on Africa. In addition, APRI provides policy options to African policymakers and civil society actors.

---

## Contact

Dr. Olumide Abimbola  
Executive Director, APRI  
[oabimbola@afripoli.org](mailto:oabimbola@afripoli.org)

---

## License

License: Creative Commons (CC BY-NC-ND 4.0)  
<https://creativecommons.org/licenses/by-nc-nd/4.0>