Executive summary

Putting the 'just' in Just Energy Transition Partnerships

What role for the multilateral development banks?

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Key messages

Pursuing a just energy transition is essential for both strategic reasons, i.e. to minimise resistance, and normative ones: any energy transition that deepens poverty and worsens living conditions should be unacceptable to governments and their development partners.

This paper demonstrates that the existing JETPs vary considerably in their attention to justice, whether in terms of their stakeholder engagement or the resources allocated to mitigating the effects of the transition and repairing past harms. There is therefore a need for greater attention to justice as country platforms are deployed at scale.

There is little agreement on whether and how the MDBs can advance 'justice' within country platforms. That is concerning because the MDBs are playing a significant role as technical advisors and financiers in the existing JETPs, and plan to roll out country platforms more widely to drive a global step change in climate action.

This paper recognises MDBs' recent commitments and efforts to ensure a just transition, and outlines the many competencies that MDBs could bring to its planning and delivery within country platforms. However, the paper also underscores the need for a political economy of change within MDBs and among their borrowers and shareholders if they are to help deliver a truly just transition.

Executive summary

There has been much excitement about the role that 'country platforms' – such as the Just Energy Transition Partnerships (JETPs) – can play in accelerating climate action. They offer an opportunity to advance national development priorities while cutting emissions from the power sector, enabled by more generous and strategically deployed international concessional finance. Responding to strong demand for such programmatic international support, the multilateral development banks (MDBs) reiterated their commitment to climate-related country platforms at COP28 in Dubai.

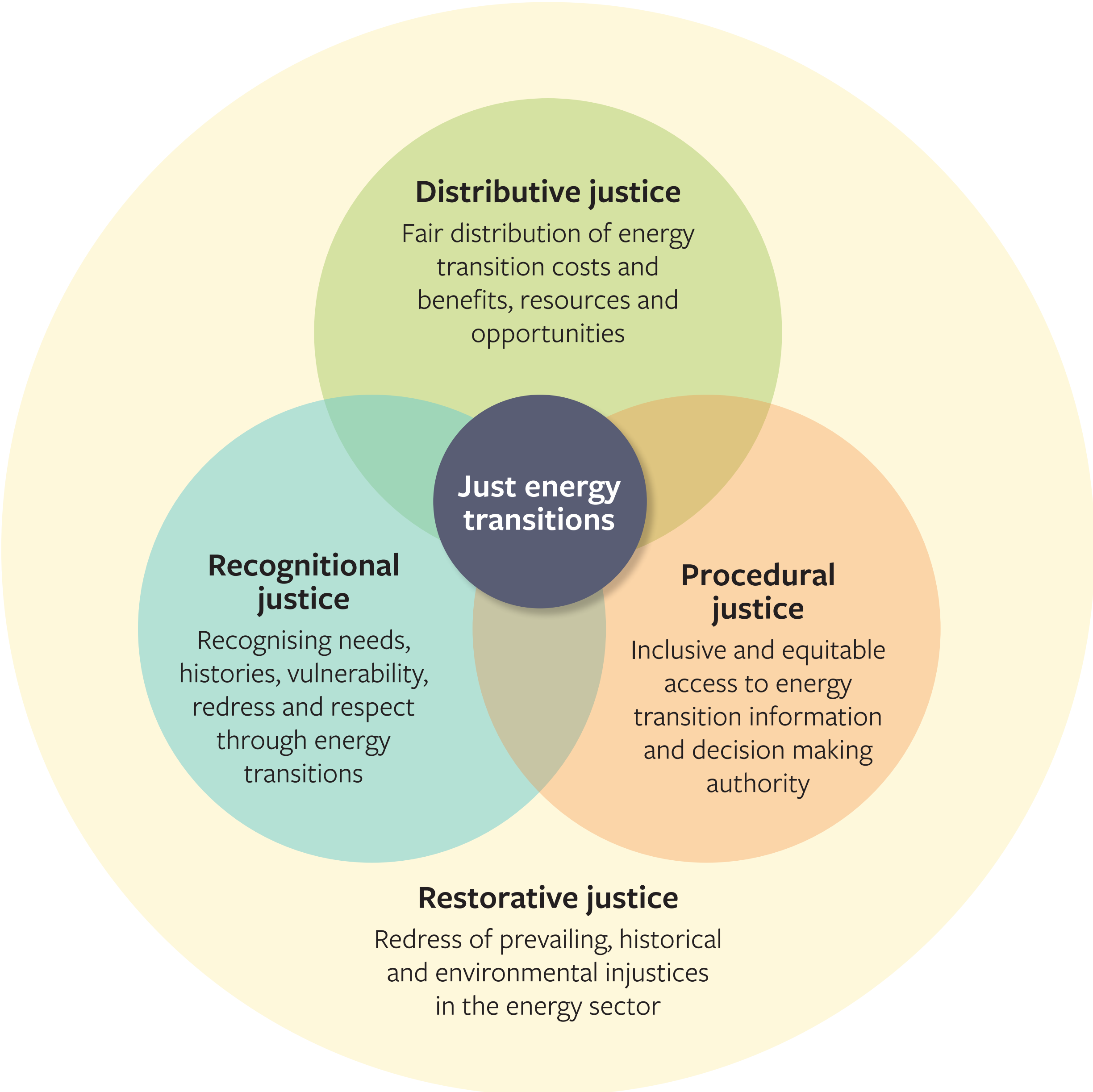
One of the key challenges facing JETPs is that – despite having the term 'just' in their names – there is no clear vision or agreement on how to define or advance justice within climate-related country platforms. The role that the MDBs can and should play in this regard, given their mandates and competencies, is particularly unclear. That is concerning because the MDBs are playing a significant role as technical advisors and financiers in several of the existing JETPs. Moreover, the MDBs plan to roll out country platforms at scale to drive a global step change in climate action.

Given the normative and instrumental importance of ensuring 'just' transitions, there is a need to critically examine the role of MDBs in advancing justice. That is the focus of this working paper.

What do we mean by 'justice'?

The term 'justice' can mean many things, but at a minimum, it demands that no group should be treated unfairly, particularly by public policies. We draw on four elements of justice: procedural, distributional, recognitional and restorative, to identify key characteristics of just energy transitions (Figure ES1). In short, energy transitions need to be designed and implemented in an inclusive and accountable way (procedural justice), recognising different identities, vulnerabilities, needs and priorities, especially those of marginalised groups (recognitional justice), and share costs, benefits, resources and opportunities equitably (distributional justice). Going one step beyond this, it should actively redress historical and contemporary injustices, particularly those associated with the energy sector (restorative justice).

Figure ES1 Understanding foundational notions of 'justice' in just energy transitions



Source: Authors.

Why do energy transitions need to be just?

Energy transitions entail profound socio-economic transformations. If governments and their international partners do not pay close attention to justice issues, the transition may fail. Changes in government spending, energy prices, employment options and even land use associated with the energy transition may also undermine progress towards several Sustainable Development Goals (SDGs) beyond climate unless justice considerations are front and centre: from poverty reduction (SDG1), to affordable and clean energy (SDG7), decent work for all (SDG8), and protection and restoration of terrestrial ecosystems (SDG15). If decarbonisation strategies perpetuate existing patterns of exploitation and dispossession, they also increase the risk of political violence (SDG16), which threatens the achievement of many of the SDGs. An energy transition that deepens poverty and worsens living conditions for many people should be unacceptable to governments and their development partners.

There are also strategic considerations. A transition away from fossil fuels is likely to face resistance from companies, governments, workers and communities whose income, jobs and assets are at stake. Organised opposition can shift public support and slow the phase-down of fossil fuels and uptake of cleaner alternatives. Policy packages for energy transitions are generally more successful when they anticipate and prepare for potential political contestation. A just transition that supports people who may be adversely affected is therefore crucial, both as a moral imperative and to secure broad-based, sustained support for the required policies and investments.

How has 'justice' been incorporated in existing JETPs?

This working paper also examines how justice and associated finance are addressed in the JETPs in South Africa and Indonesia.

In both countries, the government and international partners have been criticised for a lack of **procedural justice** in the preparation stages of the JETPs – but there are marked differences between the two. The Political Declaration for South Africa's JETP built on years of dialogue and preparations. The catastrophic performance of the state-owned utility, Eskom, and climate concerns had spurred domestic demand for action. The South African Presidential Climate Commission was announced in 2018; its members were appointed in 2020; and throughout 2021, it commissioned studies, undertook public consultations and organised high-level discussions that informed a new national Just Transition Framework. Thereafter, trade unions in South Africa successfully pushed for much more comprehensive consultation processes on the Just Energy Transition Investment Plan, which ultimately helped to secure broad buy-in.

In contrast, both Indonesia's government and the international partners were under enormous pressure to announce the new JETP at the G20 Summit in Bali. This may possibly have compromised procedural justice, as there was little time for an in-depth domestic conversation on what a just transition in Indonesia might look like, to inform the Political Declaration. Indonesia's Just Transition Framework was not developed organically within the country, but by the Just Transitions Working Group of the JETP Secretariat, comprising four multilateral agencies, one bilateral agency and one Indonesian civil society organisation. Interviewees described consultations around the Comprehensive Investment and Policy Plan (CIPP) as perfunctory, and the plan did not noticeably change in response to public input.

The two countries also differ in their attention to **distributive justice**. South Africa's Just Energy Transition Investment Plan (JET IP) addresses both distributive and **recognitional justice**, setting aside significant funding to support people directly affected by the closure of coal mines and plants, as well as to redress historical inequalities associated with coal production and coal power, such as lack of access to safe drinking water or electricity. The JET IP has been criticised for allocating insufficient funding to the 'just' element of the energy transition, with ZAR 60.4 billion (USD 4.0 billion) allocated to the most coal-dependent province, Mpumalanga. Against this criticism, it is important to consider the potential distributional benefits of the JET IP at the national level. Widespread power outages and escalating electricity prices have crippled economic activity, with profound implications for incomes, public revenues and jobs; the JET IP's planned investments of ZAR 645.85 billion (US$43 billion) in the electricity sector could thus do much to enable economic activity, job creation and public service delivery across the country.

Indonesia's approach to distributional justice, in contrast, rests primarily on existing safeguards, some of which are voluntary, plus a further commitment to economic diversification, to which no additional funding has been attached. The CIPP states that the costs of the 'just' transition interventions of the JETP will be borne by project developers. However, this approach that is neither likely to spur renewable energy investment nor fully redress the social and economic fallout from a coal phase-down: for example, it does not seem feasible that the development of solar power in Bali, Nusa Tenggara and Java, where the technical potential is highest, will help redress the loss of coal jobs in Kalimantan and Sumatra.

These respective levels of effort do not guarantee that South Africa will secure a just energy transition, nor that the decarbonisation of Indonesia's power sector will be unjust. However, at this stage in the development of their respective JETPs, South Africa has made more progress in addressing justice issues, suggesting that this should be a priority for both Indonesia's central government and its international partners.

How can MDBs advance justice as they roll out country platforms?

Redistributing power and resources within and among countries – an inherently political action – is fundamental to a just energy transition. However, most MDBs are prohibited by their charters from engaging in political activities without specific direction from their boards. Their missions and mandates generally focus on ending extreme poverty, bolstering growth and promoting shared prosperity within client countries, but rarely explicitly speak to advancing justice or redistributing income and wealth.

Still, the staff and leadership of MDBs recognise that achieving their mission requires at least some consideration of justice, to enable people to realise their potential and live a good life. Their policies require them to address social inclusion and mitigate harms in their own operations and investments, and MDBs also frequently engage in technocratic efforts that redistribute power and resources – for example, through technical assistance on governance or tax reform. MDBs can thus support activities that enhance the 'justness' of a transition. Some staff and shareholders may still have qualms about this, but the MDBs have formally embraced the concept of just transitions since the 2019 Climate Action Summit.

Given the widely held expectation that MDBs will play critical roles as advisors, coordinators and financiers in future country platforms, it is worth examining the particular competencies that MDBs might bring to advance different aspects of justice.

Procedural justice:

- MDBs have well-established guidelines for, and experience in, conducting stakeholder engagement.
- MDBs have committed to help countries develop their own social and environmental safeguards, including consultation processes.
- MDBs have the capacity to advocate for and facilitate the inclusion of potentially marginalised groups, such as women, Indigenous Peoples or LGBT+ individuals.

Distributional justice:

- MDBs have the technical capacity to analyse the distributional effects of policies and investments, and to provide guidance on instruments and principles to offset negative impacts.
- MDBs can support countries to design and implement approaches that transfer more resources to low-income and other marginalised groups, either directly (for example, by facilitating direct cash transfers) or indirectly by aligning spending with their priorities (for example, participatory budgeting).
- MDBs can provide targeted resources to finance elements of country platforms that are intended to specifically address justice issues.

Additional valuable competencies:

- MDBs can provide technical assistance and knowledge to help countries build the institutions, including the finance and governance structures, necessary for just transitions.
- MDBs can facilitate overarching coordination support, reducing transaction costs for countries and their partners.
- Drawing on their experience in designing infrastructure and supporting spatial planning, MDBs can propose alternative options that may advance justice (for example, through improved cost-effectiveness or enhanced access for lower-income groups).

There are some areas in which MDBs may need to strengthen their capacities or learn new approaches, however.

First of all, country platforms need strong national ownership and a transition plan that is deeply rooted in the political economy and governance structures of the country. Yet many countries lack the sophisticated institutional capacities to plan, finance and deliver a just transition. MDBs will need to not only share knowledge and experience, but also provide sustained technical assistance and support to build stronger systems and institutions. There are many examples of MDBs doing this well, but the overall track record is patchy. Country directors and technical leads will need to pay close attention to these issues throughout the life of each country platform.

Second, an assessment of the political economy of transition will be paramount. MDBs cannot adopt technocratic approaches to inherently political issues such as the reform of fossil fuel subsidies. They will have to understand how the energy sector creates and distributes economic rents, identify proponents and opponents of change, and consider how their interventions can strengthen and disempower different groups.

Third, the MDBs are not currently engaging substantively with **restorative justice** in their approach to transitions to low-carbon and climate-resilient development. The Just Transition High-Level Principles released by the MDBs explicitly recognise the importance of both procedural and distributive justice, and speak to the importance of social inclusion, but hardly nod to the remaining dimension of justice. The MDBs could more effectively support a just transition by explicitly acknowledging pre-existing inequalities and actively seeking opportunities to repair past harms. MDBs do have instruments that could be deployed in support of restorative justice, such as the capacity to finance direct cash transfers via intermediaries, and budget support to governments that is linked to prior policy actions, though these would require the agreement and commitment of sovereign governments.

These recommendations do not imply that MDBs should meddle in partisan matters, in violation of their mandate. Rather, they are grounded in the understanding that MDB staff are informed and savvy enough to navigate constraints to a just energy transition.

The energy transition in emerging and developing economies, excluding China, will require an estimated $1.3–1.7 trillion in investment. Other climate- and nature-related investments that may fall into a country platform will require still more resources, including highly concessional finance and grants to deliver the 'just' elements. MDBs have a pivotal role to play in providing and mobilising these resources, as well as bringing other capabilities to bear to ensure that low-carbon, climate-resilient transitions advance procedural, distributive and restorative justice. The preliminary examination of the JETPs in Indonesia and South Africa reinforces the value that MDBs could potentially bring to the design and delivery of 'just' country platforms. However, it is also clear that fulfilling their potential will require a substantial and sustained effort from MDBs, including a more nuanced understanding of their mandate, the acquisition of new capabilities and an institutional culture of change. This is a tall order – but it is one that is necessary to eradicate poverty and sustain economic growth in the face of climate change.

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About this publication

This working paper is part of an ODI series analysing the role that multilateral development banks can and should play in delivering climate-related country platforms, such as the Just Energy Transition Partnerships (JET-Ps) in South Africa, Indonesia, Viet Nam and Senegal.

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