

## Nigerian Institutional Investors Roundtable & Knowledge Sharing Session

A Roundtable Discussion for Institutional Investors to Unlock Gender-Lens, Climate-Aligned and Inclusive Infrastructure



### Background

Convergence, InfraCredit and the Nigeria Sovereign Investment Authority (NSIA) working alongside PENOP, and other partners are exploring the prospects of a strategic initiative aimed at promoting gender lens investing, impact investing as well as climate finance as a way of unlocking capital flows to climate-smart, resilient and sustainable infrastructure projects. Convergence is keen to pilot this concept in Nigeria alongside InfraCredit and institutional investors and is exploring its feasibility in other markets. This initiative is anchored on a theory of change founded on the institutions' knowledge and experience in financing green infrastructure projects with a gender-lens.

The Theory of Change sees the mobilization of large volumes of local capital being deployed to well-structured and de-risked infrastructure projects through creating targeted programme with institutional investors. The focus is to therefore enable more projects to succeed (financially

and economically) by creating and facilitating investment in gender inclusive viable assets. The long-term outcomes include more inclusive societies that benefit everyone, empowered women, economically franchised and healthy populations, and environmental sustainability.

The initiative seeks to pilot the concept of building local investors capacity in infrastructure appraisal through these lenses to help close the funding gap for infrastructure development, while enabling investors to create better performing, diversified investment portfolios. The initiative will leverage the strengths and expertise of Convergence, InfraCredit, and NSIA to support infrastructure investment appraisal.

## Strategic Objective

The strategic intent is mobilizing local currency financing from domestic institutional investors, with a particular focus on Pension Funds and Insurance Firms to finance critical climate resilient infrastructure projects in Nigeria, using blended finance approaches for risk mitigation including case studies and project pipeline.

Hold breakout sessions for participants to discuss the potential opportunities in adopting a Consortium Approach towards scaling SDG-aligned infrastructure investments through blended finance mechanisms to achieve positive environmental and social outcomes.

The expected outcome of the session is to secure the interest of the institutional investors in joining the Nigerian Institutional Investors Consortium.

## Participants

The roundtable session attracted 89 participants across 30 domestic institutional investors including 21 Pension Funds, 6 Insurance Companies and 3 Asset Managers



## Summary of Feedbacks from Domestic Institutional Investors

### **SDG Related Investment**

Interest in SDG related investment ranges from low to medium across the investors albeit interested in SDG investments that earn decent returns at the minimum. Sourcing of such investment come directly from the sponsors and advisors who present them to the PFAs and Asset Managers

### **Constraints to Investing in SDG Related Investment**

Convincing the Board to invest in SDG related investment at the expense of the return objective. There is lack of market knowledge about alternative investments and innovative products and PFAs are concerned about safety of capital. To address these constraints, suggestions made include;

- Incorporating SDGs investment quota that aligns with the company's goals and strategy
- Investor education
- Providing larger forum for knowledge sharing amongst all stakeholders: regulators, PFA, pension contributors, InfraCredit

### **Incorporating ESG considerations in investment decision making process and investment strategy**

This is considered during the appraisal of the investment. The Co-due diligence session organized by InfraCredit has been useful in understanding ESG issues in project

### **Return Expectations on SDG related project relative to other asset classes**

Return expectations are high due to current high yield environment and inflation. There is also steep competition in the industry due to transfer window which makes it possible for contributors to move their pension away from operators who are not earning the desired returns

### **Participation in Blended Finance Transactions**

Most investors have not participated in any blended finance transactions (save for the few insurance companies that invested in the Darway coast project) though have invested in InfraCredit guaranteed projects before and they are interested in blended finance opportunities

### **Preferred Risk Mitigation Instruments for Investment Assessment**

Preference is for guarantees. The introduction of a guarantee or credit enhancement to an SDG related investment opportunity would change perception of risk within this space even though credit guarantee instruments might increase the all-in cost of projects which reduces return, they are essential and will improve the risk cover.

### **International organizations, acting as co-investors and impact on investment decisions**

The presence of international organizations improves credibility, which may potentially strengthen the rating of the issue or project

### **Willingness to work with other investors under a consortium arrangement on SDG related investments**

Most of the investors expressed willingness to be part of a consortium arrangement because a consortium model brings together different players with varying expertise and is a platform for capacity building. For example for a healthcare investment, a consortium might include the healthcare professionals. However, challenges to a consortium arrangement include resource commitment, balancing the objectives of participants which might be conflicting

### **Investors Portfolio Composition**

Most of the portfolios consist majorly of low-risk instruments such as government bonds, treasury bills and money market instruments

### **Investment Considerations**

Other than returns, the most important considerations are safety, liquidity, and integrity/ governance structure of the project sponsor

### **Structures that appeal when considering investment opportunities**

Fixed income structures garner more appeal from investors because of certainty and periodicity of the income streams

## Roundtable Survey Outcome

### **Willingness to participate in a knowledge sharing, learning and development program targeted at promoting gender lens and impact investing**

All the respondents expressed willingness to participate in a knowledge sharing, learning and development program targeted at promoting gender lens and impact investing

### **Previous participation in capacity building programme on infrastructure project financing**

Save for a few, most of the respondents had previously participated in capacity building programme on infrastructure project financing

Willingness to invest in a well-structured and de-risked gender and impact driven infrastructure project

All the respondents indicated willingness to make this investment provided it is adequately derisked.



INVESTOR'S  
**ROUND TABLE  
DISCUSSION**