

Securing Finance for Climate Change Responses in Durban

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Keywords	Climate Finance; Climate Change Response; Capacity Building; Return on Investment
City Population	4,239,901
City Area	2,297 km ²
City GDP	83.9 billion USD
Climate Zone	Cfa (Humid Subtropical)
ARC3.3 Linkage	Financing Climate Action Element

Introduction. This case study examines the experiences of the eThekweni Municipality in South Africa in securing finance for climate change responses in the eThekweni Municipal Area which includes the city of Durban.

The implementation of climate change responses in many cities in Africa is hampered by a number of factors including the lack of finance (Trisos et al., 2022; Fourie-Basson, 2022; CDKN Global, 2022). Improved fundraising for climate change is crucial to support the comprehensive implementation of climate change responses across the continent. However, the lack of capacity within many cities in Africa hampers their ability to secure finance (Trisos et al., 2022; Averchenkova et al., 2019). The purpose of this case study is to provide insights into the approaches used by eThekweni Municipality to secure climate finance so that these insights can assist other African cities to secure finance for their climate change responses, which will enable them to better respond to the impacts of climate change.

The implementation of climate change responses by eThekweni Municipality takes place within the context of the Durban Climate Change Strategy (DCCS) (eThekweni Municipality, 2014), and the first five-year review of the DCCS which was recently completed. The Revised DCCS outlines four themes, each of which covers several sectors within the municipality (Figure 1). Figure 1 demonstrates how climate change responses cut across multiple sectors within the municipality, and accordingly require implementation

by various line function departments in the eThekweni Municipality. The financing requirements for eThekweni Municipality's climate change responses vary across these sectors as some interventions may need large-scale infrastructure investment (e.g., redesigning the electricity distribution grid to enable decentralised renewable energy generation), while some interventions could be met with the reallocation of existing resources (e.g., mainstreaming climate change in planning processes and policies).



Figure 1: *The four themes of the Durban Climate Change Strategy*

The way in which eThekweni Municipality generates finance for its own operations is also impacted by its climate change responses. Currently, a sizable portion of the Municipality's operating budget comes from the sale of electricity and water. In a climate-responsive future, there will be a strong drive around electricity and water efficiency, which may reduce income for the municipality derived from these sources.

Brief History. The eThekweni Municipal Council adopted the Durban Climate Change Strategy (DCCS) in 2015. Council approval for the recently updated Revised DCCS is currently being sought and a detailed implementation plan to ensure the revised strategy is also currently being finalised. The eThekweni Municipality has a well-defined governance structure for climate change responses in the Municipality. At a political level, the eThekweni Municipality Climate Change Committee provides high-level oversight. The DCCS Technical Task Team consists of unit heads (very senior administrative leadership) and provides high-level technical oversight. The DCCS TTT Sub-committee consists of senior managers and is responsible for project implementation, while the DCCS Secretariat undertakes the on-the-ground coordination of implementation.

To support the DCCS Secretariat, the eThekweni Municipality procured a consulting team (Urban Earth) from 2019 to 2022 to assist with the process of revising the DCCS and developing a detailed implementation plan. One of the key components of the contract was to assist the Municipality in securing climate finance and to build internal capacity to secure finance. The plan includes fourteen short-term targets across three themes of enabling, cross-cutting, adaptation, and mitigation. The climate finance target objectives included:

1. The implementation of protection of funding and financial models that account for climate change impacts
2. Sourcing climate finance opportunities outside of eThekweni Municipality

This clear scope of work has allowed the eThekweni Municipality to better understand the opportunities and weaknesses of trying to secure finance for climate change responses in the eThekweni Municipal Area (eThekweni Municipality, 2022).

Analysis, Evaluation, and Implementation.

● **Identification and Tracking of Appropriate Finance Opportunities.** This workstream involved identifying local and international finance opportunities that could be used to fund municipal climate change interventions. The activities of this workstream were to:

1. Identify and review open-access websites that collate climate finance sources (e.g., <https://citiesclimatefinance.org/>)
2. Subscribe to and monitor paid-for finance tracking services (e.g., <https://www.developmentaid.org>)
3. Collate a database of existing local finance opportunities that are available through the South African National Government (e.g., <https://www.cogta.gov.za/index.php/category/mig/>)
4. Summarise relevant opportunities in an Excel database (the database currently has 58 possible opportunities listed)
5. Communicate finance opportunities to line function departments to see if they were interested in developing financing applications for projects in the draft DCCS implementation plan that were related to their line functions

This workstream was able to identify a number of viable finance opportunities for the eThekweni Municipality related to the implementation of responses in the Revised DCCS. These finance opportunities included the Danish International Development Agency (DANIDA) Development Research Grants – Phase 1 2022, the CICLIA facility, and the US Mission to South Africa. The DANIDA grant was applied for through the University of KwaZulu-Natal (UKZN) in partnership with Aalborg University (Denmark) and this application is currently in the first round of assessment. The

CICLIA application was successful and USD 450,000 has been provided to the eThekweni Municipality. The US Mission grant application was applied for through UKZN in partnership with Educational Partnerships for Innovation in Communities (EPIC-N) and the eThekweni Municipality for USD 178,000 to support the expansion of the EPIC program in Durban. So far, several lessons have been learnt from this workstream. These lessons are summarised below.

There are limited opportunities for financing climate change interventions through national conditional and non-conditional grants.

1. National grants tend to be sector-specific and infrastructure-focused. These requirements do not align well with climate change interventions, which are typically cross-sectoral and enabling rather than infrastructure focused.
2. The eThekweni Municipality is already accessing national grants for its infrastructure programmes, which are seen as more of a “service delivery” priority than as climate change interventions.
3. There are some grants which eThekweni Municipality is not accessing annually. A key example is the Energy Efficiency Demand Side Management (EEDSM) grant provided by the national Department of Mineral Resources and Energy. The municipality has accessed this grant in the past but has not done so regularly in the past three years.
4. Some grants are underspent and then returned to the South African National Treasury. This is particularly true for infrastructure grants such as the Municipal Infrastructure Grant (MIG), where procurement delays often result in under expenditure. There is therefore an opportunity for climate change infrastructure projects to be funded through this stream if the projects are well prepared and able to spend money quickly.

There are significant opportunities for climate change project-preparation support through international grants. The Project Preparation Resource Directory of the Cities Climate Finance Leadership Alliance (<https://citiesclimatefinance.org/project-preparation-resource-directory/>) is a very useful and constantly updated directory of project preparation facilities that can support subnational governments (like municipalities) around the world in the preparation of climate change-related projects.

1. The bulk of the opportunities listed in the Project Preparation Resource Directory are for project preparation support. This includes funding for pre-feasibility studies, detailed project design, training and other project preparation steps.
2. There are also a number of opportunities where specialists are made available to support municipalities. There are far fewer grant opportunities for climate change infrastructure investment. When these opportunities do exist, they often require co-financing by the municipality or a mix of blended financing options. They also often require detailed project-design documentation to be in place.

3. Government departments are not eligible to apply for many international grant opportunities. It is therefore important to develop relationships with other institutions (such as tertiary institutions and non-governmental organisations) that can collaborate with a municipality in the fund application process.
4. New international climate finance opportunities are constantly being published and there is a need to have dedicated resources to monitor the different climate-financing websites to identify these relevant opportunities.

Proposal Development Training and Support. This workstream involved developing a training course on climate finance for municipal officials and running a pilot of the training course.

The climate finance training course was targeted at municipal officials in the eThekweni Municipality who were or who would be involved in the implementation of the programmes and projects listed in the Revised Durban Climate Change Strategy. The pilot training course was run in 2021 and participants represented a wide range of eThekweni Municipality's departments and units. The course was designed to support municipal staff members as they developed concept notes for their existing climate change project ideas. The five modules of the training course are shown in Figure 2.

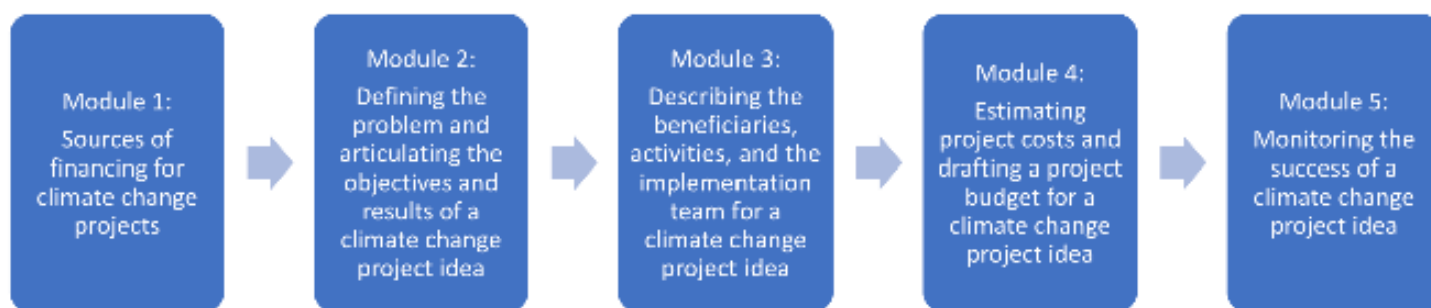


Figure 2: *The five modules of the climate finance training course developed for eThekweni Municipality*

In total, 13 people participated in the training course and a total of nine different concepts were developed during the training (Some participants collaborated to develop the same concept note). Of the nine project concepts, the following four have secured finance of some sort:

1. “Greening Convention Centre to the Green-star level”, which secured funding with support from the ICLEI - Local Governments for Sustainability’s Transformative Actions Program (TAP) (<https://iclei.org/en/TAP.html>)
2. “Using the Palmiet Catchment Rehabilitation Project for cleaning, monitoring and managing riverine areas”, which received funding through a successful application to the CICLIA facility (<https://www.afd.fr/en/ciclia-cities-and-climate-sub-saharan-africa>).
3. Introduce a pilot Ohlanga River Catchment Management Project which received partial funding as governance components of this project were successfully included in the application to the CICLIA facility.
4. Creating policy for ultra-low emissions sectors for public transport which is being partially funded by eThekweni Municipality itself. Specifically, the Municipality is funding the first activity of this project, which is to develop a bottom-up emission inventory to identify zones with significant transport emissions.

Furthermore, the following two project concepts have been identified as research-focused: “Review the eThekweni Municipality’s ability to deal with and manage vector-borne diseases (such as malaria) and climate-related disease, and its levels of preparedness to deal with these diseases” and “Project to take measurements of the Agulhas Current to test energy generation feasibility”. For these two project concepts, collaborations with universities through the Educational Partnerships for Innovation in Communities – Network (EPIC-N) are being explored.

For the project concept, “Pilot the running of 10 electric vehicles and related charging equipment in Durban, collect data and assess the feasibility of the idea”, discussions with a potential finance institutions were undertaken. However, it was concluded that eThekweni Municipality could not meet the co-funding requirements.

For the remaining two project concepts (“A fully zero-waste township project” and “Establish a dry harbour in Cato Ridge”), additional support options are being investigated.

Several lessons have been learnt from this workstream. These lessons are summarised below.

1. Some participants in the climate finance training course noted the value of going through a step-by-step process of developing an idea for a project into a more detailed project concept and how this helped them properly conceptualise their climate projects.

2. Participants who were actively engaged in the training course's lessons and activities had stronger concept notes at the end of the training than before they undertook the training, while those participants who did not participate consistently had weak and underdeveloped concepts.

3. A once-off training course was useful for conceptualising projects, but there is a need for continued support to the eThekweni Municipality's line function departments to fully develop and conceptualise their projects as climate finance opportunities become available.

4. Developing detailed funding applications for a project concept requires a lot of time, effort and commitment from the project's owners.

5. Although there are international climate finance opportunities available, matching opportunities are not always available when a project is conceptualised. It may thus be necessary to develop project concepts and then wait for an appropriate financing opportunity to present itself.

Future Implementation and Concluding Thoughts. Having dedicated capacity (in this case, using a consulting team) to assist officials from eThekweni Municipality with developing climate project concepts, and finding and applying for climate finance opportunities, has proved to be a valuable intervention. The climate change funding support, provided through a consulting contract, cost eThekweni Municipality approximately USD 28,000. By securing USD 450,000 of climate funding through the CICLIA facility, eThekweni Municipality has demonstrated a 16-fold return on investment. The Municipality's return on investment may yet be improved still further, as eThekweni Municipality may yet secure additional grant funding through the DANIDA and US Mission climate-funding application processes. The return on investment already achieved by eThekweni Municipality highlights that the creation of a dedicated climate change funding role within the Municipality would be a worthwhile investment.

This case study illustrates that an investment in the capacity to secure climate change finance has been highly beneficial in the case of eThekweni Municipality. A similar investment by other African cities could be as beneficial.

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Relevant Links

1. <https://dfcentre.com/research/calls/calls-for-applications-phase-1/>
 2. <https://www.afd.fr/en/ciclia-cities-and-climate-sub-saharan-africa>
 3. <https://www.grants.gov/web/grants/view-opportunity.html?oppId=336676>
 4. <https://www.epicn.org/>
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Additional Data

- **Population Density:** 1,845 people/km²
 - **Gross National Income (GNI):** 6,780 USD (Higher-Middle Income)
 - **Gini Coefficient:** 66.9
 - **Human Development Index (HDI):** 0.717 (High)
 - **Type of Climate Intervention:** Hybrid
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