



Integrating Sustainability to Secure Project Investment

How Investors are Leveraging Financial Resources to Achieve a Sustainable Future

In the global Project Finance arena, one concept – Sustainability - is riding high and moving to the centre fuelled by the growing Climatic Crisis. As the effects of climate crisis become apparent and as the Sustainability narrative evolves, Investors are envisioning a better world and attempting to address our planets' sustainability challenges by redirecting capital. Find out what must be considered in transforming the way in which we conduct business and what Project Architects can do to ensure compliance.

Embedding Sustainability

Idea in Brief:

The concept of a Sustainability has taken long to be embraced globally as it was deemed more as an idealistic concept.

However, with the climate change realities, the idea is swiftly moving to the spotlight.

Project Finance demands are tightening with environmentally conscious investors having a significant influence and leverage on business practices.

Sustainability concerns are influencing perceptions of Project suitability and hence project Funding.

Accordingly, sustainable projects are drawing more investments and projects that score poorly in sustainability losing out.

This article is really about rethinking the utility of embracing sustainability and transitioning existing projects to become Sustainable.

The Climate Crisis – Past, Present and Future

Recent decades have seen rapid development prioritized over sustainability.

Bad projects (those with poor ESG metrics) were implemented mainly within manufacturing and the heavy industry sectors.

After decades of inaction, the world is slowly awakening to climate change realities – pollution from carbon emissions, floods, wildfires, natural disasters, and inequality are some results of failure to act.

Today, the concept of sustainability is a key concern that requires immediate attention.

Sustainability Based Investment - Raising the Bar

Players in the International Development space (global development institutions and Private finance lenders) are responding effectively to the climate change menace by leveraging their financial power to mitigate the effects of climate change, curb further degradation of the environment and influence 'green' economic growth.

These wielders of capital are increasingly channeling their financial resources to sustainable projects and products as they recognize that sustainable projects have both local and global benefits and deliver better returns on a variety of metrics.

The recent move by the European Union's (EU) to make Europe the first mover in international climate policy is a case in point where project finance will be leveraged to shift the world on to a sustainable and resilient path.

EU's climate strategy of attaining net zero emissions by 2050 is laid out in a set of broad policy initiatives referred to as European Green Deal (EGD).

The EGD has far reaching implications for Africa. It is set to impact Agriculture by demanding compliance to sustainable global food standards, lead to lower demand for fossil fuels; boost biodiversity, the circular economy and sharing of new technologies.

More importantly, it will impact financing. Majority of projects in Africa and other developing nations globally, are actualized through external funding – grants or loans from development partners such as the EU and World Bank.

Africa must embrace sustainability and align with the net-zero agenda as a prerequisite to access investment. Yet, to effectively do so, ESG metrics will come to the fore.

Sustainability is now not a good concept but a 'must-have' as the business and economic case for Sustainability applies globally. Nonetheless, beyond the initiatives and pledges some countries continue to bear more of the brunt than others and require more investments in mitigation.

Embedding Sustainability

Idea in Practice

The current trend in financing projects is *'No ESG, No Capital'*.

Investors and financiers are leveraging financial resources to achieve a sustainable future.

On the flip side, it is possible to influence finance flows into a country or project with clear strategies and action.

This entails adapting to this new development including developing policies and blueprints on sustainability and more importantly putting these policies into action.



With Development Prioritized Over Sustainability, the Climate Crisis Threatens Our Future

Link Between Investment & A Sustainable Future:

A lot of the development assistance will be applied towards sustainable projects with low emission and which are resilient.

Climate funds to developing countries from the European Investment Bank (EU's lending arm), stands at \$6.7 Bn.

The global market for ESG Loans and Bonds has grown 10 fold in the last five years from **150 Billion Euros** (2016) to **1 Tn Euros** (2021).

Advocating Sustainability

Hitherto, there has been a huge disparity between policy and practice on the sustainability agenda. Indeed, there are projects across the world that continue to denigrate lives and the environment. A good number of these are to be found in developing nations.

There's value in advocating sustainability *not primarily to secure investment, but for purposes of securing the future.*

However, eligibility for financing will increasingly be tied to sustainability. Governments and institutions prospecting for finance must keep in mind that investors exercise choice in regard to which projects to fund.

They are increasingly biased towards sustainable projects and placing a premium on sustainability over return.

The challenge to project architects is therefore about how to move these monies to where they are required. This refocus is central to achieving global Sustainability goals.

We do not own the future, rather we are custodians of it for future generations.

To improve prospects of funding, a good investment project must prioritize sustainability by incorporating Environmental metrics into the project.

Alternatively, it may call for greening an existing project to ensure that the project is sensitive to the needs of the environment and is not a disincentive to efforts mitigating climate change effects.

Embedding Sustainability

Call for a New Approach

Increased prominence of Sustainability calls for a new approach in Financing Projects.

Whereas there is no shortage of finances globally, financiers are focusing at Sustainability.

It is worth noting that even where a project is well conceived with the relevant analyses and high ROI it may fail to get funding if it has poor Sustainability metrics.

Consequently, project architects (especially in the Energy and Infrastructure sectors) must envisage projects differently and approach financing differently.

Our Role: *Prospects & Actions*

We must look at sustainability as a vital central pillar to life on the planet. There are actions that we can take to accelerate sustainability. Co-creating the future through Sustainable projects is one way to influence sustainability.

Policy Action for Shared Growth

Governments have a regulatory role to play in driving the Sustainability agenda and inspiring shared growth – strengthening the bottom line while securing the lives and livelihoods of individuals. This is a dynamic journey that requires bold policy action to influence the direction of business and ensure that projects do not harm the environment.

Putting Policies into Action ‘Towards a Better, Greener and More Inclusive Future’

Global and National Sustainability Objectives must be pursued more strictly. In my view, there is ample data and research that can be harnessed to make informed decisions and help us align towards sustainability. These include the Sustainable Development Goals (SDGs) and other more focused platforms promoting Sustainability.

Private-Public Partnerships (PPP)

Leveraging limited public resources within Public-private partnerships (PPPs) will be instrumental in scaling energy projects and/or greening infrastructure projects.

Future Prospects – *How we can benefit from the global Sustainability investment*

We can move further and faster towards sustainability - and the time to act is now. Project Architects must act as custodians of the future by envisaging projects in a different way and approaching project investment differently.

We must also take advantage of new economic opportunities created by the climate change mitigation agenda. Nations in Africa can boost their manufacturing sector by creating industries within the circular economy to help reuse and recycle materials.

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The views expressed in this article are those of the author and are not necessarily endorsed by the firm

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