

Key points

Getting climate finance to the urban poor and informal settlements will require coordinated action.

Civil society can anchor climate finance in locally led action and evidence by strengthening the generation of local data, amplifying community priorities, and supporting participatory planning and implementation.

City authorities should make informal settlements a core pillar of their urban planning and climate finance agenda by developing clear, costed project pipelines with community organisations and by investing in data.

National governments must enable cities to deliver climate action for the urban poor by explicitly integrating urban poverty into national climate action plans and devolving authority, resources and decision making.

Climate funds and other financiers should adapt climate finance delivery to reach informal settlements at scale by expanding grant and concessional finance for cities, supporting readiness and redefining success beyond short-term outputs.

Unlocking urban climate finance: barriers and progress in African cities

Informal settlements across sub-Saharan Africa face escalating climate risks, despite contributing little to global emissions. Rapid urbanisation, poverty, weak infrastructure and exclusionary planning intensify communities' vulnerability, while climate finance for the urban poor remains negligible. Drawing on research from Accra, Harare, Kampala, Lagos and Nairobi, this briefing examines barriers and progress towards climate finance access and outlines institutional, financial and partnership pathways to enable more inclusive, locally led urban climate action at scale globally.

Informal settlements in sub-Saharan Africa, like those across many countries in the global South, are highly vulnerable to the impacts of climate change, despite their negligible contribution to global warming.¹ Climate-related events are rapidly increasing in frequency, severity and duration.² This compounds other socioeconomic stressors and vulnerabilities, including rapid unplanned urbanisation, poverty, infrastructure deficits, depressed economic performance, inflation, gender inequalities and political instability.

Africa has the highest rate of urbanisation in the world,³ and nearly 60% of the urban population in sub-Saharan Africa live in informal settlements.⁴ These informal settlements continue to expand into increasingly hazard-prone areas, such as floodplains and unstable slopes, due to a lack of affordable housing elsewhere. Inhabitants of informal settlements are often the most vulnerable in society, such as migrants, refugees and internally displaced people. In addition, most city planning does not incorporate the perspectives of people living in informal settlements and settings,⁵ reinforcing informal modes of urbanisation.

More so than other areas of cities, informal settlements are in dire need of upgrading and participatory planning processes that support climate adaptation, resilience and mitigation efforts. There are emerging examples of interventions that work, but they need finance to be adopted at scale. Investment could support the redevelopment of informal settlements as 'safe havens' from climate catastrophes, rather than following paths of unplanned expansion, congestion and pollution.⁶

This briefing presents research and evidence from ongoing work by the African Cities Research Consortium (ACRC) to understand current access to climate finance in five sub-Saharan cities — Accra (Ghana), Harare (Zimbabwe), Kampala (Uganda), Lagos (Nigeria) and Nairobi (Kenya) — and how to practically improve it. The work shows a huge level of underservice from international and national financing, high access barriers and the need for improved institutional strengthening, coordination, planning and action at, and between, the local, city and national levels.

Flows of international climate finance to the cities

Despite the urgency, climate finance for informal settlements remains marginal. Flows from international donors are very low, particularly to sub-Saharan African cities.⁷ Cities Alliance found that only 3.5% (US\$1.2 billion) of the approved budget from major global climate funds to all countries between 2003 and 2023 targeted informal settlements and the urban poor.⁸

Ghana, Kenya, Nigeria, Uganda and Zimbabwe all have at least one national entity accredited to manage climate funding from the Green Climate Fund (GCF), in addition to accessing finance through international access entities. And each country has obtained funding from the GCF for multiple projects. However, none of the funded projects have supported interventions in urban poor, low-income or informal settlements.⁹ (See Figure 1.)

While the GCF is the biggest international climate fund, it is not possible for every country to access its support for every climate action area. However, each country should have undertaken strategic planning at the national level to match funding sources with action areas. This does not appear to have happened consistently across the five countries and cities. For example, the Organisation for Economic Co-operation and Development identifies only 16 developing countries as having publicly available, economy-wide financing or

investment strategies currently in place to support their Nationally Determined Contributions (NDC).¹⁰

A larger source of climate financing from the international level comes in the form of direct funding — from bilateral government support, multilateral development banks, regional and United Nations bodies, and nongovernmental organisations — for upgrading and resilience projects. A lot of this financing is projectised, activity specific and small-scale.

Other sources of climate finance reaching the cities

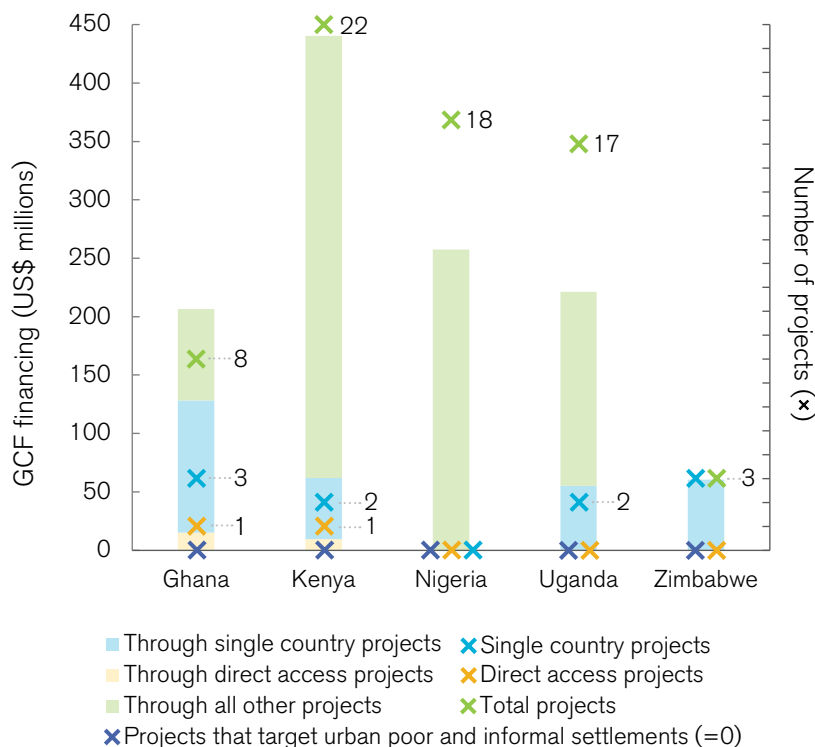
Overall, the largest source of urban climate finance to the five cities is from households and individuals, equating to around 35% of total expenditure.¹¹ These are private flows that households and individuals spend on mitigating against, and adapting and building resilience to, climate impacts. Some of this spending is already supported by governments, for example through subsidies for installing solar panels or buying electric vehicles. Other spending does not align (and is sometimes at odds) with local, city or national priorities.

City-level authorities are critical to addressing the climate action needs of the urban poor, low-income communities and informal settlements. While national-level governance can support high-level planning, city authorities in the five countries are better positioned to understand and raise their specific needs. To do so, city authorities need to be able to invest in developing neighbourhood-level climate and socioeconomic data, developing clear, costed and well-elaborated interventions for financing. This should be done in partnership with community organisations, as co-designers and implementers, to ensure local buy-in and more sustainable outcomes.

The main source of finance to each of the five cities' public budgets is intergovernmental transfers from the national level. Revenues from local taxes and fees then supplement city budgets. However, these additional revenues are low and there are patchy levels of devolution across the cities.

While it is clear that these flows are minimal to none, there is very little official, standardised public data that show how much each national government allocates to city budgets for climate action. This is partly because national budgeting has standard sectoral categories and data is often not disaggregated to specific initiatives or categorised by recipient. As climate is a cross-cutting issue, it spans several sectors and issues. The lack of detailed data, coordination across sectors, use of area-based approaches and tracking of flows leads to climate support to informal settlements and the urban poor falling through the cracks.

Figure 1. Project financing volumes



Barriers to improving national climate finance flows to informal settlements

National and subnational policy frameworks fail to recognise informal settlements: local and national climate policies and strategies should explicitly recognise informal settlements. This can often be politically and legally challenging due to the relationship between national and subnational authorities. Doing so can also be seen as ‘legitimising’ informality and in conflict with evictions, redevelopment and land value practices. Moreover, informal settlements often lack institutional mechanisms to deliver support, and insecure tenure reduces the incentives and ability of residents to invest in improvements themselves.¹²

Poor socioeconomic and climate impact data of informal settlements and the urban poor: informal settlements are poorly represented in official statistics, leading to little or poorly targeted interventions, or being excluded from national plans altogether. Limited geospatial and socioeconomic data can mean that donors and other actors such as local authorities struggle to quantify the needs of communities or the bankability of projects or establish potential impacts.¹³

Inadequate decentralisation and devolution of authority, responsibility and resources to municipal governments: while there has been some transfer of administrative responsibilities to municipal governments, decision-making power is commonly retained at the national level. Ministries of finance and environment retain the power and capacities and treat municipal governments as implementers. This limits the ability of municipal governments to respond to local needs and to build financial and project preparation capacities needed to meet the requirements of national and international funding sources.

Lack of alignment and support for community-led climate action: although low-income urban communities often have some limited approaches and systems in place for coping with climate and other impacts, national- and city-level authorities rarely align with and support ongoing and locally led initiatives. Nor do they trust and support local actors to make decisions, or value local perspectives and knowledge. Indeed, relationships between local authorities and organised informal settlement communities can be challenging, especially where there is a history of evictions and site clearances. This can undermine trust and reduce the likelihood of collaborative climate adaptation projects and financing.

Lack of capacity for authorities and communities to engage: even where there is a willingness by local authorities to pursue inclusive development approaches, limited capacity to engage, politicised institutional processes and insufficient data can hinder these efforts.¹⁰ Additionally, informal settlements may be characterised by numerous and fragmented institutions and actors who are poorly coordinated, further preventing collaborative climate finance mobilisation.

Inappropriate metrics for success for climate finance: climate finance often supports business-as-usual systems by funding large mitigation projects implemented by established organisations who are able to develop and implement discrete outputs quickly. There is high risk aversion among partners and funders in engaging with informal settlements and the urban poor, and providing funding to small-scale actors, who do not have established track records, require capacity building around finance, and for which there are high transaction costs.

Pathways forward

Success in supporting the urban poor requires less focus on discrete, tangible, quantitative outputs, and more on building the capacities and capabilities of systems, institutions (including municipal governments and community organisations) and people, thereby reducing vulnerability, protecting lives, and improving services and opportunities. The urban poor should be given the opportunity to define their needs, the processes that can best support them and what success looks like to them.

There are ongoing activities across the five countries to address many of the barriers outlined above and which demonstrate good practice. These include:

Improving national strategic planning and coordination around climate finance: in 2021, the government of Nigeria adopted a Climate Change Act.¹⁴ This established a National Council on Climate Change and also mandates the creation of a National Climate Change Fund. Setting up such a fund is a complex process that can take years to operationalise, but the mandate represents progress towards a forward-looking institutional mechanism that can pool and channel funds to national and local initiatives.

Improving national to local governance structures and decentralisation: Nairobi has significant devolved powers and a growing self-generated revenue base. The city’s fiscal capabilities are being further strengthened through the development of a Nairobi County Climate Fund. Building on a model piloted in other

parts of the country, the initiative strengthens governance and financial capabilities to enable local decision making and locally led approaches to inform subnational and national planning and delivery.

Improving partnerships across different types of actors:

in 2024, the government of Ghana established a Climate Financing Division¹⁵ within its Ministry of Finance to coordinate and mobilise climate finance, mainstream climate issues into national planning and strengthen partnerships.

Explicitly outlining the needs of informal settlements and the urban poor in national climate policies and strategies:

in 2025, the government of Uganda developed a comprehensive National Climate Finance Strategy.¹⁶ There are also city-level plans, such as the 2016 Kampala Climate Change Action Strategy,¹⁷ which explicitly names informal settlements as a key group for support.

Bridging the gap between planning, governance and financing:

in 2022, the Nigerian Federal Ministry of Housing and Urban Development created the National Urban Development Policy to provide a framework on planning, governance and financing for resilient urban settlements. This includes establishing enabling conditions for mobilising climate finance, such as reforms to land administration, municipal finance and public–private partnerships. In 2024, Lagos launched the Lagos State Climate Adaptation and Resilience Plan (LCARP) to provide a clear pipeline for investment in city action aimed at building climate resilience. The National Urban Development Policy lays groundwork that LCARP could pick up to support informal settlements.

How different actors can come together to support these changes

Unlocking climate finance for the urban poor requires coordinated action across the climate finance ecosystem.

Multilateral climate funds have a critical role to play by simplifying access modalities for

subnational actors, particularly cities, and by strengthening readiness and project preparation at the city level. Expanding risk tolerance for pro-poor urban projects would further enable investment in informal settlements that are currently excluded from mainstream finance.

City authorities are central to translating finance into impact. By developing robust project pipelines focused on informal settlements, partnering with community organisations, and improving neighbourhood-level climate and vulnerability data, cities can make urban climate investments more attractive and inclusive. Municipal climate strategies can serve as effective entry points for finance, while concrete, finance-ready project pipelines strengthen cities' ability to advocate for resources from national governments.

National governments play a pivotal enabling role by integrating the priorities of the urban poor into national climate commitments, including NDCs and National Adaptation Plans and by devolving climate finance and decision-making authority to cities. This would help align national objectives with local delivery and accelerate implementation.

Multilateral development banks, bilateral donors and other financiers can support this agenda by scaling grant and concessional finance for cities, and by blending finance to unlock pro-poor urban investments. Targeted support for civil society and community organisations can further strengthen inclusive delivery mechanisms.

Civil society organisations are essential partners in this ecosystem. They can act as trusted intermediaries between communities, local authorities and financiers, helping to translate locally led solutions into scalable, fundable climate action. They can generate locally grounded data and evidence, strengthen inclusion and accountability, and play a key role in implementation, ensuring that climate finance reaches and benefits the urban poor.

Anna Walnycki, Aaron Acuda and Sejal Patel

Anna Walnycki, team lead – climate action for equitable cities, IIED; Aaron Acuda, researcher, IIED; Sejal Patel, senior researcher, IIED



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Contact

Anna Walnycki
anna.walnycki@iied.org

44 Southampton Buildings
London, WC2A 1AP
United Kingdom

Tel: +44 (0)20 3463 7399
www.iied.org

IIED welcomes feedback
via: www.linkedin.com/company/iied

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Our work on climate finance in urban contexts is being conducted as part of work IIED is undertaking with the African Cities Research Consortium. Find out more about our work on this issue at www.iied.org/african-cities-research-consortium

Notes

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