



Executive summary

One size won't fit all: Designing country platforms for different political contexts

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Key messages

The success of country platforms such as the Just Energy Transition Partnerships (JETPs) depends on strong country ownership and an approach tailored to each national context.

A political settlements analysis, which considers the breadth of a country's social foundation and the relative concentration of power, can provide valuable information on the incentives for powerful groups to deliver a just transition and the government's ability to fulfil its commitments.

In theory, the optimal conditions for a just transition will be a broad social foundation with concentrated power, while a narrow-dispersed political settlement will pose the greatest challenges. In practice, political settlements have their own nuances, can evolve over time, and interact with other important factors, such as energy sector dynamics.

By examining the JETPs in South Africa, Indonesia, Viet Nam and Senegal, this paper illustrates how a political settlements analysis can enable domestic reformers and international partners to identify potential opportunities and challenges to accelerate a just and effective transition in specific contexts.

Executive summary

The concept of ‘country platforms’ has recently gained renewed prominence in global discussions on climate finance. A country platform is a partnership between the central government and a set of international development partners to strategically direct finance – particularly scarce concessional finance – in support of common goals. It promises both greater national ownership and better donor coordination, helping to redress past failures of the climate finance architecture. The Just Energy Transition Partnerships (JETPs) recently announced in South Africa, Viet Nam, Indonesia and Senegal are promising examples of climate-related country platforms.

Developing the vision and coordination structures to drive the transition to a zero-carbon, climate-resilient economy and society is extremely challenging, however, even with ambitious political commitments and international support. It requires aligning and coordinating multiple domestic stakeholders over decades, for instance. The credibility and success of a country platform will depend on how well it fits with the specific national context. This working paper applies the concept of ‘political settlements’ to examine how best to design a country platform to galvanise meaningful climate action in different contexts.

What is a political settlement and how does it shape prospects for an energy transition?

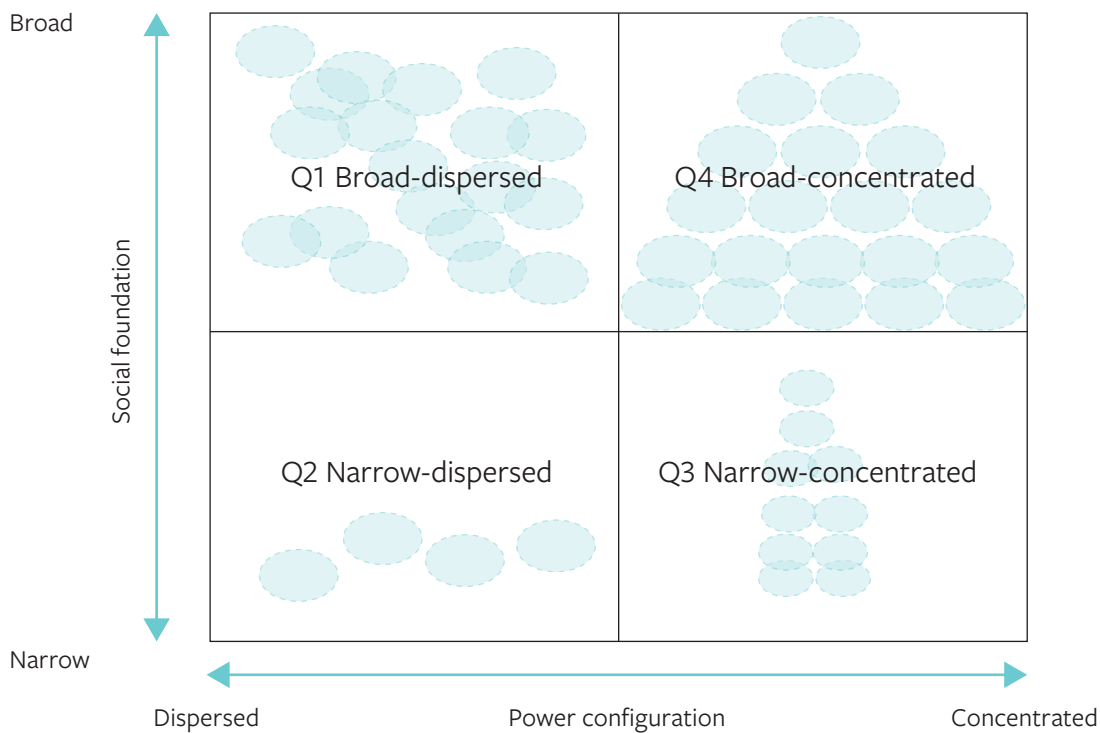
A political settlement is an understanding among a society’s most powerful groups about the basic rules of the political and economic game. These rules, which are often informal, enable those groups to receive a sufficient share of benefits to deter them from disruption, including possibly through violent means. At a high level, the political settlement shapes the credibility of the climate commitments that national political elites might make, as well as their appetite to share the benefits, and manage the costs, of a low-carbon transition.

Drawing on an approach developed at the University of Manchester, we categorise political settlements along two dimensions. The first, termed the *social foundation*, can be ‘broad’ or ‘narrow’ based on the breadth and depth of insider groups with the power to shape high-level political struggles and, ultimately, the settlement itself. The second dimension, termed the *power configuration*, is described as ‘concentrated’ or ‘dispersed’ based how much power is concentrated in the country’s top leadership, and how much stronger groups loyal to the leader are than rival political factions. These two dimensions yield four possible political settlement types (see Figure ES1).

A political settlements analysis predicts that, other things being equal, a country platform is likelier to be *inclusive* – lending itself to a just transition – in a political settlement with broad social foundations. A political commitment is likelier to be *credible* in a concentrated power configuration, as the top leadership is more able to enforce the terms of any deal it makes with

international partners. By this logic, the ideal type of political settlement for implementing a country platform like a JETP is broad-concentrated. The concentration of power makes it likelier that the energy transition will be implemented to schedule, while the breadth of the social foundation makes it likelier that the transition will be just. The least favourable type is ‘narrow-dispersed’, as the political leadership is unlikely to have the wherewithal to deliver on its commitment and few domestic incentives to ensure the ‘justness’ of the transition.

Figure ES1 A typology of political settlements



Source: Authors.

Understanding a country’s political settlement is an important first step in designing a country platform. It can enable international partners and domestic reformers to gauge how they should engage with the political leadership. For example, in settlements with narrow social foundations, international funders may need to provide parallel financial support and technical assistance to marginalised groups, to buffer the impacts of a transition in which they may have no say and, if possible, increase their capacity to engage in decision-making processes. Meanwhile, settlements with dispersed power configurations may need domestic reformers to nurture multi-stakeholder coalitions so that political commitments can survive leadership changes.

Applying a political settlement lens to energy transition planning

The most visible country platforms at the moment are the four JETPs, which all focus primarily on decarbonising the power sector. Other country platforms are under development in Bangladesh, Egypt and North Macedonia, but this paper focuses on the JETPs because they are further along in their development.

A country's political settlement type alone cannot determine the prospects and pathways for an energy transition. Energy sectors have their own internal politics and characteristics that interact with the political settlement in important ways. The high cost and long-lived nature of resource extraction and power generation infrastructure mean that investments both generate, and are highly vulnerable to, legal risks (e.g. regulatory change), financial risks (e.g. currency volatility) and social risks (e.g. protests or violence). Investors need to be confident that the people in power or their successors will protect their assets. People employed in fossil fuel extraction or power generation, and/or living in places with economies tied to those activities, may also become a visible and influential constituency even if they are not conventionally powerful. Organised labour and voters in fossil fuel-dependent regions can pose strong resistance to energy transitions. Local actors may also destabilise energy systems and jeopardise energy transitions through protests or violence, which those in power might respond to with repression or co-optation. The relationship between oil production and violence is particularly well-documented.

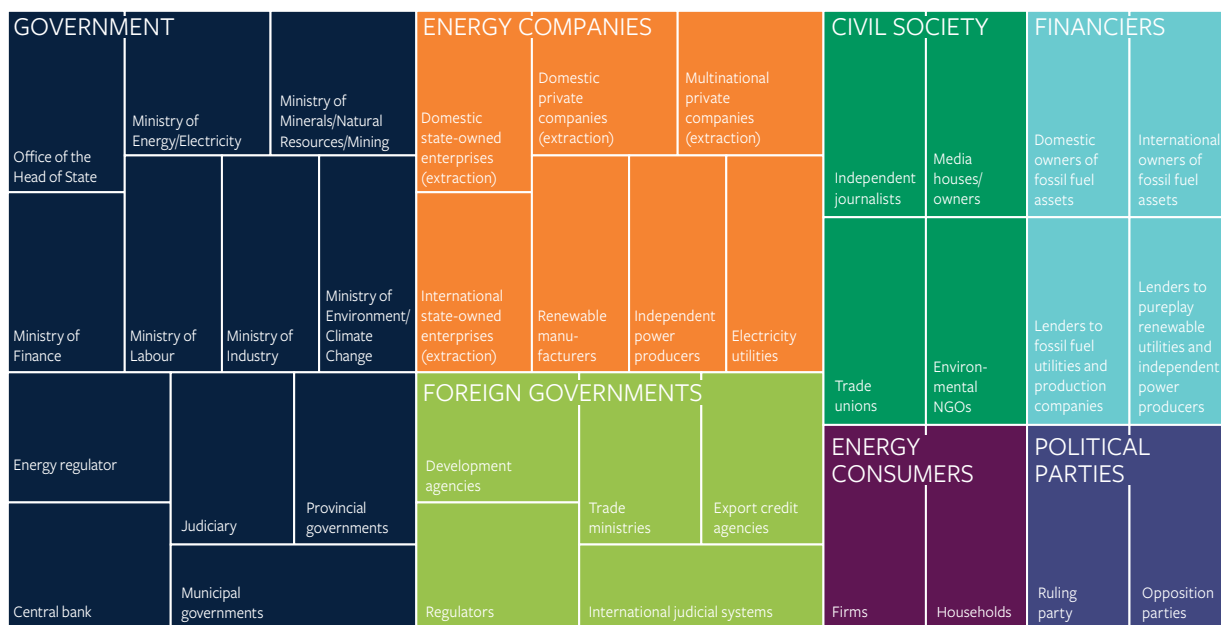
Two questions can be useful in understanding the interplay between a country's political settlement and power dynamics within the energy sector in the context of energy transitions:

1. Is the carbon-intensive energy sector a significant source of rents for politically powerful players? If so, resistance or backsliding on transition commitments is more likely.
2. Are the benefits of current energy systems (e.g. jobs, low fuel or electricity prices, social protection) a key source of legitimacy for the ruling party or coalition? In other words, are they part of the state's social contract with citizens? If so, one can also expect hesitancy around reforms that affect those benefits – at least until viable replacements have been found.

Figure ES2 offers a basic map of the stakeholders likely to have interests in an energy transition. The design of a credible energy-related country platform will depend on a fine-grained analysis of the motivations and capabilities of those actors and the balance of power among them. Such an analysis might also help to unbundle the country platform programme into discrete projects or components, politically bolstered by reform coalitions organised to support them. Indeed, in most political settlements (with the possible exception of the broad-concentrated type), reformers might not want to spend too much time trying to craft an ideal programmatic plan, as it is unlikely to be implemented faithfully. Instead, the Political Declaration of a JETP can be the lodestar, providing clear guiding principles, and effective coordination can help avoid egregious duplication or fragmentation.

Figure ES2 Key stakeholders in an energy transition

■ Government
 ■ Energy companies
 ■ Civil society
 ■ Financiers
■ Energy consumers
 ■ Foreign governments
 ■ Political parties



Source: Authors.

What can we learn from the existing JETPs?

The paper concludes with an analysis of the four existing JETPs to illustrate how their political settlements might shape the credibility of their political declarations and investment plans, as well as their elites’ commitment to both justice and decarbonisation.

Senegal: a broad-concentrated settlement

In broad-concentrated settlements, reformers and international partners should play to the likely strengths of a comparatively cohesive and inclusive state, supporting sufficiently ambitious national transition plans with concessional finance and technical assistance. They need to pay attention to how reform-minded power constellations around energy industries really are, and be alert to possible shifts in the settlement. Given the normative and instrumental imperative of a ‘just’ energy transition, they may also need to advocate for certain marginalised groups.

The JETP recently announced in Senegal is an example of a country platform in a broad-concentrated political settlement. Large offshore oil and gas deposits were recently discovered in Senegal’s exclusive economic zone, and the JETP is widely seen as a product of the broader geopolitical context, particularly the European Union’s drive to secure future gas supplies in the context of Russia’s war in Ukraine. The JETP Political Declaration articulates an aspiration to use

Senegal's fossil fuel resources to expand energy access, reduce the carbon intensity of power generation and spur human development – objectives consistent with a just energy transition, although there is a live debate around the role of gas as a transition fuel.

However, the political settlement in Senegal is currently unstable, following attempts by President Macky Sall to position himself for an unprecedented and unconstitutional third term in office. After widespread protest and condemnation, Sall has now promised to step down, though the political situation remains unstable. It should be noted that Sall is a geological engineer with a background in the fossil fuel industry, who has been an advocate on the world stage for Africa using its gas as a bridging fuel. It seems reasonable to infer that he was leveraging the JETP to cement the position of an industry with which he has close links, augmenting his dominance over the political system. Opposition leader Ousmane Sonko, meanwhile, has promised to renegotiate energy contracts and the country's entire relationship with France, if he comes to power.

Viet Nam: narrow-concentrated settlement

In narrow-concentrated settlements, the state is likely to be relatively credible in its political commitments and reliable in its delivery, but may be less inclusive. International partners should support the state in planning and implementing its national transition, but may also need to provide parallel financial support and technical assistance to groups that could otherwise be excluded, to buffer the impact of the transition and strengthen their influence and capacities. To avoid a backlash, domestic reformers may choose to emphasise the economic benefits of an inclusive transition, adopting a non-confrontational approach, to help mitigate the potential for elites to make unsound or exclusionary policy choices.

In Viet Nam, as in many other single-party states, the ruling party has designed institutions in ways that incorporate, or prevent the rise of, other powerful groups. State-owned entities are a critical channel for such influence, including in the energy sector. They control two-thirds of Viet Nam's coal-fired generation capacity, though the private sector owns some of the newest plants. The only wholesale electricity buyer is the state-owned Electricity Viet Nam (EVN); the other is the state-owned PetroVietnam, also in the energy sector.

While power is concentrated, the social foundations of Viet Nam's political settlement are narrow, and independent civil society voices are weak. Viet Nam's JETP therefore faces a risk that large parts of the population will be excluded from the benefits of the transition, and that policies to mitigate the costs and trade-offs will not be adopted. International concerns about the 'justness' of Viet Nam's energy transition have been reinforced by the recent imprisonment of environmental activists and the limited attention to justice in the newly released JETP Resource Mobilisation Plan. However, the socialist origins of the Vietnamese state may counterbalance the 'narrowness' of its social foundation, providing its leaders an ideological incentive to ensure that the energy transition is just.

Indonesia and South Africa: broad-dispersed settlements

In broad-dispersed settlements, domestic reformers and international partners should play to the likely strengths of a relatively open civil society and private sector, while trying to compensate for political challenges in the public sector. They can do so by encouraging multi-stakeholder reform coalitions and building on pockets of effectiveness around strategic points in the energy transition. Country platforms can bring welcome donor coordination, but reformers should not tie funding exclusively to the emergence of a detailed national plan, since the reality of politics in broad-dispersed settlements is that the plan is unlikely to be implemented as intended. External funders need to get comfortable with a higher degree of uncertainty and risk, even apparent chaos, and operate in politically savvy ways as they work closely with like-minded reformers in the country to try to achieve the desired changes.

Indonesia has generally had a broad-dispersed political settlement more or less since the overthrow of Suharto's dictatorship (a narrow-concentrated settlement) in 1998. The dispersed power configuration means that an energy transition may be messy, easily derailed and subject to elite capture. Money politics – that is, the buying of votes with cash or other material benefits, often in *quid pro quo* exchanges – plays a key role, and extractive industries are major contributors. This means that decommissioning coal assets, for example, may require an attractive pay-off for rent-seekers. At the same time, elites may benefit disproportionately from renewable energy projects.

The broad social foundation of Indonesia's political settlement, meanwhile, means that there is good potential for inclusive processes. However, civil society voices are not always effective – particularly in the face of powerful and organised fossil fuel interests. This raises concerns about Indonesia's ability to deliver a just transition. The coal industry employs some 250,000 people, concentrated in just four provinces across Kalimantan and Sumatra. The JETP Comprehensive Investment and Policy Plan currently lacks a strategy to tackle the risks of concentrated job losses, public revenue losses and consequent economic decline in these regions should coal production fall. No funds are ringfenced for just transition investments, the risks of which are to be considered at the project level and the costs of which are to be borne by renewable energy project developers.

Considerations for narrow-dispersed settlements

In narrow-dispersed settlements – which are not represented among the four JETPs – achieving a just energy transition will be particularly challenging. International partners and domestic reformers should try to mitigate the weaknesses of an exclusionary political order and a factionalised, fragmented state. They can use a combination of strategies, including nurturing multi-stakeholder reform coalitions, building pockets of effectiveness, and delivering programmes that substitute for the state, while recognising the magnitude of the challenge and the risks of state breakdown. At the same time, they can encourage reforms to the global political and

economic order, some of which are tied to better regulation of extractive industries, that might incentivise domestic elites in such countries to pursue a more inclusive and developmental approach to governance.

Given the challenges of economic development under narrow-dispersed conditions, countries with this settlement type are less likely to be big greenhouse gas emitters. This helps to explain why no JETPs have yet been negotiated in countries with narrow-dispersed political settlements. However, poverty and marginalisation exacerbate vulnerability to climate change impacts, while limiting adaptive capacity. This means that countries with narrow-dispersed settlements are highly likely to need country platforms for adaptation, which would face challenges similar to those described above.

It is clear that a political settlements analysis can provide a ‘reality check’ in the design and implementation of country platforms. International partners and domestic reformers alike can draw on the archetypes described in this paper to consider the likelihood that the government will be a reliable partner and plans will be faithfully implemented, and the potential need to nurture broader coalitions and build off pockets of effectiveness within the state. As noted above, it is crucial that any findings be considered in close conjunction with the specific dynamics of the country’s energy sector. Ultimately, a successful country platform will depend on a fine-grained and sophisticated political assessment of the motivations, power and capabilities of the diverse stakeholders who need to be engaged in to achieve a just and effective transition.

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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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