

From Equalisation to Adaptation: How FEICOM is Positioning Cameroon's Municipal Finance Institution for Climate Action

This case study demonstrates how a national municipal finance institution can evolve from fiscal redistribution to channel international climate finance to local governments. FEICOM shows how institutional reform and accreditation can expand access to global funds, while highlighting the continued constraints posed by limited fiscal decentralisation and local revenue capacity.



1. Overview and Purpose

FEICOM is Cameroon's principal municipal finance institution, established in 1974 to pool, equalise, and redistribute fiscal resources across the country's 360 communes. Over five decades it has grown into something considerably more than a fiscal transfer mechanism, building a portfolio of partnership programmes and financing thousands of local infrastructure projects across all ten regions of the country. What makes the current moment significant is that FEICOM has embarked on a deliberate institutional transition: from a body primarily concerned with inter-municipal fiscal redistribution toward one capable of channelling international climate finance directly to local governments. The trigger for this shift is both structural and urgent: Cameroon's local authorities are largely excluded from the global climate finance architecture, yet the infrastructure gap they face, particularly in the face of accelerating climate risk, is growing faster than national fiscal transfers alone can address.

The case illustrates how a national financial intermediary operating in a context of limited fiscal decentralisation and weak local capacity can use institutional reform and international accreditation to position itself to channel global climate funds to the local level. It also illustrates the structural constraints that remain. FEICOM's ability to channel climate finance is ultimately bounded by the same fiscal conditions that have long constrained local infrastructure investment in Cameroon, namely local authorities with little autonomous revenue and high dependence on central transfers. Until the underlying fiscal devolution framework strengthens, the ambition of the climate financing model will have a ceiling.

2. Urban Context and Structural Challenge

Cameroon's decentralisation framework has been built up progressively since 1996, consolidated through the Laws on Decentralisation in 2004 and the General Code of Decentralised Local and Regional Authorities in 2019. On paper it is ambitious. In practice, progress has been slow: the national government has set a target of transferring 15 percent of its budget to regional and local authorities, but actual transfers have remained far below that level, leaving subnational governments with responsibilities that outstrip their resources.¹ The fiscal position of local authorities is further weakened by the structure of local taxation. A surcharge on nationally collected taxes accounts for more than 80 percent of municipal tax revenues, making local revenue essentially passive. Local authorities cannot vary their rates, broaden their tax base, or plan capital investment with any confidence in their future revenue trajectory.

Within this constrained revenue environment, Cameroon's urban areas are simultaneously confronting growing climate risk. Flooding, heat stress, and unpredictable rainfall patterns are placing increasing pressure on local infrastructure and service delivery, particularly in secondary cities and peri-urban areas. The local authorities most exposed to these risks are typically those with the fewest resources to respond. National climate commitments, including Cameroon's Nationally Determined Contributions and the National Development Strategy 2020-2030, identify local governments as essential actors in adaptation and resilience, but without a mechanism to translate that political commitment into capital investment at the local level, the commitments remain largely aspirational.

The structural exclusion of cities from international climate finance compounds all of this.² The global climate finance architecture is designed to flow through national governments and national-level institutions, not directly to sub-national entities. The Green Climate Fund (GCF), the largest dedicated source of international climate finance, has no mechanism to lend directly to cities or municipalities, and most accredited entities are national,

¹ World Bank (2024) Cameroon Public Finance Review: Collect More, Spend Better to Achieve Vision 2035 Goals. Washington DC: World Bank Group

² Haas, A.R.N. (2022) 'Global climate finance leaves out cities — fixing it is critical to battling climate change', The Conversation, November 2022

regional, or international bodies. The instrument bias compounds the access problem: climate finance is dominated by international loans, and most African local governments cannot access these either because legislation prohibits it or because their creditworthiness falls well short of what lenders require. Furthermore, adaptation finance is particularly scarce, since it rarely generates the financial returns that justify commercial lending.

Cameroon's local authorities sit squarely within this excluded category: legally constrained from direct market borrowing and insufficiently creditworthy to attract private capital. It is within this context that FEICOM's significance as an intermediary becomes clear. It already sits at the intersection of national fiscal flows and local government delivery as for approximately 100 of Cameroon's 339 communes, FEICOM transfers represent more than 95 percent of total revenues.³ That same structural position is what makes it the most credible candidate to become a conduit for international climate finance, channelling resources to local authorities that the global climate finance system was not designed to reach.

3. Project Approach and Delivery Model

FEICOM was created by law in 1974 and began operating in 1977 as an administrative directorate under the Ministry of Territorial Administration. Its core function was straightforward: centralise local surcharges on national taxes and redistribute them to local authorities on an equalisation basis, smoothing the fiscal disparities between well-resourced urban councils and poorer rural ones. That core mission has remained constant through four major organisational reforms.

The most recent and substantive reorganisation came through Presidential Decree 2018/635, which reconstituted FEICOM as a public establishment of an economic and financial character with legal personality and financial autonomy. This change was significant in two respects. First, it formally extended FEICOM's mandate to include the newly established regional tier of government in Cameroon. Second, and more consequentially for the climate finance transition, it explicitly authorised FEICOM to diversify its sources of finance, including through capital markets and international cooperation, and to act as a financial intermediary for resources from international partners.

The institutional groundwork for the transition to accessing climate finance was laid incrementally, through a series of certifications and accreditation processes that built both technical credibility and organisational capacity. In 2009, FEICOM obtained ISO 9001 certification covering studies, advisory services, resource mobilisation, and project financing. Furthermore, in 2021 it migrated to an Integrated Management System incorporating ISO 14001:2015, an environmental management standard that required the institution to embed climate and environmental considerations into both its own operations and its project preparation and analysis processes. This certification required FEICOM to develop an environmental policy, integrate climate criteria into its project appraisal tools, and demonstrate that these requirements were being applied consistently across its portfolio. It was also a precondition for accreditation to the GCF, whose requirements for National Implementing Entity status are among the most demanding in the international climate finance architecture.

Following this, FEICOM has pursued accreditation to two major international climate funds. For the GCF, it has applied for National Implementing Entity status, which would allow it to access concessional climate finance directly rather than through a bilateral or multilateral development bank. For the Adaptation Fund, a readiness application has already been approved, releasing a grant of USD 150,000 to support FEICOM in upgrading its

³ FEICOM (2024) FEICOM: A Privileged Tool of the Government for the Harmonious Development of Decentralised Local Authorities. Yaoundé: FEICOM

institutional systems to meet the Fund's accreditation requirements. The two processes are complementary: the Adaptation Fund readiness grant is helping to build the institutional infrastructure that GCF accreditation will ultimately require.

Alongside pursuing the accreditation processes, FEICOM has established a dedicated Climate Funding Window in 2024, adding it as a financing instrument within its existing portfolio.⁴ This focuses on providing financing for projects from local authorities that address climate resilience, clean energy, water access, flood mitigation, and waste management. In August 2025, FEICOM launched the funding phase, selecting 50 local authorities to receive the first grants from an initial envelope of CFA 6 billion drawn from its own resources.

Capacity development has run alongside the financing window from the outset. A training workshop for 30 mayors in Yaoundé in February 2024 was an early milestone, equipping elected local government leaders with the skills to design and propose bankable climate-relevant projects. International partnerships have been central to this effort: FEICOM has engaged ICLEI Africa, the Covenant of Mayors in Sub-Saharan Africa (Cossa), GIZ, the Global Fund for the Development of Cities, and the United Nations Capital Development Fund (UNCDF) as technical partners supporting project development and capacity building.

FEICOM has also used its growing international profile to make a broader argument. At platforms including the Finance in Common Summit 2025, it has advocated for municipal finance institutions to be recognised as essential actors in the local climate finance architecture as accredited intermediaries with the institutional capacity to deploy capital at scale. The underlying argument is pointed: the gap in local climate finance is not principally a shortage of global finance, but a shortage of the institutional channels through which that finance can reach cities and other local authorities.

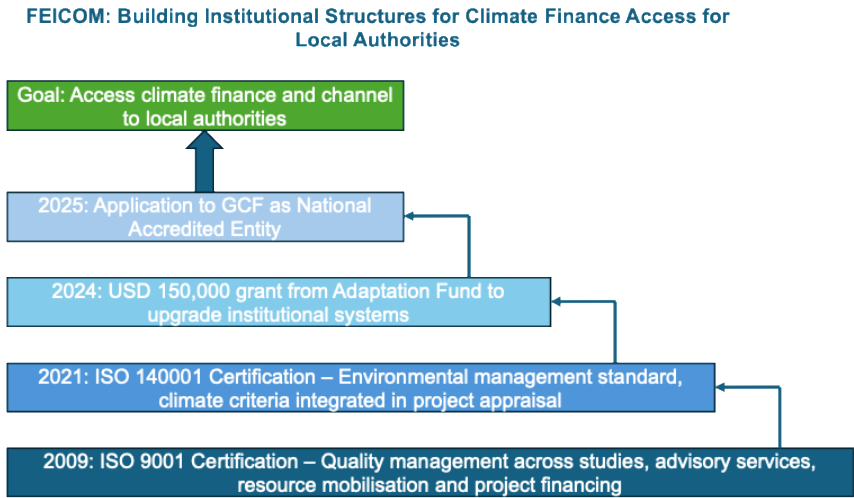


Figure 1 – FEICOM institutional strengthening approach to accessing climate financing.

4. Key Lessons and Transferable Insights

What the Approach Got Right

⁴ FEICOM (2025) 'FEICOM launches innovative climate financing window for local projects'. Yaoundé: FEICOM.

- The sequencing of institutional reform, through the progressive upgrading of internal systems to match international standards, reflects a realistic understanding of what international climate funders require (see Figure 1).
- FEICOM's decision to seed the Climate Funding Window from its own resources before international accreditation will help to generate a track record of actual climate project delivery.
- Integrating capacity development for mayors alongside the financing window invests in the demand side which helps build the pipeline of projects that its own climate finance window, as well as future international flows, will need.
- FEICOM's existing institutional relationships development partners, and its track record of managing externally funded programmes, give it credibility with international funders.

Challenges and Constraints

- FEICOM's institutional leverage and the ceiling on its climate financing ambitions stem from the same source: the fiscal dependence of Cameroonian communes on its transfers. Moving beyond grant-based climate finance toward a model that can mobilise debt and private capital will require a stronger local revenue base.
- The Climate Funding Window is currently a grant mechanism and cannot easily evolve into a lending or blended finance instrument without a stronger local revenue foundation, a constraint made more acute by the fact that local authorities owed CFA 128 billion to FEICOM (as of early 2025), raising questions about the underlying fiscal health of the municipalities the Window is designed to support.
- The GCF accreditation process is among the most demanding in international climate finance, and the USD 150,000 Adaptation Fund readiness grant covers only the preparatory steps, not the full cost of the institutional transformation required.
- The mechanisms for ensuring that climate finance benefits reach lower-income urban residents, rather than accruing to better-resourced local authorities, are not yet fully elaborated.

8. Key Takeaways

- National intermediaries like FEICOM are a necessary bridge between the international climate finance system and the municipalities that system was not built to reach, but they can only play that role if they have invested in the institutional foundations that international funders require.
- A pragmatic sequencing: start with institutional reform and certification, build a track record of climate-relevant project delivery using own resources, pursue international accreditation in parallel, and use that accreditation to unlock concessional capital that can deepen and scale what the institution has already demonstrated it can do.
- Seeding a new financing instrument from institutional own resources is a powerful credibility signal: international funders are more willing to co-invest with institutions that have already committed their own balance sheet to the objectives for which they are seeking external finance.
- Demand-side investment, which includes equipping mayors and local officials with the skills to develop bankable climate projects, is as important as the supply of finance.

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