

INSIGHT

Brief

WHO WILL BUILD NIGERIA'S GREEN ECONOMY?

The funding gap facing early-stage
women-led green businesses

*The
missing middle:
Where capital
and pipeline
disconnect*

A Publication by
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Opening

Nigeria is undergoing a green transition, opening up new markets across renewable energy, clean cooking, climate-smart agriculture, circular economy and green services.

Across these sectors, many of the enterprises closest to households and communities particularly in distribution, processing, and last-mile service delivery are led by women. Nigeria has approximately 39.7 million MSMEs, of which 39 million are micro enterprises with women estimated to account for close to half of micro enterprise ownership.¹²³ Yet these businesses remain largely invisible to formal investment pipelines. A financing gap of over US\$158 billion still stands and affects this specific segment.⁴

Most available capital is structured to favor larger, more mature enterprises with proven scale, stronger collateral and clearer pathways to repayment or exit. This creates a structural mismatch: the businesses most relevant to inclusive green growth are not the ones most eligible to existing finance. Many of these enterprises are already active in trade and distribution networks, but remain at a micro and largely informal scale, limiting their ability to participate in formal regional markets.

At the same time, regional integration under the African Continental Free Trade Area (AfCFTA) is expanding access to a market of over 1.3 billion people. Without access to appropriate finance, many women-led green enterprises are unable to scale into these opportunities.

In a context of tightening development finance and increasing pressure to deploy capital efficiently, financing early-stage green enterprises is not only an inclusion priority, but also critical to unlocking future markets.

With increasing climate pressures across energy, food systems, and urban resilience, financing early-stage enterprises is also essential for delivering real-world climate impact.

This brief highlights the financing gap facing early-stage women-led green enterprises and the opportunity that can be unlocked if they are financed.

Key Highlight

- 39.7 million MSMEs in Nigeria, 39 million are micro
- Women account for close to half of micro-enterprise ownership
- AfCFTA: 1.3 billion market
- US\$158 billion MSME financing gap

¹ World Bank (2022), *Nigeria Private Sector Diagnostic*, citing SMEDAN MSME Survey

² World Bank (2025), MSME finance constraints in Nigeria

³ International Finance Corporation (2022), *Nigeria MSME Finance Market Note*

⁴ International Financial Cooperation (2022), *Nigeria MSME Finance Market Note*

The Capital Story

Where capital is flowing and why early-stage businesses are left out

Section 1: How capital is currently deployed

Across Nigeria’s green finance landscape, capital is active but insufficient. An estimated US\$2.5 billion in climate finance is mobilized annually, representing only around 8% of the US\$29–30 billion required⁵. Capital allocation also remains misaligned, with more investment still flowing to non-sustainable activities.⁶

Key Highlight

Green business models are already commercially viable and capable of generating both revenue and cost savings; the World Economic Forum identifies over 50 investible opportunities across green sectors such as agriculture, recycling, bio-based materials and energy (*World Economic Forum, 2026*).

Categories of Capital Being Deployed

- Early-stage investors provide venture support but remain limited in scale and are highly selective.
- Growth capital and private equity target more mature businesses with proven scalability.
- Commercial banks provide SME and green lending but are constrained by collateral requirements.
- National DFIs expand access through long-term financing, often via intermediaries. Infrastructure investors focus on large, bankable projects, while multilateral institutions provide concessional finance and guarantees through intermediated channels.
- Enterprise support platforms such as the Tony Elumelu Foundation and AfriLabs support early-stage businesses through training, networks and seed funding. While they help build a pipeline of entrepreneurs, a gap remains between enterprise development and capital deployment creating a “missing middle” where businesses are not yet structured for investment.

Section 2: Why financing early-stage businesses matter

Nigeria’s labor market is overwhelmingly informal. 92.3% of employment is informal, rising to 96% for women⁷, while over 90.5% of working women are self-employed⁸

This structure is further reflected in the enterprise base; women are most concentrated at the micro level, accounting for 48% of micro firms compared to 38% of small firms and 27% of medium firms⁹. Global evidence reinforces the importance of SMEs as they generate over 50%

⁵ *Climate Policy Initiative, 2023; CPI, 2025*

⁶ *World Economic Forum, 2026; UNEP, cited in WEF, 2026*

⁷ *International Labor Organization [ILO], 2024*

⁸ ILO, 2024

⁹ IFC, 2022

of employment in developing economies¹⁰. The IFC asserts that every US\$1 million in SME lending can generate an average of 16.3 direct jobs over two years¹¹.

In the green economy, funding early-stage businesses presents a critical opportunity to build future investment pipelines, unlock underserved green markets, accelerate adoption of green technologies at the last mile and enable participation in regional markets under the African Continental Free Trade Area. For women-led green businesses often concentrated in distribution, installation, processing, recycling and green trade, this stage is critical to market development.

Section 3: Why early-stage businesses are left out

In a context of tightening development budgets and increasing pressure on both public and private investors to deploy capital efficiently, funding decisions are shaped by the need to deploy larger volumes quickly; pressure to demonstrate measurable impact; risk management, currency constraints and preference for lower transaction costs. These factors reinforce a bias towards fewer, larger investments.

Key Highlight

The financing gap is not only about volume, but about fit. Across venture capital, private equity, commercial lending and climate finance, most capital is not structured for the size, stage and business models of early-stage businesses.

Why Finance Women-Led Green Businesses?

Section 1: Where women-led green businesses operate

In Nigeria and across Africa, women-led green businesses are concentrated in segments such as solar distribution, clean cooking supply chains, agro-processing, recycling and green trade. These enterprises operate in the parts of the value chain closest to households – including distribution, processing and last-mile delivery.

As a result, they play a critical role in translating climate solutions into real-world impact. Not simply because they participate in these markets, but because they are concentrated in the segments that determine adoption. For instance, in distributed renewable energy markets, access depends on local distribution networks, trust and community engagement. Women-led distribution models such as those supported by Solar Sister demonstrate the ability to reach underserved and off-grid communities while providing customer education and after-sales support.¹² Similarly, in agro-processing and food systems, women are concentrated in post-harvest activities such as processing, marketing and trade. These businesses reduce losses, add value and connect production to markets, making them critical to food system resilience and climate adaptation. They are also critical to climate-smart agriculture, like drip irrigation systems for water conservation, linking production to markets.

¹⁰ *World Bank, 2017*

¹¹ *World Bank & IFC, 2017*

¹² Solar Sister, IEA, Clean Cooking Alliance (multiple sources on last-mile adoption)

Key Highlight

Green technologies only scale when they reach households. Women-led businesses dominate the last-mile segments that make this possible.

Section 3: The investment case for financing

A. Better financial performance

Evidence shows that gender-diverse firms and investment portfolios are associated with stronger financial performance. Analysis by the International Finance Corporation finds that funds with gender-balanced investment teams can achieve up to 20% higher returns, while companies with gender-diverse leadership have been linked to higher valuations and improved profitability¹³

B. Lower risk

Women-led enterprises have been shown to demonstrate strong repayment behaviors in credit markets. Evidence from financial institutions and gender-lens investors indicate that women-owned MSMEs often have lower default rates compared to the broader SME segment, reflecting more conservative financial management and stronger discipline.¹⁴

C. Large unmet market

Despite their economic significance, women-owned businesses remain significantly underserved by formal finance. Globally, women-led enterprises face an estimated US\$320 billion credit gap, representing a substantial unmet market opportunity for financial institutions and investors.¹⁵

D. Strong Business case

Beyond individual firm performance, investing in women-led enterprises is increasingly recognized as a commercially sound strategy. Evidence shows that gender inclusive investment approaches can improve portfolio performance, expand customer bases and unlock underserved markets, reinforcing that investing in women is both an economic and business imperative.¹⁶

Key Highlight

Financing early-stage enterprises is not only an inclusion priority, but also a pipeline strategy for building scalable, investable businesses and future markets.

¹³ International Finance Corporation (2022; 2025), *Gender and Investment Performance*

¹⁴ Accion (2023); IFC (2022)

¹⁵ Consultative Group to Assist the Poor (2021), *Gender Lens Investing / MSME Finance Gap*

¹⁶ IFC (2022;2017); CGAP (2021); Accion (2023)

Section 4: The AfCFTA; a market access opportunity

The African Continental Free Trade Area creates a single continental market of over 1.3 billion people opening new opportunities for regional value chains across agriculture, energy and manufacturing. However, participation in these markets requires businesses to scale production, meet standards and access trade finance-conditions many early-stage enterprises are unable to meet.

Regional green value chains are already emerging, particularly in climate smart agriculture, renewable energy and circular economy sectors. Women are not new entrants to these markets as they already play a central role in trade and distribution networks, including a significant share of informal cross-border trade.

However, limited access to finance puts a strain on their ability to scale. Without working capital, investment in equipment and access to trade finance, many businesses remain confined to local or informal markets and are unable to participate in formal regional value chains.

This presents a disconnect, whereby AfCFTA expands market access, but without financing, many women-led green enterprises cannot scale into these opportunities.

For the green economy, this represents a missed opportunity. Demand for sustainable products is growing across African markets, and smaller enterprises are critical to supply chains and distribution.

Key Highlight

Without financing women-led green SMEs, Nigeria risks under-participating in regional green value chains emerging under the AfCFTA.

What Needs to Change

In a context of constrained development finance and increasing pressure on both public and private investors to deliver measurable impact, solutions must be efficient, scalable and aligned with how capital already operates. The challenge is not only to increase funding but to improve how capital is structured, deployed and connected to enterprise realities.

| Priority Actions | Enabling Actions |
|--|---|
| <p>1. Build financing pathways from early-stage to scale.</p> <p>Expand:</p> <ul style="list-style-type: none"> • catalytic and seed capital • blended finance and guarantees • small ticket financing <p>2. Fund the business models women are already building.</p> <p>Include:</p> <ul style="list-style-type: none"> • Distribution and last-mile delivery • Processing and agro-value chains | <p>4. Align finance with regional market opportunities</p> <ul style="list-style-type: none"> • Support, scale and export readiness • Enable compliance with standards <p>5. Strengthen transparency and accountability.</p> <p>Track:</p> <ul style="list-style-type: none"> • Gender of ownership • Stage and ticket size |

| | |
|--|---|
| <ul style="list-style-type: none">• Circular and service-based models <p>3. Build pipelines, not just capital pools. Support:</p> <ul style="list-style-type: none">• Investment readiness and technical assistance• Aggregation and partnerships• Links between incubation and finance | <ul style="list-style-type: none">• Sector and first-time recipients <p>6. Adapt lending models and strengthen capacity</p> <ul style="list-style-type: none">• Flexible collateral and credit models• Support formalization and financial management |
|--|---|

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