

The Role of Capital Markets in Achieving the Sustainable Development Goals

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Sustainable Development Goals (SDGs)

- Over the last two decades, the global challenges of poverty, inequality and climate and underscored the need for action.
- This need for action is needed especially in developing economies.
- This led to the Agenda 2030 for Sustainable Development which was unanimously endorsed by member states of the United Nations.
- The agenda signals a significant shift in the understanding of development, integrating the social, economic, and environmental dimensions of sustainable development into a common framework and putting vulnerable people and the planet at the center of efforts.

- The Sustainable Development Goals (SDGs) which are 17 in number, are a universal call to action established by the United Nations (UN) to end poverty, protect the planet, and ensure global peace and prosperity.
- This call to action was adopted by all UN member states in 2015 and is designed to be achieved by 2030.
- Achieving the 17 SDGs by 2030 requires investing at least **US\$5-7** trillion annually (Teresa Bosch Badia et al., 2018).
- Mobilizing financial resources at an unprecedented scale is, therefore, a crucial priority.

- The 17 SDGs cover broad areas including poverty eradication, health, education, gender equality, environmental protection and economic growth.

1. No Poverty
2. **Zero Hunger**
3. **Good Health and Well-Being**
4. Quality Education
5. **Gender Equality**
6. Clean Water and Sanitation
7. **Affordable and Clean Energy**
8. Decent Work and Economic Growth
9. Industry, Innovation and Infrastructure

10. **Reduced Inequalities**
11. **Sustainable Cities and Communities**
12. Responsible Consumption and Production
13. **Climate Action**
14. Life Below Water
15. Life on Land
16. Peace, Justice and Strong Institutions
17. Partnerships for the Goals

SUSTAINABLE DEVELOPMENT GOALS



- The agenda signals a significant shift in the understanding of development, integrating the social, economic, and environmental dimensions of sustainable development into a common framework and putting vulnerable people and the planet at the center of efforts.

Capital Markets

- Capital markets are markets for long-term funds.
- Funds are channeled from the surplus sectors of the economy to finance the deficit sectors.
- Capital markets are financial ecosystem where individuals, business and governments raise, buy, and sell long-term debt and equity-backed securities (like stocks and bonds).
- Bridging the gap between surplus capital (investor) and those who need funds for productive, long-term use.
- Clarifying the role of capital markets in financing the SDGs can sharpen the focus on capital markets in the broader context of the financing challenge and help in identifying concrete solutions.

Capital Markets and Sustainable Development

- Sustainable development is defined as the enhancement of the quality of life of all people, within the planet's limits (Teresa Bosch Badia et al., 2018).
- The 2030 Agenda for Sustainable Development is directed towards multiple aspects of human welfare.
- Governments and multilateral organizations are mobilizing national and international financial resources to finance the SDGs
- Financing mechanisms comprising foreign direct investment and carbon markets currently mobilize approximately US\$ **80** billion per year.

Capital Markets and Sustainable Development

- An estimated annual financing gap of US\$ **2.5** trillion exists.
- Capital markets, encompassing public equity, public debt, private debt, blended finance and other innovative instruments, mobilize a second track of resources that can partially fill this financing gap (approximately 15%).
- Capital markets have become agents of change by channeling private capital towards projects incorporating environmental, governance and social factors.



- They contribute additional resources to the financing of sustainable development in three ways:
 1. by allocating additional financial resources to projects with positive social and environmental outcomes;
 2. by increasing the efficiency of resource allocation towards these projects; and,
 3. by signaling the acceptance of social, governance and environmental factors.
- Internationally, it is recognized that financing sustainable development is a priority.
- The financing mechanism already in place currently mobilizes approximately US\$ **80** billion annually towards sustainable development, whereas the requirement exceeds US\$ **2.5** trillion.

- Domestic and international capital markets are increasingly interested in contributing towards this challenge through equity, bonds and blended finance.
- The financing mechanisms presently considered to meet these SDG-capital tend to focus on public sector financing and the role of development banks.
- Attention is drawn to capital markets as a significant potential source of funding on a worldwide scale accessible to all developing and emerging economies.



How Capital Markets Drive the SDGs

- Green Bonds
- Social and Sustainable Bonds
- Sustainability Linked Loans
- Impact Investing



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Green Bonds

- Green bonds are debt instruments which directly finance environmental projects.
- Directly advancing **SDG 13** (Climate Action) and **SDG 7** (Affordable and Clean Energy).





Nigerian Green Bonds

- Nigeria's Green Bond market includes sovereign and corporate debt instruments exclusively used to fund environmentally sustainable climate-resilient projects , such as renewable energy, afforestation, and clean transportation.
- Corporate Green Bonds of a value amounting to **N32.83** billion have been issued in Nigeria.
- Sovereign Green Bond(s) of a value amounting to **N25.69** billion have been issued in Nigeria.
- A total of 928 capital markets beneficiaries have benefited from the Nigerian Green Bond Programme



Green Bonds in Nigeria

- Nigeria became the first country in Africa to issue a **Sovereign Green Bond**. – the Federal Government has issued three Sovereign Green bonds.
- Private companies (such as banks and manufacturing firms) and state governments issue corporate and sub-national green bonds to finance localized sustainability initiatives.
- Green bonds in Nigeria are typically tax-exempt and qualify as liquid assets for banks and approved investments for pension funds.
- These instruments are listed on The Nigeria Exchange (NGX) and the FMDQ Exchange.

Social and Sustainable Bonds

- Capital raised here targets human development such as affordable housing (**SDG 11**), healthcare (**SDG 3**), and Gender equality (**SDG 5**)



Social and Sustainable Bonds in Nigeria

- Social and sustainability bonds in Nigeria are debt instruments whose proceeds are exclusively used to finance or refinance projects with positive social or combined environmental and social benefits.
- In 2021, the Securities and Exchange Commission issued the new rule on Social bonds (the “**Social Bond Rules**”) to regulate the issuance of social bonds in Nigeria.
- Social bonds are a new way to finance social services and development projects.
- They create positive and social impact, they are considered useful instruments stacked with opportunities not just for their target communities, but also, for both issuers and investors (<https://www.gelias.com>).

11 SUSTAINABLE CITIES
AND COMMUNITIES



Social Bonds in Nigeria

- Gender Bonds: dedicated to women's empowerment, closing the gender gap, and financing female-led businesses.
- Affordable Housing Bond: proceeds are channeled to finance low-cost or affordable housing projects for low-income earners and marginalized populations.
- Healthcare and Education Bonds: used to build or upgrade hospitals, clinics, schools, and vocational training centers in underserved communities.
- Employment Generation Bonds: focused on funding Micro, Small and Medium Enterprises (MSMEs) and supporting capacity-building programs to mitigate unemployment.



Sustainability Bonds in Nigeria

- Renewable Energy and Agriculture: funding solar power installations for rural clinics alongside scalable, sustainable agriculture initiatives for impoverished communities.
- Resilient Urban Infrastructure: constructing integrated urban infrastructure that tackles both climate change (e.g. flood defenses) and social needs (e.g. public sanitation facilities in slums)
- Sustainable Water and Sanitation: Projects providing clean drinking water and proper sanitation while maintaining sustainable environmental stewardship.

3 GOOD HEALTH
AND WELL-BEING



Sustainability Linked Loans (SLL)

- Corporate borrowing are tied to the company's performance on specific sustainability targets, driving broad corporate accountability across the SDG spectrum.
- Sustainability-linked bonds are forward looking corporate instruments.
- In Nigeria, banks and corporate issuers use sustainability linked bonds to commit to financially and structurally achieving ambitious, predetermined sustainability performance targets within a set timeline.

Impact Investing



- Dedicated ESG mutual funds and private equity vehicles intentionally allocate capital to address pressing societal challenges, supporting goals like Zero Hunger (**SDG 2**) and Reduced Inequalities (**SDG 10**).

THANK YOU FOR LISTENING

