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Unlocking climate finance for local governments in sub-Saharan Africa: Analytical foundations for a practitioner toolbox

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Frontpage Photo: ICLD Climate Action Network meeting in Lusaka, Zambia.
Credit: ICLD

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Abstract

Local governments in sub-Saharan Africa are at the forefront of climate change impacts, yet remain significantly under-resourced to respond effectively. This Working Paper presents analytical insights, case-based evidence, and governance lessons on climate finance for local governments in Sub-Saharan Africa. It draws on literature, comparative cases, and ICLD-facilitated workshops. The paper serves as an analytical foundation for a forthcoming ICLD practitioner toolbox aimed at local civil servants and elected officials, highlighting the role of local governance, institutional capacity and inclusive participation in aligning climate finance with community priorities and supporting sustainable climate adaptation.. It identifies key challenges to accessing and managing climate finance at the local level, including limited institutional and technical capacity, complex and centralised financing architectures, weak coordination across levels of government, and insufficiently inclusive decision-making processes. Recommended pathways for local governments include strengthening local institutional readiness and fiscal governance, improving national–local coordination, embedding democratic and participatory approaches, and leveraging innovative and blended financing mechanisms.

Preface – climate financing

By Johan Lilja, Secretary General, Swedish International Centre for Local Democracy

Local governments play a critical role in addressing some of the most pressing challenges of our time. Among these, climate change stands out as both a global crisis and a deeply local reality, with impacts that are most acutely felt in communities with the least resources to respond. In sub-Saharan Africa, local governments are on the front lines of climate adaptation and resilience-building, yet they often face significant barriers in accessing and managing the financial resources required to act effectively.

This Working Paper contributes to an emerging body of knowledge on the intersection between climate finance and local democratic governance. Developed within the framework of the Swedish International Centre for Local Democracy (ICLD), it reflects ICLD's commitment to strengthening local democracy by promoting transparency, accountability, participation, and inclusion in public governance processes. These principles are not only fundamental to democratic development, but also essential for ensuring that climate finance reaches those who need it most and is used in ways that are equitable, effective, and locally grounded.

The paper provides analytical foundations for a practitioner-oriented toolbox aimed at supporting local governments in navigating the complex landscape of climate finance. Drawing on literature, comparative case studies, and insights from ICLD-facilitated workshops with local government representatives, it identifies key challenges and proposes practical pathways for unlocking climate finance at the local level. Particular attention is given to the role of democratic governance in shaping how financial resources are accessed, allocated, and managed.

This publication is intended for local government officials, policymakers, development practitioners, and researchers engaged in climate action and local governance. It is our hope that it will serve as both a source of knowledge and a practical stepping stone towards more inclusive, accountable, and effective climate adaptation projects.

Visby, Sweden

Johan Lilja,
Secretary General, ICLD
2026

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Introduction

Purpose of this paper

This Working Paper sets the foundation for a **practical guidebook and decision-support tool** for local government officials, policymakers, and development practitioners working to enhance climate change adaptation at the subnational level in sub-Saharan Africa. It consolidates key financing mechanisms, institutional arrangements, and enabling policy instruments that can help local governments access, manage, and scale climate finance for adaptation and mitigation projects. The paper provides **examples of climate risks and investments solutions, key challenges, case studies, lessons learnt and actionable recommendations** for identifying appropriate funding sources, strengthening project pipelines, and aligning local priorities with national and international financing frameworks. By bridging the gap between global climate finance opportunities and local implementation capacity, the paper directly addresses critical barriers such as limited institutional readiness, fragmented funding landscapes, and insufficient technical expertise. Ultimately, it emphasises that for climate finance to be effective in local govenrments, it must rely on strong democratic governance, which both prevents mismanagement and corruption and ensures that financial resources are directed to meet the priorities of vulnerable communities.

Methodolgy and scope

This Working Paper draws on a review of relevant literature and policy documents on climate finance and local governance, as well as insights from an ICLD-facilitated workshop with local government representatives from Kenya, Uganda, Zambia and Zimbabwe. This conference provided practitioner perspectives on the barriers local governments face in accessing and managing climate finance, particularly in relation to institutional capacity, participation and governance arrangements. The paper focuses on local governments in Sub-Saharan Africa, with particular attention to municipalities and counties operating within multi-level governance systems where climate finance is largely channelled through national institutions. While national and international frameworks are discussed, the analysis centres on the implications of these arrangements for local-level planning, budgeting and implementation.The case examples presented are illustrative rather than exhaustive. They are used to highlight governance patterns, institutional arrangements, and enabling conditions relevant across different local government contexts, rather than to promote direct replication.

Climate financing

Why is a toolbox on Climate Financing needed?

Local governments, particularly in developing countries are at the forefront of confronting and mitigating the impacts of climate change – including, among others, sea level rise; increases in extreme rainfall events, tropical cyclones and flooding; greater prevalence of extreme heat and heatwaves; water stress; and wildfires.[1] This poses major risks to their development, including reversing progress on livelihood security, poverty alleviation, public health, infrastructure and other socioeconomic indicators.[2] To meet these growing challenges, which were also exacerbated by the COVID-19 pandemic, local governments – especially municipalities responsible for managing cities – will need to make substantial investments in climate adaptation and mitigation finance.

In practice, however, and despite global commitments to climate finance, these funding and investments are often difficult to access and implement in developing countries, particularly in sub-Saharan Africa, due to several barriers including limited availability of fiscal resources to most local governments, bureaucratic hurdles (e.g. lengthy approval processes and complex funding applications), limited technical expertise (e.g. insufficient capacity to develop viable project proposals), weak governance

1 Abdillah, A., Widianingsih, I., Buchari, R.A. and Nurasa, H., 2025. Adapting to climate change and multi-risk governance: toward sustainable adaptation and enhancing urban resilience—Indonesia. *Discover Applied Sciences*, 7(1), p.81.
2 https://unfccc.int/sites/default/files/resource/Toolkit_to_Enhance_Access_to_Climate_Finance_UPDF.pdf

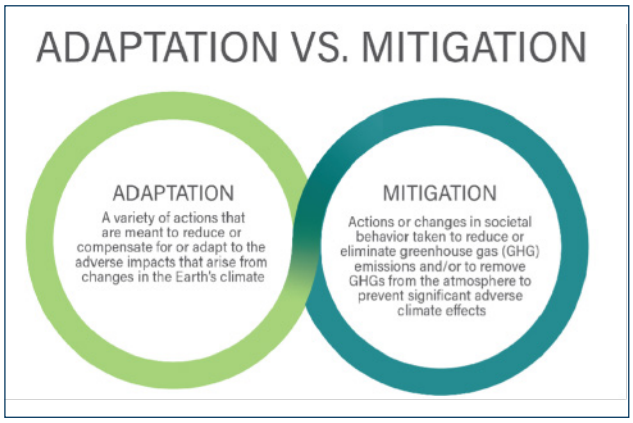
frameworks and inadequate financial oversight.[3] This leaves a substantial financial gap in the efforts of local governments to mitigate and adapt to the impacts of climate change. The governance landscape is also a critical aspect in filling this financial gap. While in the last two decades, most African countries have made great strides in achieving more democratic modes of governance, gaps still exist in ensuring the equitable distribution of climate finance. This is largely evident in the limited involvement and engagement of community stakeholders in identifying local climate adaptation and mitigation priorities, the lack of clear and accessible information for these communities about funding sources and project plans, and the absence of mechanisms for ongoing public oversight and feedback.

Box 1. What is climate change?

"Climate change is defined as a change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods." – Article 1 of the United Nations Framework Convention on Climate Change (UNFCCC).

Climate change is a natural phenomenon that takes place over geological time. However, over the past few decades the rate of climate change has been more rapid, and the magnitude of global warming has increased dramatically (Warburton, M.L and Schulze, R 2006; Warburton, M.L 2012). This change has been attributed to increased anthropogenic greenhouse gas emissions (Koske, J and Ochieng, M.A 2013), stemming from the burning of fossil fuels, deforestation, agriculture, transportation and industrial activities.[4] [5]

Climate risks are accelerating, and climate hazards are becoming more frequent and costly, particularly for the world's rapidly growing cities. Responding to the risks of climate change involves two approaches: mitigation and adaptation – see infographics below:[6]



By equipping local government authorities with practical knowledge on climate financing mechanisms, strategic guidance for navigating institutional barriers, and approaches for engaging communities and civil society in planning and prioritisation, the toolbox will strengthen both the capacity and legitimacy of local climate action. Ultimately, this will foster more accountable governance, ensure fairer distribution of resources, and enable locally grounded climate action initiatives that reflect community priorities and deliver more equitable climate resilience outcomes.

Why do local governments need climate finance?

A major barrier to effective climate action in Africa is the limited access to finance at the local level.[7] Although rural and marginalized communities are among the most affected by climate change, funding has traditionally been concentrated at national and international levels. As a result, local governments and grassroots organizations often lack the resources needed to implement sustainable solutions.[8] The World Health Organisation (African Region) stated in 2019 that "it is estimated that by 2100, the temperature will rise on average by 4 degrees and there will be 40% less rainfall. As a result of this, the continent will get drier resulting in increased incidences of drought and there is likely to be an increase in high winds and other

3 Vanderheiden, S., 2015. Justice and climate finance: Differentiating responsibility in the Green Climate Fund. *The International Spectator*, 50(1), pp.31-45.
4 IPCC. Summary for policymakers. In: Field CB, Barros VR, Dokken DJ, et al, eds. Climate change 2014: impacts, adaptation, and vulnerability. Part A: global and sectoral aspects. Cambridge, UK, and New York, NY, USA: Cambridge University Press, 2014: 1–32.
5 https://www.youtube.com/watch?v=eUa1DDISRM0
6 https://eaest.com/insight/climate-change-adaptation-vs-mitigation/
7 Adaptation Research Alliance, 2025. Unlocking Climate Finance Strengthening Locally Led Adaptation for Resilient Communities. African Centre for Technology Studies, 2025.
8 ibid

extreme weather events including increased flooding.[9] The COVID-19 pandemic further exacerbated the inability of local governments to independently resolve their climate vulnerabilities, with many experiencing unprecedented declines in fiscal revenues and surging debt levels.[10] [11]

Local governments provide a wide range of essential services that are directly affected by climate change, and these include the provision of clean water, affordable energy, access to food, housing, waste management, transportation, public health services, and disaster risk management, among others.

As the impacts of climate change become more severe over time, this affects local governments' capabilities to service the day-to-day needs of the growing population. Table 1 below presents examples drawn from sub-Saharan African city programs, of climate risks and corresponding financed investment solutions. These examples demonstrate how local climate finance can catalyze practical interventions – ranging from urban cooling and flood protection to water resilience and early warning systems – that strengthen adaptive capacity and contribute to broader climate-resilient development pathways.

Table 1. Examples of climate risk and investment solutions

Climate risk addressed	Financed solution	Examples
Extreme heat	Collection of heat data and improvement of cooling programs and interventions (e.g. increased blue and green infrastructure) to reduce urban heat and increase thermal comfort.	**Freetown, Sierra Leone** – "Transform Freetown" initiative integrates tree-planting, urban greening, and heat resilience mapping to reduce urban heat stress (World Bank, 2022).[12]
Flooding, drought	Upgrading water supply systems, including rehabilitation and modernization of existing water and wastewater treatment plants.	**eThekwini Municipality, South Africa:** Water and Sanitation Resilience Programme supports climate-resilient infrastructure and improved water security (UNFCCC, 2021).[13]
Extreme heat, flooding	The establishment or enhancement of early warning and evacuation systems to improve community preparedness and response.	**Dar es Salaam, Tanzania:** Urban Resilience Programme developed early warning systems and drainage infrastructure for flood-prone settlements (World Bank & GFDRR, 2019).[14]
Flooding	Development of flood maps and investment in resilient urban infrastructure, including flood defenses.	**Accra, Ghana:** The "Accra Resilience Strategy" includes flood mapping, green corridors, and engineered flood defenses to protect urban populations (Rockefeller Foundation, 2019).

9 World Health Organization Regional Office for Africa, 2019. The Work of the World Health Organization in the African Region, Report of the Regional Director, 2019-2020. https://www.afro.who.int/sites/default/files/2020-08/WHO-AFRO_Regional%20Director%27s%20Report%202019-2020.pdf
10 Ongoma, V., Epule TE, Brouziyne Y, Tanarhte M, Chehbouni, A. 2023. COVID-19 response in Africa: impacts and lessons for environmental management and climate change adaptation. Environmental Development Sustainability, 25, 1-23. https://doi.org/10.1007/s10668-023-02956-0
11 Vo, T. P. T., Ngo, H. H., Guo, W., Turney, C., Liu, Y., Nguyen, D. D., Bui, X. T., & Varjani, S. (2023). Influence of the COVID-19 pandemic on climate change summit negotiations from the climate governance perspective. The Science of the total environment, 878, 162936. https://doi.org/10.1016/j.scitotenv.2023.162936
12 https://documents1.worldbank.org/curated/en/323061618013841460/Project-Information-Document-Resilient-Urban-Sierra-Leone-Project-P168608.docx
13 https://environment.durban.gov.za/uploads/0000/6/2025/09/23/dccs-annual-report-2020-20211.pdf
14 https://documents1.worldbank.org/curated/en/132061570739508217/pdf/Tanzania-Urban-Resilience-Program-Annual-Report-2019.pdf

There is therefore a need for local governments to incorporate climate considerations, including how to access climate finance, into their core mandates to ensure that they can maintain equitable and fair essential service delivery while protecting all citizens from the impacts of climate change.

Box 2. What is climate finance?

"Climate finance is defined as local, national or transnational financing—drawn from public, private and alternative sources of financing—that seeks to support mitigation and adaptation actions that will address climate change."

United Nations Framework Convention on Climate Change (UNFCCC).

Climate finance differs in types, sources, and instruments, with the purpose of supporting mitigation, adaptation, and cross-cutting efforts (See Appendix 1 for the different financing instruments). The sources of climate finance funding include national, local, transnational, public, private, multilateral, or bilateral (UNDP, 2023) sources.

As alluded to earlier, for climate finance to be effective, it must be underpinned by robust democratic governance systems, which not only safeguard against misallocation and corruption but also empower vulnerable communities by aligning financial flows with their needs (Steinbach et al. 2022; GCF, 2021). Democratic governance in the context of climate finance refers to a decision-making framework that prioritises transparency, accountability, and inclusive participation (Steinbach et al. 2022). When decision-making processes integrate democratic values, climate finance initiatives become more responsive to the needs of communities, promoting sustainable development and equitable outcomes. Therefore, democratic governance should be considered a critical component for unlocking the full potential of climate finance and ensuring that all stakeholders, from local communities to national policymakers, have a voice in how climate funds are allocated and managed. This approach involves establishing strong institutional frameworks, fostering public oversight, and engaging communities in a meaningful way to create decentralized decision-making processes (Wambwa, Mundike & Chirambo, 2024). Furthermore, incorporating gender-sensitive policies and integrating indigenous knowledge are essential to address persistent challenges such as bureaucratic inefficiencies, elite capture, and limited local government autonomy (IPCC, 2021)

In recent years, there has been increasing calls for localized approaches to mobilizing climate finance, highlighting the need to achieve transformational outcomes in adaptation and resilience-building[15] and shifting decision-making power and resources closer to communities most affected by climate change (IIED, 2022).

However, as mentioned above, access to local finance remains constrained by bureaucratic barriers, limited municipal capacity, and complex donor requirements (GCF, 2021) (Figure 1). Preferences and power dynamics further shape climate finance coordination, as national governments, donors, and private investors often dictate priorities, sidelining local needs and indigenous knowledge systems.[16] [17] At the local government level, these complexities intersect, creating tensions between top-down financial governance and bottom-up community-driven adaptation efforts. Addressing these challenges demands greater financial autonomy, inclusive decision-making, and accountability mechanisms to ensure equitable and effective climate action.[18]

15 https://www.cif.org/sites/cif_enc/files/knowledge-documents/tcf_kenya_case_study_apr11-compressed.pdf
16 Funder, 2022. Climate Finance Coordination from the Global to the Local: Norm localization and the politics of Climate Finance Coordination in Zambia. The Journal of Development Studies. http://dx.doi.org/10.1080/00220388.2022.2055467
17 Coventry, 2019. North-South division and injustice in the UNFCCC climate finance policy process: A historical institutionalist perspective. PhD Thesis, Department of Geography and Environmental Science. University of Reading.
18 Funder, 2022. Climate Finance Coordination from the Global to the Local: Norm localization and the politics of Climate Finance Coordination in Zambia. The Journal of Development Studies. http://dx.doi.org/10.1080/00220388.2022.2055467

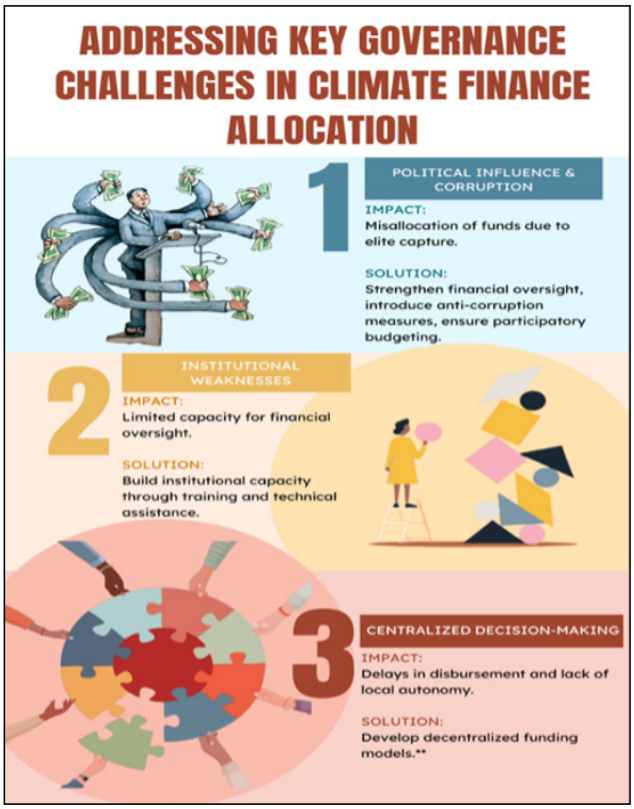


Figure 1. Key governance challenges in climate finance allocation

Total costs, needs and access for climate action?

Across all African regions, the climate finance gap is substantial, with total needs estimated at USD 2.5 trillion between 2020 and 2030 (an annual average of USD 250 billion) (see Figure 2 below). This underscores the scale of the challenge for local governments, whose budgets alone are insufficient to meet adaptation and mitigation needs, particularly at the local government level, where budgets alone are insufficient to meet adaptation and mitigation priorities.

While all developing countries that are parties to the UNFCCC are generally eligible to access climate funding through its multilateral entities, such as the Green Climate Fund (GCF) and the Adaptation Fund, the institutional pathways for doing so vary. Between 2015 and 2024, around 150 projects were approved in African states, least developed countries (LDCs), and small island developing states (SIDS)[19], supporting both mitigation and adaptation initiatives. Several success stories of countries acquiring significant climate funding and implementing projects that set them on track to achieve their climate goals exist. For instance, while the application process to obtain GCF funding is considered cumbersome and demanding, the project portfolio of the fund reflects promising stories, including both mitigation and adaptation projects, with priority given to African states, LDCs, and SIDS.

Experiences from these projects highlight key enabling conditions: i) the need for technical capacity in proposal preparation, ii) institutional structures to manage and implement funded projects, iii) and alignment with fund-specific requirements for transformational impact. This illustrate that, despite the complexity of application processes, local governments can successfully secure international finance by leveraging technical expertise, inter-institutional collaboration, and lessons from prior approvals. Strengthening such enabling conditions offers a pathway to scale climate action across the continent, transforming the current finance gap into actionable opportunities.

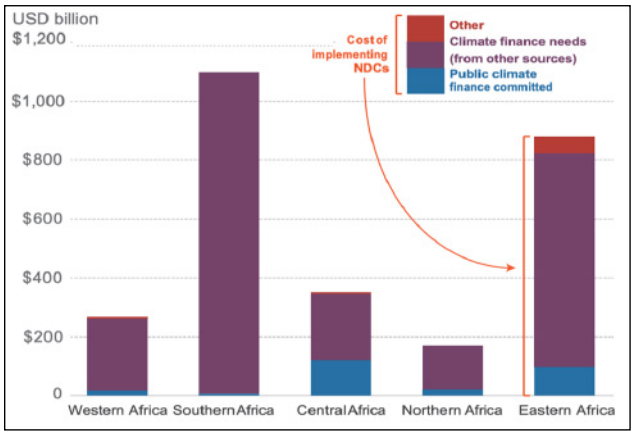


Figure 2. Estimated climate finance needs in Africa by region [Source: The State of climate finance in Africa: Climate finance needs of African Countries [20]]

19 https://www.google.com/url?sa=t&source=web&rct=j&opi=89978449&url=https://unfccc.int/sites/default/files/resource/Finance_Gap_Update.pdf&ved=2ahUKEwj_q_KjrOyQAxV8TkEAHfWcI14QFnoECCMQAQ&usg=AOvVaw3if351e7NO-ilqukCcQoyg

20 Guzmán, S., Dobrovich, G., Balm, A. and Meattle, C., 2022. The state of climate finance in Africa: Climate finance needs of African countries. *Climate Policy Initiative. https://www. climatepolicyinitiative. org/publication/climate-finance-needs-of-africancountries.*

Mechanisms and sources of climate finance

Accessing climate finance requires an understanding of the diverse sources available. From international public funds to private sector investments and innovative financial instruments, each source plays a crucial role in supporting local governments to implement climate adaptation and mitigation projects. Below is an overview of the main financial instruments used in climate finance.

Major climate funding sources: Where does climate finance come from and how is it delivered?

Climate finance can be mobilised from many different sources, each of which will have a certain set of eligibility criteria with unique benefits and costs. In general, climate finance is provided by public, private and philanthropic sources, most commonly from developed regions like the United States of America and

Table 2: Overview of climate financing instruments

Mechanism	Description	Uses
Grant	A grant is a sum of money paid to a beneficiary without the expectation of the money being returned. Grants make up approximately 57% of climate finance in Southern Africa?.	Grants are most commonly used to fund specific activities, especially at early stages, and may include: - technical and financial feasibility studies - risk and vulnerability assessments - project design and management systems
Debt/loans	Debt refers to any agreement, like a loan, bond or overdraft facility where financing is provided by a lender and repaid by the borrower, usually with interest. Concessional loans are loans with reduced interest rates and are widely used in climate finance. Debt instruments make up approximately 19% of climate finance in SA.	Debt usually comprises the majority of a project's funding (50 - 80% of total project cost), and is used to fund initial capital requirement and operational expenditure, including: - Designers, planners and engineers - Construction - Operation and maintenance
Equity	Equity refers to a share of ownership, where a portion of the proceeds from a project or endeavour are allocated to the owner, according to their share. Equity makes up approximately 25% of climate finance in SA.	Equity is often referred to as risk capital, and is most commonly used to finance any shortfall not covered by grants or debt. Equity is most commonly provided by project owners, which helps incentivise project success, as equity investment becomes worthless if a project fails. Some climate financiers provide a portion of equity toward funding gaps.
Insurance	Insurance, or guarantees, are mechanisms which insure some or all investment in a project against potential losses. Like normal insurance, a regular payment is made based on a project's risk profile, and pays out in the event of incident. This mechanism is generally underutilised in South Africa, and so not well reported.	Insurance-type mechanisms are a useful means to de-risk projects when they are deemed too risky by investors. This way, a small amount of financing (used to pay for insurance) can help leverage substantially larger amounts of financing from other (often private or commercial) investors.

Europe. The logic behind this is that more developed countries are responsible for larger amounts of GHG emissions per-capita than less developed countries, which are less industrialised. Therefore, these developed nations should bear a larger responsibility for supporting global mitigation and adaptation efforts. Financing is distributed through a network of climate and developmental financial institutions (DFIs) and intermediaries. Table 2 presents the most common dedicated climate funds and requirements.

In addition to the major climate funding above, several multilateral development banks (MDBs) and agencies also provide various climate change-related funding windows to support a wide range of activities across all sectors. These include:

- World Bank https://www.worldbank.org/
- African Development Bank (AfDB) https://www.afdb.org/en
- Asian Development Bank (ADB) https://www.adb.org/
- International Finance Corporation (IFC) https://www.ifc.org
- United Nations Development Programme (UNDP) https://www.undp.org/
- Food and Agriculture Organization of the United Nations (FAO) http://www.fao.org/home/en/
- International Fund for Agricultural Development (IFAD) https://www.ifad.org/en/
- World Meteorological Organization (WMO) https://public.wmo.int/en
- Global Green Growth Institute (GGGI) https://gggi.org/
- International Renewable Energy Agency (IRENA) https://www.irena.org/

Table 3: The most common dedicated climate funds and requirements

Fund	Description	Focus	Activities supported	Financing instruments
Adaptation Fund	The Adaptation Fund finances projects and programmes that help vulnerable communities in developing countries adapt to climate change. Initiatives are based on country needs, views and priorities.	Adaptation	Water resource management, land management, agriculture, health, infrastructure development, fragile ecosystems, integrated coastal zone management, climate forecasting and early warning systems and supporting capacity building, including institutional capacity for preventative measures, planning, preparedness and management of disasters related to climate change	Grants
Global Environment Facility (GEF)	The GEF administers several funds, including the GEF Trust Fund, the Least Developed Countries Fund (LDCF), the Special Climate Change Fund (SCCF) and the Capacity-Building Initiative for Transparency (CBIT).[21] • The GEF Trust Fund supports the implementation of multilateral environmental agreements and serves as a financial mechanism of the UNFCCC.[22] • The LCDF plays a role in reducing vulnerability to climate impacts in areas that are crucial for development and livelihoods.	Mitigation, adaptation and cross-cutting activities	Agriculture, ecosystem adaptation, education, energy efficiency, forestry and land-use, industry and infrastructure, renewable energy, rural transportation, urban waste management, oceans and coastal resources, disaster risk reduction, health, gender, jobs and livelihoods, poverty, water	Grants, concessional loans, equity, guarantees

21 The GEF project database can be found at: https://www. thegef.org/projects
22 An overview of the GEF Trust Fund is provided at: https://www.thegef.org/about/funding

Green Climate Fund (GCF)	The GCF offers a range of financing instruments to both the public and private sectors in implementing projects that are related to climate change adaptation and/or mitigation.	Mitigation, adaptation and cross-cutting activities	Energy generation and access; transport; forests and land use; buildings, cities, industries and appliances; health, food and water security; livelihoods of people and communities; infrastructure and built environment; ecosystems and ecosystem services.	Grants, concessional loans, equity, guarantees
Climate Investment Funds	Within the wider Climate Investment Funds (CIF), there are two multi-donor trust funds: the Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF).	Mitigation, adaptation and cross-cutting activities	Clean technologies, energy access, climate resilience, sustainable forests, the transition from coal, climate-smart cities, nature-based solutions, industry decarbonisation and renewable energy integration	Grants, contingent grants, concessional loans, market-rate loans, equity, guarantees
Adaptation for Smallholder Agriculture Programme (ASAP)	This is main programme of the International Fund for Agricultural Development (IFAD) for channelling climate and environmental finance to smallholder farmers so they can access the information tools and technologies that help build their resilience to climate change.	Mitigation, adaptation and cross-cutting activities		ASAP provides only grant financing via two types: • Global and regional grants driven by thematic and regional corporate level strategic priorities; • Grants for activities implemented in specific countries (focus on strengthening institutional, implementation and policy capacities on innovating in thematic areas)

For local governments, however, not all sources are equally accessible. Municipalities typically rely on public and multilateral sources – such as the Green Climate Fund, Adaptation Fund, and various bilateral development partners – because these institutions offer concessional financing, capacity-building support, and windows designed specifically for subnational actors, often through national designated authorities or accredited entities. Philanthropic grants can also be relevant for piloting innovative approaches or strengthening institutional readiness. In contrast, private-sector finance, while increasingly important, is often more difficult for local governments to tap into without strong creditworthiness, clear revenue streams, or blended-finance structures.

While the importance of democratic governance in climate finance sets the foundation for equitable and effective climate action, what matters most for local governments is how this governance shows up in the systems that deliver funds to communities on the ground. These delivery mechanisms are what turn principles like transparency, accountability and inclusion, into practical steps that determine how funds are allocated, how decisions are made, and who benefits. In other words, good governance only makes a difference when the ways funds are accessed, managed, and monitored actually support these principles in everyday practice.

"Delivery mechanism refers to the means by which finance gets from its original source to the local level, where it is spent on an adaptation initiative, in the form of technical support, investment in governance and resources for adaptation actions." (Steinbach et al. 2022).

Kenya provides one of the exemplary initiatives where lessons can be learnt as it has established a Climate Change Fund that channels resources directly to county governments, allowing localized adaptation initiatives to be implemented efficiently. This example illustrates how the challenges faced by many African local governments – limited autonomy, bureaucratic barriers, and exclusion from decision-making – can be addressed through well-designed delivery mechanisms. Kenya's devolved climate finance model shows that when funds flow directly to subnational authorities, combined with clear mandates, participatory planning, and community-led oversight, local governments are better able to implement timely, context-specific adaptation actions (Box 4).[23]

Box 3. Country Climate Change Funds (Kenya):

The Country Climate Change Funds (CCCF) mechanism in Kenya began in 2011 as a pilot program in Isiolo County to deliver climate finance to local communities in highly vulnerable dryland regions and empower them to design and implement their own climate solutions, with strong public participation. In 2013 it was expanded to four more counties and has been rolled out nationwide. The devolution of finance is illustrated below and shows the flow of funds from national government to counties governments (Figure 3).

The CCCF has four interlocking and mutually reinforcing components:

- Devolved Finance: A fund is set up in each county, managed by the county, to finance climate action as prioritised by local communities in that county. Funds can flow directly into county fund or through a national entity.
- Public Participation: A Climate Change Planning Committee is set up in each ward—a sub-county unit comprising multiple villages—made up of residents of the constituent villages. Regulations require these committees to include all stakeholder groups, with mandatory representation of women and youth.

23 Climate Investment Funds, 2024. Transformational Climate Finance: Kenya's County Climate Change Funds Lessons for Practice. https://www.cif.org/sites/cif_enc/files/knowledge-documents/tcf_kenya_case_study_apr11-compressed.pdf

- Tools for climate resilience and planning: To support effective project planning and execution, the CCCF provides ward committees with downscaled climate information from the Kenya Meteorological Department, as well as tools for participatory vulnerability and resilience assessments and digital resource mapping. The use of these tools enables communities and county government planners to have more informed discussions about factors that strengthen or weaken local livelihood systems in the face of climate variability and change.
- Monitoring, evaluation and learning (MEL): A consistent system to track and evaluate climate action financed through the CCCF fostered learning within and among counties and improved project outcomes. Both county- and national-level MEL systems were strengthened so they could track and assess whether the CCCF mechanism was appropriate and cost-effective for building local adaptive capacity and promoting climate-resilient development in vulnerable communities.

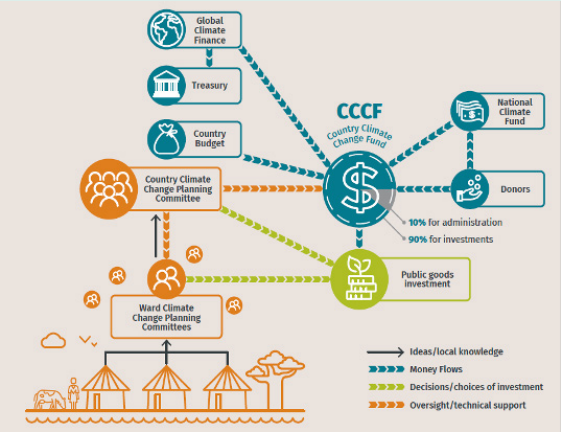


Figure 3. Devolved Climate Finance in Kenya (Climate Investment Funds, 2024)

Key challenges to unlocking climate finance at the local government level: Lessons from Kenya, South Africa, Zambia and Zimbabwe

Building on the access, cost, and delivery challenges outlined in Sections 2.1 and 2.2 local governments in sub-Saharan Africa face significant challenges when attempting to access climate finance for adaptation initiatives. The complexity of the finance architecture, coupled with internal capacity constraints, lack of clear democratisation of the process through participation and decision-making decentralised to communities, and cumbersome bureaucratic processes, often means that even well-conceived adaptation plans struggle to secure the necessary funding. In line with the systemic bottlenecks and fragmented delivery pathways previously identified, and drawing on lessons learned from South Africa (Keen, Lorimer & Vincent, 2022) and the ICLD workshops that hosted participants from Zambia, Uganda, Zimbabwe and Kenya, we outline several critical challenges and the key ingredients needed to effectively unlock climate finance.

Systemic and structural barriers

The international climate finance system is often segmented, with funds dispersed across multiple channels—each with its own stringent requirements. For example, international funds such as those administered by the Green Climate Fund (GCF) demand detailed demonstration of incremental costs (i.e., the additional investment needed solely due to climate change) and require local applicants to secure co-financing. These requirements, while designed to ensure that investments yield tangible benefits, are frequently far removed for local governments that lack the technical and financial expertise to meet such rigorous criteria (Patel et al., 2020). This reflects the broader access challenges outlined in Section 2.1, where limited institutional capacities constrain the ability of local governments to meet funders' expectations.

Additionally, frequent shifts in donor priorities and funding windows create uncertainty for local governments, making it difficult to plan long-term adaptation pipelines or align projects with evolving eligibility criteria. Many international funds also prioritise large-scale, high-visibility projects, which inadvertently sidelines smaller, community-centred initiatives that are often more context-appropriate but viewed as less 'bankable'. Furthermore, approval timelines for major climate funds can stretch over several years, delaying urgently needed adaptation interventions and reducing the ability of local governments to respond to fast-accelerating climate risks.

Embedded and indivisible funding streams: In South Africa, adaptation finance is not always earmarked specifically for climate change. Instead, funds are often mixed within broader municipal budgets or dispersed as part of general service delivery grants. This lack of clear, dedicated funding makes it difficult to both track and allocate resources effectively for adaptation measures (Cassim et al., 2021). The inability to disaggregate these funds means that even when overall public spending is significant, the actual resources available for climate adaptation remain obscure and insufficient. This aligns with the delivery mechanism barriers discussed in Section 2.2, where non-ringfenced funding obscures climate-specific investments.

This challenge is further compounded by the fact that climate-related expenditures are not routinely captured in municipal financial reporting systems, resulting in limited transparency and weakening accountability for how adaptation funds are used. In practice, this also leads to competition between climate-related needs and other pressing developmental priorities—such as housing, water supply and road maintenance—making it difficult for adaptation projects to secure consistent budgetary allocation. Moreover, the absence of clear budget tagging or classification frameworks for climate finance makes it difficult for municipalities to demonstrate climate relevance to funders, further constraining their eligibility for external grants.

Financial distress and investor confidence: South Africa's local municipalities frequently struggle with financial management issues, as evidenced by low rates of clean audits. With only a small percentage of local governments achieving financial transparency and accountability (Auditor-General of South Africa, 2022), lenders and investors are reluctant to extend credit or invest in long-term adaptation projects.

This financial fragility creates a vicious cycle where the inability to access debt financing further constrains local adaptation efforts. The situation is further exacerbated by high levels of municipal debt to service providers—such as electricity and water utilities—which erodes investor confidence and limits the fiscal space available for climate-related borrowing. Limited creditworthiness also means that municipalities remain excluded from blended finance opportunities or performance-based grants that require strong financial governance, reinforcing disparities between well-resourced and under-resourced municipalities. Moreover, the absence of reliable revenue streams—due to shrinking tax bases, weak billing systems, and low collection rates—undermines municipalities' ability to demonstrate long-term financial sustainability, a key criterion for attracting both public and private climate finance.

Democratisation of the process-participation, inclusion of local communities

In the workshops conducted by ICLD with representatives from local governments in Kenya, Uganda, Zambia, Zimbabwe, it became clear that climate finance for adaptation is still largely centralised at the national level in most of these countries. As a result, the democratization of the process to include local governments and in turn local communities and indigenous people largely absent.

Tokenistic or Ineffective Participation Mechanisms

Participation by local communities remains limited and uneven. Learnings from the workshops revealed that although international funding institutions such as the GCF and GEF emphasise the importance of engaging local stakeholders in the design, appraisal and monitoring of projects, this is often implemented only to a limited degree. This is partly due to structural challenges such as the difficulty of reaching communities in more remote areas and language barriers, which restrict meaningful engagement and limit the ability of communities to shape adaptation interventions suited to their local realities. Also, funding modalities are frequently designed at national or donor level, leaving little room for local governments to adapt participation processes to their own social and cultural contexts. Power asymmetries—such as elite capture or gatekeeping by local political actors—also marginalise vulnerable groups, weakening the quality and inclusiveness of participation. Donor reporting requirements further reinforce top-down processes, as implementing agencies prioritise meeting compliance indicators over deep, iterative engagement with communities.

Stakeholder engagement processes are also often weakly designed, resulting in communities being positioned primarily as feedback recipients rather than active decision-makers. While participation is encouraged in principle, it is not always meaningful. Many engagement processes do not gather the type of detailed or context-specific feedback required to influence project design in substantive ways. This creates a sense of disempowerment among communities and limits local ownership of adaptation interventions. Consultations are frequently conducted late in the project cycle—often during validation rather than design phases—reducing community influence on core adaptation priorities. As a result, adaptation projects may fail to reflect indigenous knowledge systems or lived experiences of climate risk, ultimately weakening their long-term sustainability and relevance.

Limited technical and institutional capacity

Gaps in long-term expertise: Many local governments lack the internal capacity to design, manage, and implement robust adaptation projects. Short-term training programs have been widely implemented, yet they rarely translate into sustained institutional knowledge. Local governments often do not have dedicated climate change units or personnel with the necessary skills to develop bankable projects from comprehensive vulnerability assessments (Omari-Motsumi et al., 2019). This gap in expertise means that even when potential funding sources exist, local governments are ill-prepared to navigate the complex application processes.

In many cases, the technical skills required—such as climate risk modelling, economic appraisal, project structuring, and monitoring and evaluation—are highly specialised and remain concentrated at national level or within external consultants. This means knowledge leaves the municipality once a project ends or a consultant's contract expires. High staff turnover and understaffing within municipal departments also weaken continuity, making it difficult to maintain the long-term planning horizons required for adaptation and climate finance readiness. These institutional constraints were repeatedly highlighted during the workshops, where participants emphasised the need for sustained capacity-building models that embed skills within local governments rather than short-term, donor-driven training cycles.

Lack of institutional champions: Institutional champions, senior officials who advocate for and drive climate adaptation within municipal structures, are crucial. The experiences of Durban and Cape Town illustrate that where strong leadership exists, adaptation initiatives are more effectively mainstreamed into local planning and budgeting processes (Susskind & Kim, 2021). Without such champions, adaptation projects struggle to gain traction, resulting in missed opportunities for both capacity building and funding access.

In many municipalities, leadership attention is often diverted toward urgent service delivery pressures, leaving little political bandwidth to prioritise climate adaptation, which is still perceived as a long-term or secondary concern. This leadership vacuum also affects internal coordination, as no department assumes ownership of climate-related work, leading to siloed planning and limited integration across water, infrastructure, disaster management and environmental units. Workshop participants further highlighted that high turnover among senior officials disrupts continuity, making it difficult to sustain momentum on adaptation initiatives or maintain relationships with external funders. As a result, even well-designed adaptation projects remain under-supported, reinforcing institutional inertia and slowing progress on climate finance readiness.

Bureaucratic hurdles and governance challenges

Overlapping mandates and administrative bottlenecks: Cumbersome bureaucratic procedures and overlapping responsibilities between national, provincial, and local government levels exacerbate delays in project approvals and fund disbursements. For instance, the uMngeni Resilience Project faced significant delays due to prolonged procurement procedures and the need for multiple rounds of administrative approval (South African National Biodiversity Institute, 2018). These delays not only reduce the efficacy of projects but also discourage municipalities from engaging with complex funding channels in the first place.

In many African countries, climate adaptation does not fall under a single coordinating institution, resulting in fragmented decision-making and slow interdepartmental communication. This institutional fragmentation forces municipalities to navigate parallel reporting lines and approval pathways, further stretching already limited administrative capacity.

Complex application processes: The requirement to prove the additionality of investments—demonstrating that funds are used for adaptation rather than being rebranded official development assistance (ODA)—adds a layer of complexity. This often forces local governments to frame adaptation projects in ways that align with donor priorities, sometimes at the expense of locally relevant solutions (Patel et al., 2020).

The extensive documentation requirements, combined with strict fiduciary and environmental safeguards, create barriers for municipalities that lack specialised compliance teams. As a result, many local governments rely on external consultants to prepare proposals, which inflates transaction costs and contributes to weak institutional ownership of the final projects. Workshop participants repeatedly noted that these burdensome processes can stall momentum, particularly for smaller municipalities with limited staff and competing service delivery priorities.

Pathways to unlocking climate finance for local governments

This section presents some practical recommendations which are aimed at supporting local governments in Sub-Saharan Africa in overcoming the systemic, institutional, and procedural barriers that limit their access to climate finance. Drawing on case studies, policy analysis, and insights from local stakeholder workshops, the recommendations is organised around four strategic entry points that reflect the main levers available to local authorities: (a) strengthening local capacity and institutional readiness, (b) advancing policy and institutional reforms that enable climate finance, (c) democratic participation and participatory budgeting for climate priorities and (d) leveraging public–private partnerships and innovative finance. Each entry point outlines specific actions that local governments can take within their existing mandates and resource constraints to embed participation, inclusion and transparency into climate governance, and thereby improve their credibility, readiness, and attractiveness to funders.

The toolbox developed from these recommendations is designed for municipal planners, local finance and budgeting officers, infrastructure and environmental units, ward committees, councillors, and local communities representatives who engage in climate planning, budgeting, or community engagement. It may also support national agencies and development partners seeking to strengthen subnational climate governance. While the pathways recognise the importance of multi-level cooperation, the focus remains firmly on practical actions that local governments themselves can initiate or influence.

a. Strengthening local capacity and institutional readiness

- **Strengthen local governments' fiscal environment and credit rating:** As highlighted in the key challenges section above, most sub-Saharan African local governments struggle to access climate finance due to weak fiscal autonomy, irregular or unaudited financial statements, low and unpredictable revenue collection, and opaque budgeting processes—all of which erode investor confidence, depress municipal credit ratings, and act as a barrier to external financing. Strengthening the fiscal environment is therefore a foundational prerequisite for unlocking climate finance. Investors, multilateral funds, and development partners consistently prioritise municipalities that demonstrate transparent financial reporting, predictable revenue streams, and strong public financial management systems. Practical steps include publishing regular, independently audited municipal accounts (ideally using IFRS/GFS-aligned standards), integrating climate budget tagging to classify expenditures as mitigation or adaptation, and developing multi-year fiscal frameworks that clearly outline upcoming climate investments, revenue sources, and debt-management strategies. These measures improve fiscal credibility and enable financiers to assess long-term obligations and the viability of proposed climate projects. A leading regional example is the City of Cape Town, which was able to issue a successful green bond in 2017 to finance water and resilience infrastructure—a feat underpinned by years of disciplined financial governance, consistent audits, transparent project disclosure, and a clear medium-term expenditure framework. By contrast, the majority of local governments in the region lack these basic fiscal conditions, making it difficult to prepare bankable projects or meet the fiduciary standards of climate funds and private investors.

- **Strengthen or designate a the focal point for climate finance:** Local governments can significantly improve coordination and readiness for climate finance by formally designating an existing department—typically finance, planning, or environmental management—as the institutional focal point for climate finance, rather than creating new standalone structures that strain capacity. Evidence from Sub-Saharan Africa shows that when a dedicated unit or officer is empowered to coordinate climate budgeting, project preparation, reporting, and donor engagement, municipalities are better positioned to develop credible investment pipelines and meet the fiduciary and transparency standards required by funders. A

notable example is the City of Cape Town, which embedded climate-finance responsibilities within its existing governance architecture, enabling the development of clear climate strategies and investment plans that aligned with long-term infrastructure financing needs—an approach that contributed to the successful issuance of its green bond. Conversely, many local governments across the region lack a clear focal point, leading to fragmented responsibilities between departments, weak project preparation, and inconsistent engagement with external financiers.

- **Support long term capacity development for local governments:** Building sustained institutional capacity is essential for enabling local governments to plan, access, and manage climate finance effectively. According to climate finance assessments across Africa, short-term training workshops alone rarely translate into improved financing outcomes; what works is long-term, embedded capacity support that strengthens technical skills, administrative systems, and coordination mechanisms over time. Local governments can therefore prioritise durable approaches such as peer-learning exchanges, mentorship programmes, and multi-year partnerships with universities, national training institutes, and civil society organisations that provide continuous technical assistance rather than one-off activities. Evidence from several Sub-Saharan African cases demonstrates that the presence of institutional champions—committed senior or mid-level officials who advocate for mainstreaming climate risks into planning and budgeting—can catalyse lasting reforms. In Durban, for example, long-term leadership within the Climate Protection Branch enabled the city to advance pioneering adaptation work and attract international support (Susskind & Kim, 2021). Similarly, Cape Town's ability to develop bankable climate projects and eventually issue a green bond was supported by years of internal capacity building, including strengthening financial modelling skills, establishing internal climate governance structures, and embedding cross-departmental collaboration. By contrast, many local governments across the region remain constrained by high staff turnover, inconsistent training, and reliance on external consultants—factors that weaken institutional memory and reduce their ability to meet donor requirements.

b. Policy and institutional reforms

- **Advocate and build the case for national-local coordination:** Because climate finance and adaptation mandates remain highly centralised in most Sub-Saharan African countries, local governments can expand their influence—and ultimately improve their access to climate finance—by articulating coordinated, evidence-based positions within national climate policy processes, including the development of NDCs, NAPs, climate bills, and sectoral strategies. Research across African climate finance landscapes shows that national governments and external funders are more willing to channel resources to subnational levels when municipalities demonstrate clear alignment with national priorities, coherent local evidence, and unified advocacy through recognised platforms. To do this effectively, local governments must develop a strong understanding of the national policy agenda and intentionally link their actions to it. This involves:
  - **Drawing on localised data and community priorities** captured in IDPs, vulnerability assessments, hazard maps, and local climate plans to demonstrate the on-the-ground impacts of climate risks;
  - **Documenting bureaucratic and regulatory barriers** that impede climate-responsive planning and budgeting, providing national policymakers with concrete reform entry points;
  - **Leveraging partnerships with civil society organisations, universities, and technical agencies** to strengthen the technical rigor and legitimacy of local submissions; and
  - **Consolidating municipal inputs through Local Government Associations (LGAs)** to present a unified, politically credible subnational voice.

Evidence from Kenya's Financing Locally Led Climate Action (FLLoCA)[24] programme illustrates the value of institutionalised national–local coordination. FLLoCA embeds a bottom-up process where communities identify priorities through ward and sub-county committees, which are then formalised at county level and financed through County Climate Change Funds (CCCF). This decentralised mechanism is backed by national government oversight, multi-year funding, and capacity-building requirements covering planning, budgeting, fiduciary standards, reporting, and monitoring. The model demonstrates that when local governments organise themselves, articulate clear investment priorities, and advocate collectively, they can influence the design of national frameworks that directly allocate climate finance to subnational levels. The FLLoCA experience therefore provides a compelling case for local governments across the region to pursue similar devolved, co-governed arrangements by building strong national–local coordination mechanisms grounded in evidence, transparency, and local legitimacy.

- **Strengthen policy environment:** Some of the best practices point to that constructive engagement with national authorities, local governments can reinforce their internal policy frameworks by systematically reviewing and updating local by-laws, climate strategies, development plans, and sector policies to ensure coherence with national adaptation frameworks such as NAPs, national climate acts, decentralisation statutes, or devolved climate-finance policies. Climate finance assessments across Sub-Saharan Africa consistently highlight that misaligned mandates, unclear local responsibilities, and outdated by-laws are major bottlenecks that hinder local governments from preparing bankable climate projects or meeting fiduciary and reporting requirements. Strengthening the local policy environment therefore includes: clarifying local mandates, identifying regulatory and institutional gaps that restrict climate-responsive planning and budgeting, and explicitly documenting where national technical, financial, or legislative support is required. These reforms demonstrate to climate-finance providers that local climate actions are grounded in a stable and legally supported governance framework—an important signal of institutional reliability and reduced implementation risk. Kenya's County Climate Change Fund (CCCF)[25] system provides a compelling example. Counties were required to pass their own climate change legislation and integrate climate-responsive planning and budgeting procedures that aligned with national policy and oversight frameworks. This coherence between local by-laws and national regulations improved counties' ability to design, finance, and implement adaptation investments such as water infrastructure, rangeland restoration, and flood prevention systems. It also strengthened donor confidence by demonstrating that subnational actions were embedded in predictable, legally mandated processes. The CCCF experience shows that when local governments align their policy frameworks with national climate governance structures—rather than operating in parallel—they enhance institutional credibility, reduce transaction costs for funders, and position themselves more effectively to access both national and international climate finance.

c. Democratic participation and participatory budgeting for climate priorities

- **Institutionalise/strengthen community structures:** Local governments can create or formalise inclusive structures—such as ward climate committees, community adaptation planning groups, or sector-specific advisory panels—to identify, prioritise, and monitor climate investments. These bodies should reflect gender, livelihood, and social diversity, and be embedded in the local planning cycle (e.g., IDP processes, budget consultations). Funders increasingly require evidence that projects are socially grounded and locally owned. Community participation ensures that climate investments reflect local priorities, reducing the risk of project failure

24 FLLoCA | Financing Loccally-Led Climate Action (FLLoCA)
25 Climate Investment Funds, 2024. Transformational Climate Finance: Kenya's County Climate Change Funds Lessons for Practice. https://www.cif.org/sites/cif_enc/files/knowledge-documents/tcf_kenya_case_study_apr11-compressed.pdf

or under-utilisation. Democratic processes reduce resistance to project implementation, especially for projects requiring behaviour change, land use adjustments, or community co-management.

- **Need for consultation for the full project cycle and procurement oversight:** Mandatory community consultations during project identification, feasibility assessment, and procurement processes help ensure that climate investments address real needs and that implementation risks are transparently assessed. Publishing procurement decisions and inviting community observers strengthens accountability and reduces corruption risks. Allocating a portion of local climate budgets to participatory decision-making—for example, allowing communities to select among adaptation priorities or review proposed spending—helps align budgets with lived realities, especially in vulnerable settlements. Participation reduces the likelihood of elite capture, opaque decision-making, and misuse of funds—key concerns that often deter climate finance providers. Public oversight of procurement, budgeting, and reporting increases institutional credibility, an important factor for development partners, national climate funds, and private investors considering blended-finance arrangements.

Box 4. Kenya's FLLoCA Programme

Kenya's model for devolved, locally led climate finance began in Isiolo County in 2011 as a pilot initiative aimed at demonstrating how climate finance could reach vulnerable communities more effectively. The pilot established ward-level Climate Adaptation Planning Committees comprising community representatives, traditional leaders, women, and youth. These committees identified climate priorities such as water harvesting structures, rangeland rehabilitation, flood control, and livelihood protection based on local knowledge and vulnerability assessments.

To finance these priorities, Isiolo County created a County Climate Change Fund (CCCF) through county legislation. This fund provided a predictable, ring-fenced mechanism for allocating resources to community-identified projects. Importantly, decisions were governed by clear rules for transparency, documentation, and public participation, ensuring that communities were directly involved in both planning and oversight. The success of Isiolo's pilot, including improved water security, stronger rangeland management, and more accountable fund flows, demonstrated that bottom-up, participatory governance systems could deliver effective and context-specific adaptation investments. As a result, the CCCF model was expanded to additional counties and later informed Kenya's national framework for devolved climate finance.

This culminated in the Financing Locally Led Climate Action (FLLoCA) programme, supported by the World Bank. FLLoCA now operates across all Kenyan counties, capitalising county climate funds, building county capacity for planning, budgeting, reporting, and monitoring, and strengthening national coordination systems. Critically, FLLoCA preserves the bottom-up logic of the Isiolo pilot: communities identify priorities, counties plan and implement projects, and national government provides oversight, standards, and financing.

The Isiolo–CCCF–FLLoCA pathway illustrates that locally initiated governance innovations (backed by participation, transparency, and clear rules) can scale to national programmes and form the backbone of more equitable climate finance systems. It shows that local governments do not need to wait for national reforms to pilot participatory, devolved climate governance models that build the case for more funding and autonomy.

d. Leveraging public-private partnerships and innovative financing mechanisms

- Design transparent and community informed Public-Private Partnerships (PPPs): Local governments can structure PPPs using open procurement processes, clear disclosure rules, and community benefit clauses that mandate pro-poor outcomes. Communities, through ward committees or project-specific oversight groups, can participate in early-stage consultations to ensure local needs shape project design (e.g., safe water access, low-carbon public transport, solar mini-grids). For example, some municipalities in South Africa's Western Cape have used community consultations to shape PPP-based waste management models that prioritise job creation for local cooperatives. PPPs that embed participation and transparency reduce risks of elite capture, strengthen trust, and increase investor and donor confidence.

- **Aggregate projects into larger financeable entities:** Many locally led adaptation actions such as small dams, drainage upgrades, tree planting, and community water points are too small to attract donors or private investors individually. Local governments can bundle similar projects across wards or collaborate with neighbouring municipalities to create larger investment tickets that are more suitable for funders, also reducing transaction costs for the local authority. This can also entail collaborating with other local governments in that region and combining demand for financial products, goods or services with those of municipalities with similar demands as another way of increasing investment ticket size.

- **Leverage blended finance and Climate Adaptation Notes (CANs):** Local governments can participate in blended finance arrangements (Box 6) where concessional public finance (grants or low-interest loans) unlocks private investment for climate-resilient infrastructure. Municipalities can work with development finance institutions (DFIs), national treasuries, and climate funds to structure financing that spreads risk and enhances affordability for local communities. Within these structures, innovative instruments such as Climate Adaptation Notes (CANs) can be used to match short-term construction needs with long-term refinancing opportunities. CANs allow municipalities to spread risk, attract long-term institutional capital (such as pension or insurance funds), and make adaptation investments more affordable.This reduce upfront costs for municipalities and attract long-term investment while ensuring projects remain socially and environmentally responsible.

- **Explore innovative risk transfer mechanisms:** Given the recurring challenge of frequent natural hazards, Local governments in SSA can improve resilience against recurrent climate shocks by developing risk-transfer mechanisms that protect both municipal budgets and vulnerable households. Given that commercial insurance products are often unaffordable or inaccessible, self-insurance schemes and community-based risk pools offer realistic alternatives. Municipalities can:
  - Establish municipal self-insurance reserves (e.g., setting aside a small percentage of annual revenue for climate emergencies)
  - Support community-based risk-sharing groups that pool resources for climate-related losses (e.g., drought, floods, crop failure)
  - Join regional or national risk-pooling schemes, such as sovereign risk pools or province/district-level risk facilities
  - Work with national disaster funds and insurers to co-design affordable micro-insurance products linked to transparent payout triggers
  - Integrate early warning systems and community monitoring into the governance of these mechanisms to ensure fair and timely payouts

Box 5.

In 2022, Cape Town Metropolitan City published a ten-year infrastructure project pipeline to support infrastructure fundraising. The ten-year pipeline is valued at an estimated ZAR 120 billion (US$6.7 billion) and covers energy, urban waste management, water and sanitation, human settlements and urban mobility infrastructure projects, with the majority of projects linked to the city's Climate Action Plan. To deliver pipelined projects Cape Town is following a blended finance model (see below), which includes funding from its own balance sheet as well as finance from the local and international markets. By August 2024, engagement with financers had enabled Cape Town to secure ZAR 3.5 billion (around US$ 200 million) in private finance towards the first three-year implementation phase from Nedbank, as well as €100 million from French development agency AFD and ZAR 2.8 billion (around US$ 160 million) from the International Finance Corporation.[26]

Parting reflection

Unlocking climate finance for local governments in sub-Saharan Africa is fundamentally about strengthening governance systems that inspire confidence, ensure accountability, and anchor climate action in community realities. Local governments can mobilise and manage climate finance effectively when transparent fiscal practices, coherent policy frameworks, and clear mandates are matched with meaningful democratic participation and strong national–local coordination. By institutionalising inclusive decision-making, building long-term technical and institutional capacity, and aligning local priorities with national and global climate agendas, local governments transform fragmented financing opportunities into sustainable, community-driven resilience pathways. Ultimately, climate finance delivers its greatest impact when it flows through capable, transparent, and locally legitimate institutions that channel resources to where they matter most: the vulnerable communities on the front lines of climate change.

26 https://www.c40knowledgehub.org/s/article/How-cities-can-attract-private-finance-for-climate-action?language=en_US

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AI. We used Artificial Intelligence for grammar and language checks and for some formatting.

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THE GLOBAL GOALS

For Sustainable Development

ICLD Swedish International Centre for Local Democracy