Working paper

Putting the 'just' in Just Energy Transition Partnerships

What role for the multilateral development banks?

Shandelle Steadman, Sarah Colenbrander, Nick Simpson, Alastair McKechnie and Megan Cole

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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.

European Climate Foundation

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About

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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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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.

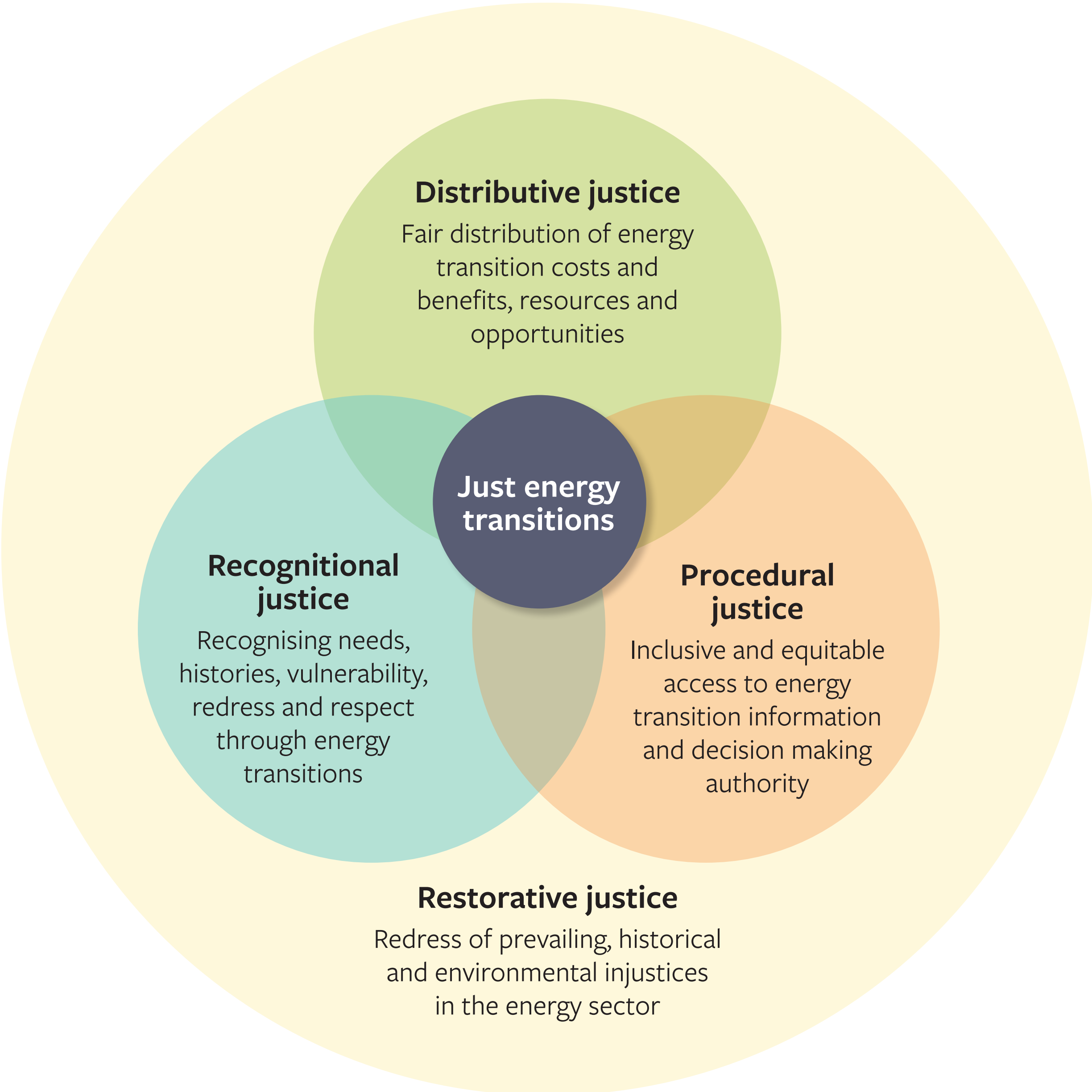
One of the key challenges facing JETPs is that – despite having the term 'just' in their names – there is no clear vision or agreement on how to define or advance justice within climate-related country platforms. The role that the MDBs can and should play in this regard, given their mandates and competencies, 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.

1 Introduction

Since COP26 in Glasgow, there has been much excitement about the role that 'country platforms' such as Just Energy Transition Partnerships (JETPs) can play in accelerating climate action. The political declarations in South Africa, Indonesia, Senegal and Viet Nam suggest an opportunity to advance national priorities – a reliable electricity supply, job creation, technology transfer, debt sustainability – while cutting emissions from the power sector, enabled by more generous and strategically used concessional finance (Hadley *et al.*, 2022). Demand for such programmatic international support from elsewhere spurred the multilateral development banks (MDBs) to reiterate their commitment to country platforms at COP28 in Dubai (African Development Bank *et al.*, 2023).

Although the word 'just' features prominently in the title of JETPs, there is no clear vision or agreement on how to define or advance justice within climate-related country platforms. Moreover, despite the significant role that MDBs are playing as technical advisors and financiers in several of the existing JETPs, there has been little scrutiny of their roles or consideration of how they can ensure that the energy transitions are just. Such attention is important, as 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.

This working paper begins to address that need. Section 2 briefly examines what 'justice' means in the context of energy transitions.[1] Section 3 articulates the case for just transitions, and summarises how MDBs have engaged with this agenda over recent years. Section 4 examines the extent to which justice has been considered and addressed in South Africa's and Indonesia's JETPs by examining the political declarations and investment plans. Given the expectation that MDBs will play critical roles as advisors, coordinators and financiers in future country platforms (Hadley *et al.*, 2024), Section 5 examines how MDBs have engaged with the concept of just transitions. Finally, Section 6 considers the particular competencies that MDBs might bring to this challenge, as well as potential problems they must watch for.

1 Country platforms may be designed for other sectors as well, as evidenced by Egypt's Nexus on Water, Food and Energy and the Bangladesh Climate and Development Platform. However, this working paper uses the example of energy transitions to illustrate key principles and draw out lessons, given the relative wealth of experience on this front.

2 What do we mean by justice?

Early conceptualisations of, and advocacy for, just transitions emerged primarily from the labour movement. The term was thus strongly associated with employment concerns: protecting jobs in vulnerable industries; providing retraining, compensation and other support to workers who lose their jobs; and creating new 'decent' jobs in emerging green industries (Newell and Mulvaney, 2013). Over time, much broader understandings of just transitions have arisen, amid growing appreciation of the scale of the socio-economic transformation needed to avert catastrophic climate change. The concept has also been reshaped by engagement of a much wider range of stakeholders, including social movements, environmental non-government organisations (NGOs), faith communities, Indigenous communities, corporations, financial institutions, philanthropic foundations and governments of all levels (Stevis and Felli, 2020; Shelton and Eakin, 2022).

The term 'justice' describes the ethical concept that people should be treated fairly, impartially and equitably. It arises from longstanding social and political thought around the notion of a social contract, which presumes that all people have certain rights and obligations in return for surrendering certain rights to the state. At a minimum, justice demands that no group should be treated unfairly, particularly by public policies (Rawls 1958; 2001; Sen 2008). In the context of climate change, a commitment to a 'just' transition emphasises the need for the decision-making process to be inclusive and for the costs and benefits of climate action to be allocated fairly – although defining 'fair' is a major point of contention within the climate regime and across jurisdictions (Robiou du Pont *et al*, 2017). There is robust evidence that neglecting issues of justice can hinder the pace, scale and quality of the transition, and lead to backlash against climate action (Denton *et al.*, 2022).

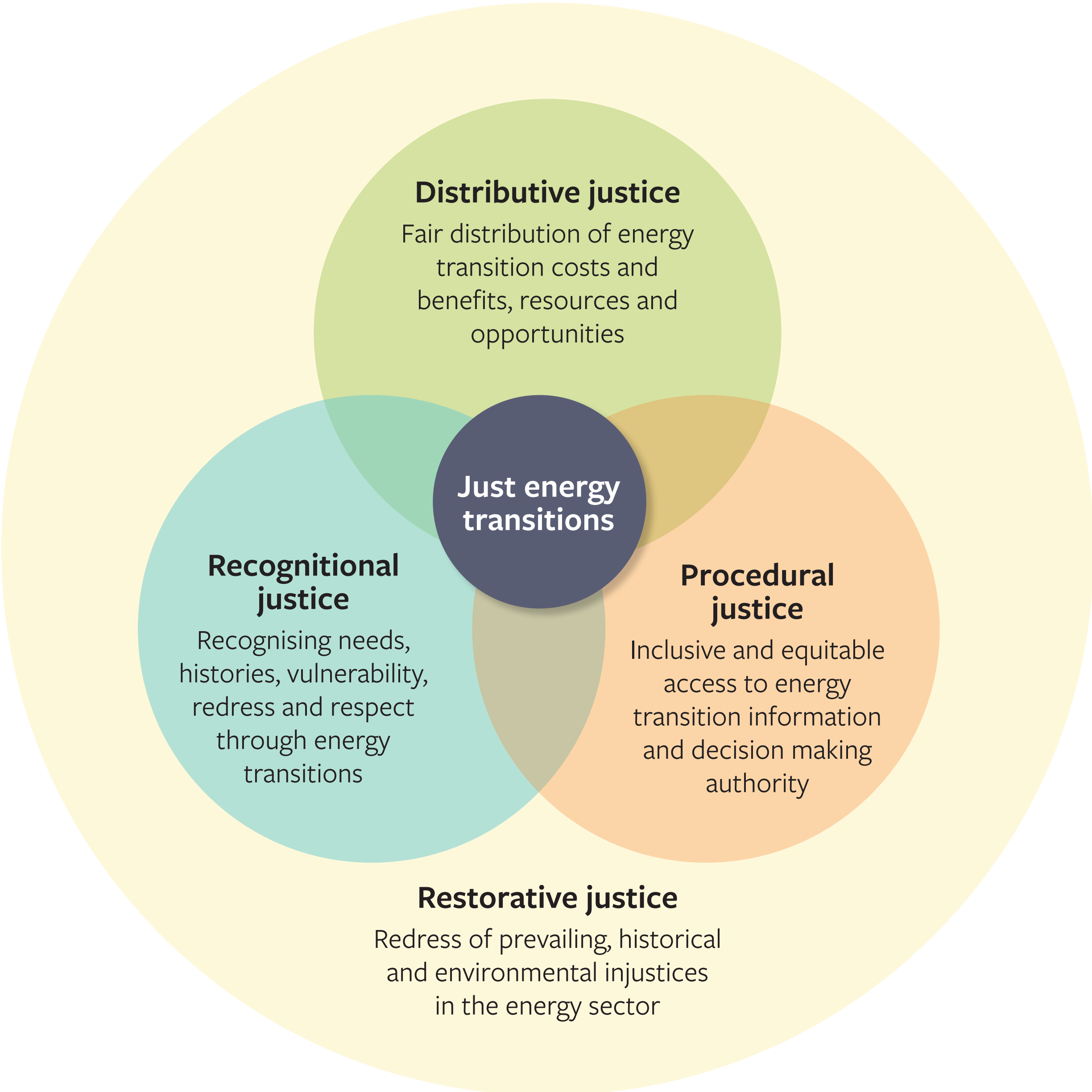
The literature on justice highlights several elements, including procedural, distributive, recognitional and restorative justice. **Procedural justice** refers to people's ability to participate meaningfully in planning and decision-making processes, with due consideration of their inputs and accountability with respect to the final decisions (Bal *et al.*, 2021; Reitz *et al.*, 2022). It demands participatory and transparent processes that provide opportunities for the full range of stakeholders to influence policies, investment plans and project implementation (Wemanya and Opfer, 2022). It places responsibility on governments to reach and include low-income and other marginalised groups, whose voices may not otherwise be heard.

Distributive justice concerns equity in the allocation of costs and benefits, resources and opportunities. It requires examining the distributional effects of transition processes, such as the relative affordability and accessibility of energy (Müller *et al.*, 2021). It is important to consider distributional effects both within a single generation (intra-generational) and between generations (intergenerational), as well as the potential for disproportionate impacts on vulnerable groups (Pellegrini-Masini *et al.*, 2020; Jafino *et al.* 2021). Some have argued that distributional justice should also extend to other species and to nature itself (Sovacool *et al.*, 2017).

The concept of **recognitional justice** emphasises the importance of acknowledging and respecting the values and interests of all groups in society, particularly those who are disadvantaged, and recognising the differences between them and dominant groups (Langhans, 2023). By acknowledging pre-existing inequalities, it also recognises that underlying structural conditions shape understandings of what 'fair' processes and 'fair' outcomes might look like (Fraser, 1997; Bulkeley *et al.*, 2014). Recognitional justice is thus closely linked with both distributional and procedural justice: recognition acts as a foundation for meaningful inclusion in decision-making processes, and genuine equity in outcomes beyond the status quo (Muyasyaroh, 2023). Recognitional justice is highly relevant to energy transitions because it considers who is being ignored or misrepresented in policy decisions, whose knowledge is not being considered, and how to avoid related injustices (Haegele *et al.*, 2022). Attention to recognitional justice also highlights the ways in which established energy systems and proposed transitions may perpetuate pre-existing inequalities or, alternatively, make space to contest them.

Restorative justice goes one step further, seeking to correct prevailing and historical injustices. It has been taken up by a few energy transition frameworks (PCC, 2022), which looked at ways to address environmental harms caused by the existing energy system, and not just the impacts of the transition itself (Robinson and Carlson, 2021). For example, coal power plants in the United States have been disproportionately situated in low-income communities, particularly harming people of colour and Indigenous communities. As a result, these groups have borne some of the worst health impacts of with coal-fired power generation (NAACP, 2013), compounding other racial injustices. While the primary goal of the U.S. Inflation Reduction Act was to build green industries, it also provides grants to support community-led projects that monitor and reduce pollution in these neighbourhoods (White House, 2022), recognising and beginning to redress some of the health harms associated with broader structural inequalities.

Figure 1 Understanding foundational notions of 'justice' in just energy transitions



Source: Authors.

Figure 1 illustrates four types of justice that are central to just energy transitions. Taken together, they suggest that energy transitions need to be shaped in an inclusive and accountable way (procedural justice), with any costs and benefits, resources and opportunities shared equitably (distributional justice), in a way that recognises different identities, vulnerabilities, needs and priorities, especially those who of marginalised groups (recognitional justice). Through this approach, the energy transition should actively redress historical and contemporary injustices, particularly those associated with the energy sector (restorative justice).

These four dimensions of justice also need to be understood within sectoral notions of justice that have had bearing on their formulation and application in the context of energy transitions. Environmental justice has its roots in the fight against the disproportionate harm by low-income people and communities of colour in the United States, as first documented by Robert D. Bullard (1983). Schlosberg's (2004) widely accepted definition of environmental justice underscores the need for attention to recognition, distribution and participation.

The field of climate justice originally focused on the fair allocation of emission reductions and atmospheric space among countries and individuals. It later expanded to consider responsibility for funding and capabilities for adaptation (distributive justice), participation in climate policy-making and negotiations (procedural justice), and how climate change is embedded in systemic injustices and broader ambitions for sustainable development (recognitional justice) (Okereke *et al.*, 2010).

Energy justice considers fairness throughout energy systems: extraction, transportation, consumption and disposal (Bickerstaff *et al.*, 2013). Energy justice encompasses availability, affordability, sustainability and responsibility (Wang *et al.*, 2024), considering not only those whose livelihoods are dependent on a fossil fuel economy but also those who currently lack access to modern energy of any kind – clean or dirty. A three-pronged approach – distributive, procedural and recognitional – has also been advanced as a framework for engaging with energy justice (Jenkins *et al.*, 2016).

These dimensions of justice are relevant for planning and implementing energy transitions in all countries, but they will look different in each national context, and so will the governance arrangements, policy frameworks and investment plans. The procedural, distributive and recognitional 'justness' of the energy transition will also be shaped by the country's pre-existing political settlement – that is, the relative concentration of power at the top and the breadth and depth of social groups with political influence (for a detailed discussion, see Kelsall *et al.*, 2024). Those factors will affect governments' ability to deliver on their commitments and how much sway people advocating for a just transition will be able to have.

3 Why do energy transitions need to be 'just'?

Burning fossil fuels for energy is the single largest driver of climate change, emitting an estimated 41.3 billion tonnes of carbon dioxide equivalent (Gt CO_2e) in 2022 (IEA, 2023), about three-quarters of global greenhouse gas emissions.[2] This is why shifting away from fossil fuels is essential for limiting the rise in global temperatures. While the electricity sector still emitted about 14.6 Gt CO_2 in 2022, the rapid rise in renewable energy, which accounted for 90% of growth in power generation in 2022, has significantly slowed the growth in the sector's emissions.

It is now widely recognised that an energy transition is both technically and economically feasible, as the cost of key technologies such as wind power, solar power and storage has fallen (Bogdanov *et al.*, 2021; Meegahapola *et al.*, 2021; IPCC, 2023). In some settings, renewables are now cheaper than fossil fuel technologies. Moreover, if the transition is designed and implemented with care, it can have major synergies with broader development goals, such as energy security, job creation, improved balance of trade, and better air quality and health (McCollum *et al.*, 2018; Smith *et al.*, 2019).

However, energy transitions also entail profound socio-economic transformations, and if a government and its international partners do not pay close attention to justice issues, the transition may fail. Even if it succeeds in reducing emissions, a transition may undermine progress towards several Sustainable Development Goals (SDGs) beyond climate, due to changes in government spending, energy prices, employment options and even land use.

As government revenue from fossil fuels falls, public spending and investment may be cut, affecting poverty reduction (SDG1). Fossil fuel subsidy reforms and the upfront costs of renewables may at least temporarily hinder access to affordable and clean energy (SDG7). If alternative employment options are not nurtured in regions where fossil fuel-related jobs are lost, progress on decent work for all (SDG8) may stall. If land-intensive approaches (such as bioenergy or large-scale, greenfield renewable energy developments) are pursued, this could affect the protection and restoration of terrestrial ecosystems (SDG15). And, unless justice is explicitly considered, decarbonisation strategies risk perpetuating existing patterns of exploitation and dispossession (Healy and Barry, 2017), which could increase grievances and the risk of political violence (SDG16) and prevent the achievement of other SDGs. An energy transition that deepens poverty and worsens living conditions for many people should be unacceptable to governments and development partners.

2 Scientists for the European Union have estimated total global greenhouse gas emissions in 2022 at 53.8 Gt CO_2e (Crippa *et al.*, 2023).

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 risk (Nacke *et al.*, 2022). Opposition may be particularly likely in fossil fuel-producing countries and regions, where a large share of jobs and revenues could become unviable (Peszko *et al*. 2020). 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 – one that supports those adversely affected by the move away from fossil fuels – is therefore crucial, both as a moral imperative and to secure broad-based and sustained support for the policies and investments necessary to limit warming.

3.1 Why might an energy transition be unjust?

Decarbonising energy systems requires retiring major infrastructure, such as coal-, oil- and gas-fired power plants, well before the end of its useful life. This means all workers at those facilities will lose their jobs, and the operators, owners and investors will incur potentially very large financial losses. The entire fossil fuel supply chain will also be affected: from coal mines and oil rigs, to railways and ports involved in transporting fossil fuels.

The affected workers face not just the loss of a job, but of a stable, often relatively high income for their family (Pai *et al.*, 2021), as well as pension and medical benefits. They may also lose their sense of identity and community and be forced to move to find work and to accept lower wages. Poland recognised this when it restructured its coal sector in the 1990s and 2000s and prepared well. Extensive, genuine dialogue with trade unions helped to build the labour movement's understanding of the need for reform and informed the design of a generous social package that reduced the adverse impacts of 67,000 job losses (World Bank, 2021).

Local communities can also be greatly affected by energy transitions. They may lose jobs and income from services provided to the now-shuttered facilities, as well as from workers spending their earnings. They may lose the benefits of investments by fossil fuel companies in local economic development and services such as schools and health clinics. Local governments face the loss of revenue from coal mines and plants, which are big consumers of electricity and water (the sale of which is often an important source of public revenues), as well as from the reduction in overall economic activity.

The transition will have impacts on investors, who face lower returns than anticipated. These will not only be felt by large corporations, but also by state-owned enterprises and institutional investors such as pension funds and insurance companies on which large numbers of people rely. National governments may experience significant reductions in revenue, too, particularly from resource extraction, such as royalties and taxes, as well as financial penalties from investor-state dispute settlements (Tienhaara *et al.*, 2022). As noted above, this could limit their ability to provide services or social protection, and to financially support investment in clean energy.

Another key group of concern is consumers. Some may have to change the equipment they use for transport, cooking, heating or other purposes. Moreover, the upfront cost of new clean energy infrastructure may increase electricity costs, at least in the near term. This would affect consumers both directly and through the prices for food, transport and other goods and services. Energy costs to consumers may also rise if fuel and/or electricity subsidies are reduced or phased out – as both climate mitigation and fiscal policy experts often recommend.

Indonesia's energy subsidy reforms highlight the potential benefits of well-designed climate policies. Fossil fuel subsidies that were intended to reduce energy poverty and share the benefits of the country's commodity exports had come to cost the government 3.5 times as much as it spent on social welfare by the mid-2010s, and twice as much as it invested in infrastructure (Hussar and Kit, 2016). The subsidies were also wildly regressive: less than 1% flowed to the poorest 10% of households, while the richest 10% captured nearly 40% (Diop, 2014). Indonesia's reforms reduced petrol and diesel subsidies and reallocated the cost savings into social welfare, capital projects and transfers to regional and municipal governments for improved service delivery (Pradiptyo, 2016). This not only increased distributional justice, but also won broad-based support for the Widodo government.

Figure 2 Statistics relevant to a just energy transition in South Africa in 2023

Coal mining employed **94,531** people (Minerals Council South Africa, 2024).

Eskom employed 12,237 people in power generation, the vast majority at coal-fired power plants (Eskom, 2023).

Coal mines and plants support 4 cities, 40 towns, 26 townships and 22 rural villages, home to over 2.5 million people located largely in Mpumalanga, Limpopo and KwaZulu-Natal provinces.

Coal mines paid royalties of **R3.3 billion** (**US$175 million**) (Minerals Council South Africa, 2024).

In 2018, the average monthly salary of a coal mine worker was **R23,000** (**US$1,695**) plus nine out of ten have pensions, which is a good compensation package relative to their level of education (Cruywagen, *et al.*, 2020).

The Northern Cape province has some of the highest solar radiation levels in the world and utility-scale solar energy developers have settled in this area first (von der Merwe and Brent, 2020; CIF, 2020).

Renewable energy generation is therefore likely to be concentrated in the Northern Cape province, far from the homes of the coal workers.

Figure 3 Statistics relevant to a just energy transition in Indonesia in 2023

Around **250,000** people in Indonesia are employed in coal mining (Adiatma and Suryadi, 2022).

Coal miners in Indonesia receive an average salary of **US$3,680** a year, which is high relative to their level of education (Skribbe and Fearnehough, 2023).

Over **90%** of Indonesia's coal is produced in East Kalimantan, South Kalimantan and South Sumatra (Skribbe and Fearnehough, 2023).

40% of coal mining jobs are in East Kalimantan, where the sub-sector accounts for **11% of employment** (Adiatma and Suryadi, 2022).

Coal subsidies in Indonesia reached **IDR 61.04 trillion** (**US$4.2 billion**) in 2020, provided mainly as tax exemptions and preferential tax/royalty rates. This excludes subsidies for electricity, worth **IDR 92.7 trillion** (**US$6.4 billion**) (Su-harsono *et al.*, 2022).

Solar energy generation is likely to be concentrated in Bali, Nusa Tenggara and Java, where the technical potential is highest (Skribbe and Fearnehough, 2023). This is far from the homes of the coal workers in Kalimantan and Sumatra.

4 How has ‘justice’ been incorporated in JETPs to date?

This section offers a deeper examination of justice and associated finance within two JETPs: South Africa’s and Indonesia’s.

4.1 Procedural justice

The Political Declaration on the Just Energy Transition Partnership in South Africa at COP26 came as a welcome surprise to many observers. However, the domestic groundwork for the announcement had been years in the making, as the catastrophic operational and financial performance of the state-owned utility, Eskom, and concerns over climate change spurred demand for action. In an interview for this paper, an advisor to South Africa’s JETP Secretariat underscored the depth of analytical resources developed and political discourse undertaken within the country before discussions began with the G7. In particular, the South African Presidential Climate Commission was agreed in 2018; its members were appointed in 2020; and throughout 2021, it commissioned studies, undertook public consultations and organised high-level discussions that informed the development of the national Just Transition Framework (Wemanya and Adow, 2022).

In contrast, both the national government and the International Partner Group were under enormous pressure to prioritise the timely announcement of a new JETP during the G20 Summit in Bali. This may have compromised procedural justice, as there was no time for an in-depth domestic conversation about what a just transition in Indonesia might look like, to inform the Political Declaration. It has consequently been widely criticised for the lack of public consultation or participation (see, e.g., Taylor, 2023).

After the political declarations, each of the JETPs moved into the preparation of detailed investment plans: South Africa’s Just Energy Transition Investment Plan (JET IP) and Indonesia’s Comprehensive Investment and Policy Plan (CIPP). These offered another opportunity to facilitate inclusion and enhance accountability.

In South Africa, there were early concerns that civil society was not represented in the formal governance structures of the JETP (Wemanya and Adow, 2022). International pressure to make the Political Declaration at COP26 and share the JET IP in advance of COP27 were also at odds with the need for an inclusive process, according to the advisor to the JETP Secretariat cited above. However, the labour movement successfully pushed the Presidential Climate Commission to organise extensive and transparent consultations, even if they delayed implementation. The consultations were held in early 2023 with civil society organisations, subnational governments and businesses, seeking input for the design of the implementation plan. While some aspects of the JET IP received significant criticism during the discussions, the participatory process overall helped build broad-based support for, and enhanced the legitimacy of, the JET IP (Vanheukelom, 2023).

Indonesia's JETP Secretariat has a dedicated Just Transitions Working Group, led by the United Nations Development Programme (UNDP) and including the Asian Development Bank, the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the Indonesian Center for Environmental Law (ICEL), the International Labour Organization (ILO) and the World Bank. The Working Group was tasked with developing a Just Transition Framework and undertook consultations with government institutions and some civil society organisations in June 2023.

However, three separate interviewees – two from Indonesian civil society and one from the central government – said the consultations were perfunctory and did not involve subnational governments (despite the outsized implications for provinces in Kalimantan and Sumatra) or local communities. Moreover, the public has not seen the investment plan evolve in response to these inputs (IESR, 2023).

A representative of Indonesia's JETP Secretariat unintentionally confirmed in an interview that political attention was always on the relationship between central government and the International Partners Group, rather than bringing broader society on board. Indonesia's energy sector has long taken a very narrow approach to procedural justice, emphasising stakeholder engagement rather than evaluating whether people's voices have genuinely been heard and their needs genuinely addressed (Elliott and Setyowati, 2020). Again, this is partially due to international and domestic pressure to release the CIPP, but it suggests that international partners and the central government should actively seek to nurture a national dialogue around a just transition in Indonesia and continue to create opportunities for the most affected groups to shape implementation.

4.2 Distributive justice

At this early stage, the only way to assess the likelihood of either JETP contributing to distributive justice is to look at the respective investment plans – which may or may not be implemented faithfully.

South Africa's Just Energy Transition Framework addresses distributive justice along four key dimensions:

1. Equipping South Africans with skills, assets and opportunities to participate in industries of the future, with particular attention on impacted groups, the poor, women, people with disabilities and the youth.

2. Implementing transformative national economic and social policies that clearly consider how benefits and burdens will be distributed (this includes clear indication of where jobs are gained, where jobs are lost, and the quality and longevity of future employment).
3. Increasing provincial and local capacity (both resources and skills) to promote local economic development.
4. Ensuring corporate responsibility to support a green and inclusive economy (PCC, 2022, p. 8).

The distributive justice-oriented investments in the South African JET IP focus mainly on the 'geographies and sectors most affected by the transition'. Foremost among these are the coal communities in Mpumalanga Province, which produces 83% of the country's coal and houses 11 of Eskom's 14 operating coal-fired power plants. The investment plan recognises the need to support over 100,000 workers directly at risk from energy transition changes (i.e. those employed in coal production or power generation); the workers indirectly affected via employment in associated value chains; and local communities who may bear the consequences in terms of falling municipal revenues and therefore declining public services. South Africa's JET IP therefore recognises that coal mines and power plants currently underpin Mpumalanga's economy and society, and that a just transition depends on (green) economic diversification that can offer alternative sources of income and dignity, mediated by social protection. Table 1 summarises the planned investments.

Table 1 Just transition investments in Mpumalanga, South Africa

Purpose	ZAR	USD
Repurposing coal plants and coal mining land	16.4 billion	1 billion
Improving infrastructure for development (e.g. transport systems, digital connectivity, energy access, education facilities)	12.3 billion	0.8 billion
Diversifying local economies through incubators, accelerators and early-stage venture capital	24 billion	1.6 billion
Caring for the coal workforce through retraining, relocation and temporary income support	5.6 billion	0.4 billion
Investing in youth through education, training and work experience	0.75 billion	50 million
Supporting provincial and municipal governments with transition planning, including budget support	1.35 billion	90 million
Total	**60.4 billion**	**4.0 billion**

The JET IP has been criticised for allocating insufficient funding to the 'just' element of the energy transition (see, e.g., Lenferna, 2023, and Wemanya and Opfer, 2022). There are certainly reasons for concern that resources will be captured by political elites, and a need for stronger safeguards to ensure meaningful social, economic and ecological justice for the communities most affected by energy transition – including, but not limited to, Mpumalanga.

Against this criticism, however, it is important to consider the potential distributional benefits of the JET IP at the national level. Eskom's operational and financial performance has been rapidly deteriorating for over a decade. Widespread power outages (or 'load shedding') and escalating electricity prices – which have increased by over 500% in the past decade (Minerals Council South Africa, 2023) – have crippled economic activity, with profound implications for incomes, public revenues and jobs: South Africa's unemployment rate was 32% in the fourth quarter of 2023, or 41% if discouraged job-seekers are included (StatsSA, 2024).

Yet load shedding has also driven the mining industry to invest in renewable energy, effectively accelerating the energy transition for some larger players in the economy. For example, there is a pipeline of 89 self-generation projects with a collective capacity of 6.5 GW (95% solar) from 29 mining companies, with a project value exceeding ZAR100 billion (Minerals Council South Africa, 2023). While self-generation by large mining companies and wealthy households could ease the burden on the national electricity grid, it could also increase inequalities in the energy transition if use is limited to these groups.

Despite the high prices, Eskom requires significant fiscal transfers, and its outstanding debts equate to roughly 10% of South Africa's GDP – much of which has just been moved onto the government balance sheets (IMF, 2020; 2022; 2023). The JET IP's planned investments of ZAR 645.85 billion (US$43 billion) in the electricity sector[3] could thus do much to enable economic activity, job creation and public service delivery across the country. The aspiration of the JET IP is therefore not just to redistribute existing resources, but to increase the total resources available for development.

The situation in Indonesia is quite different, as the country has an oversupply of power in rapidly industrialising regions, such as Java. Indonesian firms therefore do not face the same energy constraints as their South African counterparts, nor is there the same imperative to build new power capacity to support economic and social activity. However, Indonesia faces some similar challenges to South Africa. One concerns the prospects for Indonesia's 250,000 coal miners, who account for just around 0.2% of total employment nationally, but 11% of employment in East Kalimantan, 3% in South Sumatra and 4% in North Kalimantan. Coal mining accounts for over 15% of regional GDP in these provinces (Adiatma and Suryadi, 2022). Two representatives of Indonesian civil society and a third from the World Bank expressed concern about the central government's ability and appetite to manage potential impacts of declining coal demand in these regions.

Another challenge shared with South Africa concerns the financial viability of the state-owned utility, Perusahaan Listrik Negara (PLN). PLN primarily has 'take-or-pay' contracts with

3 This figure encompasses: ZAR 145.6 billion (US$10 billion) in transmission and distribution; ZAR 498.0 (US$33 billion) in wind, solar and storage; and ZAR 3.25 billion (US$0.2 billion) in just transition investments, such as localising clean energy value chains and piloting social ownership models.

independent power producers (Hamdi and Adhiguna, 2021) and has limited ability to increase tariffs, which are set by central government for political reasons. The result is excess generation capacity, which imposes heavy costs, leaving PLN with rising liabilities.

Finally, access to sufficient and reliable modern energy is mainly a challenge in rural and remote areas of both countries. In Indonesia, people living in East Papua, Kalimantan and on smaller islands are most likely to experience energy poverty. These are contexts where coal-fired power is rarely an economically viable solution, due to its minimum viable scale.

Indonesia's Political Declaration certainly recognises the need for distributive justice, stating the need 'to identify and support the segments of Indonesia's population most vulnerable to potential negative impacts of the transition, workers and all societal groups with a special focus on women, youth, and vulnerable populations that earn a living in the coal industry or in jobs connected with the coal industry'. However, in contrast to South Africa's JETP IP, Indonesia's CIPP does not currently include any estimate of the costs associated with justice-oriented interventions. Instead, it proposes a twofold approach.

First, the CIPP emphasises the importance of existing safeguards at the project level to mitigate risks. These include the legally mandated actions required by the Government of Indonesia and various voluntary standards to which lenders have already subscribed, which they can then impose upon projects that they finance. The CIPP explicitly states – and a representative from Indonesia's JETP Secretariat confirmed – that the costs of meeting these standards are expected to be borne by project developers, or possibly shared with concessional lenders.

Second, the CIPP proposes an additional Just Transition Framework that goes beyond risk mitigation to help JETP investments realise broader opportunities associated with the energy transition. In addition to the existing safeguards in place via Indonesian law or voluntary standards, the Just Transition Framework adds a new emphasis on economic diversification and transformation, particularly in fossil fuel-dependent regions, through conducive policies, support for workers and strategic investments. The Just Transition Framework is to be applied at the project, subnational and national level. However, the only text in the CIPP articulating what a subnational and national intervention might encompass is that 'the intervention stage can take on various forms ranging from introduction of new policies to the expansion of government programs that relate to the just transition' (p. 117). The CIPP proposes that public grant funding will need to be made available to deliver on these additional goals, particularly for national and subnational interventions.

Distributive justice within Indonesia's JETP is thus pursued mainly by mitigating harms and realising opportunities within individual energy projects. It is unlikely that this approach will be sufficient to manage the costs and trade-offs associated with the decline of coal. For example, an enabling policy environment and robust project pipeline will be needed to steer green investment towards Kalimantan and South Sumatra, in order to enable these coal-dependent regions to nurture new industries and create new jobs. The importance of funding for tailored retraining, redeployment and/or social protection to support workers and vulnerable groups is recognised in the CIPP, but resources are not explicitly allocated to these purposes. This omission creates a risk that Indonesia's JETP could exacerbate distributional injustices.

The approaches to securing a just energy transition therefore look different across JETPs thus far, with some country platforms more likely to address and finance 'justice' than others due a range of factors, including national histories, political settlements and the specific dynamics within the energy sector (Kelsall *et al.*, 2024). For instance, South Africa's political leadership and civil society have engaged with questions of justice over decades (elaborated in the next section), while an interviewee from Indonesian civil society explained that the concept of 'just transitions' is relatively new in the country, so there has been less analytical work or national discourse on what this might look like in an Indonesian context. These historical differences further illuminate the different approaches to distributional justice.

4.3 Recognitional and restorative justice

South Africa's Just Energy Transition Framework puts forward an elaborate definition of a just energy transition.[4] Its comprehensive approach is deeply influenced by the historical injustices established during its colonial and Apartheid eras, and the severe inequalities that persist both as a consequence of this legacy as well as post-Apartheid policies that have favoured fossil fuel industries (Baker *et al.*, 2014; Cole *et al.*, 2023). Indeed, the mining industry played a major role in shaping race relations within South Africa, as White investors and asset owners (including of land from dispossessed Black populations) pushed for policies that created a disempowered, migrant Black workforce that would serve as a cheap labour supply for the mines (Horne *et al.*, 2017; van Zyl-Hermann, 2018). The distributional consequences persist in terms of unequal access to education, decent housing and services. For example, 30 years after the end of Apartheid, 13% of urban and 7% of rural South Africans, over 6 million people altogether, live without electricity (IEA *et al.*, 2023).

South African communities in coal-dependent areas have high levels of unemployment and poverty (Cole *et al.*, 2023). For this reason, the relatively well-paid jobs in the coal sector are of outsized importance, providing incomes, dignity and revenue that underpins service delivery by

4 'A just transition aims to achieve a quality life for all South Africans, in the context of increasing the ability to adapt to the adverse impacts of climate, fostering climate resilience, and reaching net-zero greenhouse gas emissions by 2050, in line with best available science. A just transition contributes to the goals of decent work for all, social inclusion, and the eradication of poverty. A just transition puts people at the centre of decision-making, especially those most impacted, the poor, women, people with disabilities, and the youth—empowering and equipping them for new opportunities of the future. A just transition builds the resilience of the economy and people through affordable, decentralised, diversely owned renewable energy systems; conservation of natural resources; equitable access of water resources; an environment that is not harmful to one's health and well-being; and sustainable, equitable, inclusive land use for all, especially for the most vulnerable' (PCC, 2022, p. 7).

local governments. However, coal mining and power generation also produce significant dust and air pollution, and western Mpumalanga is a National Air Quality Priority Area, with very high inhalable particles (PM_{10}), nitrous oxide (NO_X) and sulphur dioxide (SO_2) emissions levels. Acid mine drainage pollutes water bodies and poses a major health and safety risk to people, animals and ecosystems. Coal mining also degrades arable land, and Mpumalanga has 19% of the country's rain-fed arable land, another important source of jobs and income.

Post-Apartheid South African governments have been on a journey to address the broader injustices historically associated with mining, beyond the prospective job losses associated with a clean energy transition. Strategies range from the project level (for example, mine water treatment and renewable energy investment) to the macro level that may be more or less directly linked to mining (for example, broad-based black economic empowerment measures, including the transfer of corporate equity; education and training programmes; and Social and Labour Plans that include local economic development). While a series of national governments have introduced progressive policies and regulations, implementation has been mixed. In some cases, mining companies have stepped into the gap, delivering services that should be provided by the public sector.

It is therefore against a background of continued inequalities and unmet promises that the South African JETP IP explicitly emphasises restorative justice for coal communities. It highlights that a core aim of the energy transition is to redress the concentration of wealth and income, high levels of energy insecurity and poverty. These efforts are manifest under the just transition investments summarised in Table 1, such as the proposed remediation of degraded land, investment in infrastructure such as water and electricity supply, and enhanced access to capital.

While the JETP offers promise, coal communities are right to be wary. South Africa has previously gone through the experience of closing coal mines in the 1980s and 1990s in northern KwaZulu-Natal. About 25,000 coal jobs were lost. Efforts were made to alleviate the socio-economic impacts through tourism initiatives (Binns and Nel, 2019). However, it is unclear how effective these efforts were (Wessels and Tseane-Gumbi, 2023) – and many more jobs are at risk in Mpumalanga.

The Political Declaration underpinning Indonesia's JETP does not engage with recognitional and restorative justice, while the CIPP does so in a much lighter-touch way than its South African counterpart. For example, the CIPP recognises inequalities in access to energy across different regions and inequalities in access to economic opportunities based on gender, and proposes an energy transition that redresses both. Restorative justice is mentioned explicitly just once, in the context of the design of a renewable energy industrial strategy. The nascent nature of the national conversation around just energy transitions in Indonesia, flagged by several interviewees, may mean that the JETP misses opportunities to advance recognitional and restorative justice. For example, Indonesia's land policies favour coal mining over other activities, including customary uses by Indonesia's recently recognised Indigenous Peoples. Mining licenses have thus been issued on customary land, with environmental impacts beyond the mines, such as downstream water pollution (Muhdar *et al.*, 2023).

These respective levels of effort do not guarantee that South Africa will successfully secure a just energy transition, nor that the decarbonisation of Indonesia's power sector will be unjust. But South Africa certainly seems to be making a more concerted effort to advance procedural, distributive and ultimately restorative justice at this stage in the development of its country platform. Greater attention to the justice elements of its JETP should therefore be at the top of the agenda for the Indonesian secretariat, relevant ministries and the country's development partners.

5 'Justice' and the MDBs

Shifting from fossil fuels to clean energy in emerging and developing countries will require investments of $1.3–1.7 trillion per year, not counting China (Independent High-Level Expert Group on Climate Finance, 2022). 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.

Moreover, as highlighted in Section 3, the energy transition involves numerous changes in the distribution of costs and benefits within society, of which we covered only a sample. Many national governments and their international partners lack the capability, autonomy or will to plan and deliver a transition that is just (Newell and Mulvaney, 2013). This is irrespective of the volume of international concessional finance that is plausibly available (Hadley *et al.*, 2024). Decision-makers in countries where the political settlement has narrow social foundations, for example, have few incentives to facilitate social dialogue or expand social protection to manage the fallout of energy system change, since political commitments are likely to be more exclusionary (Kelsall *et al.*, 2024).

All this means that there is an important unmet need. Given their expertise and their central role in climate and development finance provision, MDBs are arguably well positioned to fill the gap. Yet the concept of justice can create tensions within some of the MDBs.

First, some of the MDBs' largest shareholders and their own institutional cultures have historically been strongly influenced by approaches to development based on economic theory. Underlying such theory is an assumption of trade-offs between a finite sum of resources, and the aim to allocate those resources as efficiently as possible. Under those conditions it is not possible to improve the welfare of some people without harming others. (In practice, there can be convergence between concepts of justice and economic efficiency, as explored in Section 6).

Such a world view does not consider more subjective concepts of equity and justice in the initial allocation of those resources, and thus the need for political or other bargaining processes to enhance fairness. More recently, MDBs have adopted paradigms and methods from a more heterodox range of economic schools and, indeed, a wider range of disciplines; nonetheless, this historical intellectual legacy continues to sit uncomfortably with a justice-based approach to development. While MDBs currently emphasise 'inclusive' development, this can be more about ensuring the benefits of economic growth reach the contemporary poor, than about addressing the distribution of income and wealth that either exists now or in future generations. MDB staff have also historically had concerns about the idea of entitlements and rights (concepts closely related to justice), given that their client countries often lack the financial resources, institutional capacity or even political consensus to realise those rights.

Second, a key challenge for MDBs is that *just* energy transitions require something that is inherently political: intentionally redistributing power and resources within and among countries, in contravention to prevailing market forces. The MDBs vary in their missions and mandates, but they all generally focus on ending extreme poverty, bolstering growth and promoting shared prosperity within client countries. They may also have mandates to support social development (G20 Independent Expert Group, 2023). They do not have an explicit mandate to advance justice or tackle inequality.[5] Moreover, most MDBs are prohibited by their charters from engaging in political activities without specific direction from their boards,[6] and are required instead to make decisions based on economic considerations (Stephens, 2017).

However, poverty reduction and inclusive economic growth require attention to justice, as the MDBs themselves have long recognised (see, e.g., Biebesheimer and Chapman, 2012). Moreover, MDBs' policies require them to address social inclusion and mitigate harms in their own operations and investments (for example, through the World Bank's Environmental and Social Framework) and they are frequently involved in technocratic efforts to redistribute power and resources, such as through policy advice on governance or tax reform. Examples are the requirements for community consultation and restoration of livelihoods required to address the social and environmental aspects of MDB projects. The World Bank's requirement for livelihood restoration, not just cash compensation, when people are displaced from their land in Bank-financed projects, is consistent with restorative justice (although it can be at variance with local practice and sometimes unpopular with governments). All this means that while MDBs must (rightfully) respect countries' sovereignty, they still have a wide range of opportunities to promote just transitions throughout the design and implementation of investment plans and in individual projects.

5 Of course, technocratic development assistance has political impacts; it can empower or disempower authority and its challengers (Yanguas, 2018). The use of development finance, including from MDBs, in the Cold War and subsequent conflicts suggests that policy-makers recognise its political nature.

6 For example, the International Development Association (IDA) Articles of Agreement state: 'The Association and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purposes stated in this Agreement' (Art.5, Sec. 6).

Similarly, the Agreement Establishing the African Development Fund states: 'Neither the Fund, nor any officials or other persons acting on its behalf, shall interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only considerations relevant to the economic and social development of members shall be relevant to such decisions, and these considerations shall be weighed impartially to achieve the purposes stated in this Agreement' (Ch. V, Art. 21).

Indeed, the MDBs have formally embraced the concept of just transitions, even if support for it among staff and shareholders is uneven. At the 2019 Climate Action Summit, the MDBs issued a high-level statement pledging to develop 'financing and policy strategies supporting a just transition that promotes economic diversification and inclusion' (AfDB *et al.*, 2019). At COP26 in Glasgow, they released high-level principles to guide MDB support for a just transition (AfDB *et al.*, 2021). These principles set out direction on the aims, approach, scope, scale, outcomes and processes associated with just transitions, but also maintained flexibility for MDBs to tailor their strategies to their own mandates, geographies and skills, and to each specific context. The next section considers the particular competencies that MDBs bring to this challenge.

6 How can MDBs advance justice as they scale the use of country platforms?

Given the widely held expectation that MDBs will play critical roles as advisors, coordinators and financiers in future country platforms, this section unpacks the particular competencies that MDBs might bring to advance justice, as well as weaknesses that they must watch for.

6.1 Procedural justice

MDBs have extensive experience with stakeholder engagement, and well-established guidelines and mechanisms that can be applied in country platforms. MDBs also have standards for transparent and inclusive planning that can be adopted as countries plan their energy transitions in the expectation of international support. For example, the World Bank's Environmental and Social Standards (ESS) include a specific standard (ESS10) on stakeholder engagement and information disclosure, recognising the importance of open and transparent engagement between project stakeholders as an essential element of good international practice (World Bank, 2017). Moreover, the MDBs have strengthened their policies and procedures over the years to better encompass the various elements of meaningful stakeholder engagement (Kvam, 2017).

MDBs have also committed to greater use of country systems, including for environmental and social development, since the 2005 Paris Declaration on Aid Effectiveness at latest – although implementation of use of country systems has often been poor (Wood *et al.*, 2011). More recently, the World Bank (2019) has committed to assisting countries to institute their own environmental and social frameworks. MDBs therefore have the potential and instruments to assist countries put in place robust processes for assuring procedural justice in energy transitions.

MDBs may also have the capacity to demand and facilitate the inclusion of broader groups than national governments may be able or willing to engage. For example, the targeting policy of the International Fund for Agricultural Development (IFAD) involves reaching the rural poor, and IFAD provides spaces for participation and dialogue through which rural poor people can make active and informed contributions (IFAD, 2008). Also relevant is the MDB practice of supporting independent groups to mediate disputes arising from project activities, such as land acquisition through eminent domain in situations where the formal justice system is too slow, too effective or biased in favour of government or elites (see, e.g., World Bank, 2023).

Overall MDBs can thus contribute to procedural justice by implementing inclusive dialogue and decision-making in their own projects, but also by encouraging the same among their partners (Vivid Economics, 2020). Even more powerfully, they can use their influence and investments to support stakeholders such as governments and businesses to adopt more transparent and inclusive processes.

6.2 Distributional justice

MDBs are expected to play a much larger role in meeting the higher upfront costs associated with energy transitions going forward, and this is likely to include targeted resources to address different elements of justice (e.g. cash assistance, vocational training). However, international public finance from these banks and other sources will never be sufficient. Resources thus need to be carefully calibrated to areas where private finance is unavailable or where markets have failed, such as conflict-affected states, and which can catalyse local resources and crowd in private and community finance, such as upgrading transmission and distribution infrastructure (Hadley *et al.*, 2024).

The allocation of highly concessional finance also needs to take countries' relative need into account. For example, South Africa and Indonesia are both middle-income countries with significant domestic resources and access to capital markets, which can cross-subsidise investments in justice-oriented elements of their domestic transitions. A case can be made that grant finance should be primarily allocated to low-income countries, in contrast to calls from civil society for developed countries to provide grants for justice-oriented elements of middle-income countries' transitions.

MDBs should therefore assess financing needs in a hierarchy, starting from financing the private sector directly (e.g. through the African Development Bank's facility for non-sovereign lending), catalysing private finance (e.g. through guarantees and blended finance); to sovereign lending on market terms, concessional lending and finally grants. Addressing market failures may require the joint application of two or more MDB instruments in conjunction with government, private sector, philanthropic and other sources of finance, such as impact funds.

MDBs also have the analytical capacity to assess the distributional impacts of policies and investments. For example, the World Bank has conducted econometric analyses of the distributional impacts of fossil fuel subsidy reforms and the distributional impacts of trade (see, e.g., Haney and Shkaratan, 2003; Mukherjee *et al.* 2023; Olivier *et al.,* 2023). Relatedly, MDBs can evaluate and provide guidance on instruments and principles to compensate those who are adversely affected by a transition.

Several MDBs have decades of experience in developing these principles and policies. For example, the World Bank's current Operational Policy and Bank Practice 4.12 recognises the harm that involuntary resettlement as a result of development projects could bring on people and communities, and aims to avoid and minimise the harm where feasible and provide affected persons with assistance to improve their livelihoods or at least be restored to pre-displacement levels (World Bank, 2016). These policies respect customary rights to land and assets, as well as formal rights. Rooted in MDBs' mandate for poverty reduction and socio-economic development, these capabilities are highly relevant to a justice-based approach to transition planning. Indeed, this is an area in which MDBs are relatively strong and could be particularly helpful in lower-income countries that may lack the capacity. However, the analytical work can be slow to produce and difficult to finance.

MDBs can also help more just transitions by supporting integrated approaches to development in defined project areas, which could be adopted to support the economic regeneration of mining communities (AfDB *et al.*, 2021). In addition, MDBs can finance and facilitate direct cash transfers, as they have done in other contexts, to help households affected by transition costs. For example, the World Bank provided a loan to Nigeria for cash transfers to help offset the impact of removing fuel subsidies (Bloomberg, 2023; Mukherjee *et al.* 2023). These measures could be deployed either as a stand-alone activity or as part of strengthened social safety nets at times of changing policies.

MDBs also bring experience in community-led development and locally led adaptation, where poor communities receive funds, decide on their use, plan and execute the chosen local projects, and monitor the provision of services that result (World Bank, 2009). This approach improves both their incomes (distributional justice) and empowerment (procedural justice). Though it holds lots of promise in the context of small-scale energy technologies, energy efficiency and livelihood creation, among others, community-led development is not part of MDBs' conventional arsenal. Moreover, as intergovernmental organisations, there may be limits to the extent to which MDBs can support local groups that promote government accountability or deliver services outside state systems, which may require philanthropic or bilateral support.

6.3 Further opportunities and limitations

Overall, an effective energy transition that includes all these elements of justice requires countries to have relatively sophisticated institutional capacities to plan, finance and deliver it. Country platforms need strong national ownership, and a transition plan that is deeply rooted in the political economy and governance structures of the country. Therefore, it is not just important that the MDBs have relevant experience and know-how, but also that they are committed to engaging in knowledge transfer and capacity strengthening over the long haul to facilitate building country systems and institutions. There are many examples of MDBs doing these things well, but their success is patchy, so country directors and technical leads will need to pay close attention to these issues throughout the life of the country platform.

MDBs are also able to provide overarching coordination support. In supporting the translation of the Political Declaration into implementation and investment plans, MDBs can emphasise the importance of different types of justice and identify concrete ways to build it into delivery of the JETP. MDB analytical support, convening and coordination can fill gaps and reduce transaction costs for the country (Gilmore *et al.*, 2024), helping to focus effort while centring justice. MDBs also bring expertise in spatial and infrastructure planning, and can therefore potentially put a wider range of options on the table for national governments to consider, including those that are more cost-effective or may better serve the poor.

However, assessment of the political economy of transition will be necessary. MDBs cannot adopt technocratic approaches to inherently political issues such as the reform of fossil fuel subsidies. They must understand how the energy sector creates and distributes economic rents, identify proponents and opponents of change, and consider how their interventions can strengthen or disempower different groups (Kelsall *et al.*, 2024). This is not to imply that MDBs should meddle in partisan matters in violation of their mandate, but rather that they be savvy enough to navigate these complexities. For example, where the social foundation is narrow, MDBs might tailor their lending and investment to deliver benefits that elites also value, such as more reliable electricity supply. In contexts at risk of political violence, the minimum criterion is 'do no harm', but much better is work on reducing the drivers of conflict, including real or perceived injustices.

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 (which overlaps with recognitional justice). However, restorative justice is neglected. The High-Level Principles commit to 'support equal access to the new opportunities, jobs and markets associated with transition', but this does not recognise that low-income and other marginalised groups may need additional support to realise these opportunities due to historical and ongoing injustices. The MDBs routinely deploy a range of instruments that could potentially advance restorative justice if well-targeted, such as cash transfers and budget support, but using these tools would require the agreement and commitment of sovereign governments.

The MDBs could more effectively support a just transition by explicitly acknowledging pre-existing inequalities and actively seeking opportunities to repair past harms.

This working paper has sought to encourage MDB staff and shareholders as they engage with the concept of just transitions, building on past policies and practices. There is a window of opportunity: MDBs are currently under considerable pressure to undertake reforms that can increase their financial headroom and enhance their response to climate change, including through greater use of country platforms (G20 Independent Expert Group, 2023). The external scrutiny has empowered MDB staff and leadership who are eager to respond to the climate crisis, and MDBs are announcing a plethora of new proposals and initiatives, including the renewed commitment to climate-related country platforms announced at COP28.

However, we should also recognise the considerable inertia within the MDB system (Bhattacharya *et al.*, 2022). A political economy of change will be needed within MDBs and among their borrowers. As in borrowing countries, MDB staff and shareholders may be wedded to traditional approaches and projects, and be reluctant to innovate, support emerging technologies and take risks. Some may see their expertise becoming obsolete, and therefore fear and resist change. Those who guard policy compliance may see only additional risks in new approaches. Borrowing country representatives on their governing councils and boards too may see climate justice as an infringement of sovereignty or a diversion of resources from their core development resources (Prizzon *et al.*, 2022). These forces mean that the MDBs' ambitious statements will be difficult to translate into day-to-day decisions and practices.

As MDBs go on this journey, procedural, distributive, recognitional and restorative justice must be centred to sustain momentum towards both the SDGs and Paris Agreement on Climate Change. Getting MDBs to implement policies in support of energy and other low-emission, climate-resilient transitions with justice will require action at a number of levels. These include:

- Global agreement that a just energy transition is important, and a clear commitment by MDB shareholders and managers to pursue and prioritise it.
- Clear direction to MDBs and operational targets from governing councils, funding replenishment agreements, annual meetings and boards.
- Commitment of MDB senior management to adjust country programs, shift resources and staff, build internal capacity, and provide incentives that drive an understanding of, and commitment to, justice down through their organisations.
- Commitment of MDB senior management to monitor and report on their own progress, and to support their client countries to monitor and evaluate national progress towards a just transition.

Demand from client countries that MDBs establish appropriate staffing and resources for their countries, and which hold them accountable for delivery.

- Willingness of borrowing country governments to work with MDB and other partners to create feasible energy transition pathways that recognise and navigate around the interests of those who benefit from the current energy system and those who fear change.

6.4 How can MDBs measure 'justice'?

If MDBs are to advance justice through country platforms, there need to be indicators or metrics that can be measured to verify their success and monitor and evaluate progress. This section unpacks a non-exhaustive list of some of the metrics that can be used, drawing from a growing body of literature on energy justice and energy equity metrics (e.g. Kime *et al.*, 2023; Baker *et al.*, 2023; Apergi *et al*., 2024). As the discussion in this section has shown, MDBs already have many relevant competencies for supporting just transitions, and as they may already have several guidelines and metrics that can be used and adapted accordingly (for example, see GCF, 2022).

Since it is expected that country platforms will look different in each country, given differing county contexts and political settlements, we focus on broad justice components that MDBs would need to implement, and examples of illustrative metrics that can be used to measure them to determine how they have been achieved over time.

Table 2 Metrics for MDBs to assess different elements of justice

Element	Components	Sample metrics
Procedural Justice	Participatory and transparent planning processes	• Proportion of community members engaged in consultations • Projects agreed upon, actions taken, policies implemented, or investments made that involved public consultation and participation • Community recommendations that were incorporated into plans and processes • Availability of project information and plans to the public in accessible language
	Meaningful engagement	• Establishment of intentional processes for effective communication • Accessible, accountable and transparent knowledge management • Establishment of two-way communication channels • Establishment of redress mechanisms to allow stakeholders to address grievances • Local ownership of decision-making processes
	Diverse participation	• Participation at consultations that reflects the gender, racial and ethnic diversity of the community • Proportion of low-income and marginalised community members participating in consultations • Amount of funding provided for participants of consultations, particularly to low-income and marginalised communities
Distributive Justice	Support for workers	• Number of (green) jobs taken up by displaced workers and local citizens • Number of displaced workers in (quality) alternative employment (by sector and job type) • Number of displaced workers provided with education, training, work experience or re-skilling for jobs in industries of the future • Youth, women, people with disabilities provided with training and education • Amount of money invested in education, re-skilling, training
	Diversification and local economic development	• Measures to support economic diversification • New (business) opportunities and companies in clean energy value chain • Incubators, accelerators, and start-ups • Early-stage venture capital invested • Low-carbon and expanded transport networks • Private sector ownership of micro, small and medium enterprises
	Support for vulnerable energy consumers	• Social protection programmes, such as cash transfers, put in place to address negative impacts of energy price increases to vulnerable consumers
	Support for communities	• Measures put in place to address social impacts to communities, such as loss of cultural identity • Best-practice resettlement/relocation support put in place
Recognitional and restorative justice	Support for historically burdened and disadvantaged communities	• Access to affordable, clean energy, energy-efficient technologies, and clean affordable transportation in marginalised communities • Reduction in exposure to pollution in marginalised communities • Grants to support community-led projects in marginalised communities historically burdened by the negative impacts of coal production • Mine rehabilitation • Environmental/land restoration, particularly for clean and accessible water and air quality • Adult education and skills development

7 Conclusion

Justice is widely understood to encompass procedural, distributive, recognitional and – ideally – restorative elements. An energy transition that does not address these dimensions of justice risks perpetuating or even exacerbating patterns of exclusion and exploitation, and could worsen poverty and increase the risk of conflict. It is also strategically important to anticipate and proactively address the concerns of companies, governments, workers and communities who may be adversely affected. Advancing justice is thus fundamental to the design and delivery of national low-carbon transitions, most immediately of the energy sector, both as a moral imperative and to secure broad-based and sustained support for the policies and investments necessary to tackle climate change.

As MDBs reiterated their commitment to country platforms at COP28 in Dubai, this working paper explored the role that the banks can and should play in advancing just transitions, given their mandates and competencies, but also the constraints under which they operate. As highlighted by the analysis of the JETPs in South Africa and Indonesia, attention to different aspects of justice to date has varied across country platforms, reflecting to a great extent the priorities and preferred approaches of the respective national governments. A key take-away is that international partners, including the MDBs, could help enhance the ‘justness’ of transitions, both at the design stage and throughout implementation, to support governments in achieving their ambitions and to fill gaps.

Having evaluated the extent to which justice is considered in two exemplar country platforms, this working paper turned to the role of MDBs going forward. It highlighted the following strengths and competencies of MDBs that may be useful in advancing the different elements of justice.

Procedural justice:

- MDBs have well-established guidelines for, and experience in, conducting stakeholder engagement.
- MDBs have committed to assist countries to develop their own social and environmental safeguards, including consultation processes.
- MDBs have the capacity to demand 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 provide overarching coordination support, reducing transaction costs for countries and their partners.
- Drawing on their experience in infrastructure and supporting spatial planning, MDBs can offer alternative options that may advance justice (for example, through improved cost-effectiveness or enhanced access for lower-income groups).

However, there are also some weaknesses that MDBs need to watch out for. While MDBs may be precluded from political activities, they nonetheless need to be politically smart in the pursuit of just energy transitions. Technocratic assessments of the regressive nature of fossil fuel subsidies, for example, may not galvanise reform in contexts where households do not trust the state to redistribute fiscal savings. MDBs will need to deploy their considerable analytical and convening power, plus their depth of local experience and expertise, to understand how the energy sector creates and distributes economic rents, identify proponents and opponents of change, and understand how their interventions can strengthen and disempower specific groups.

Moreover, MDBs will also need to be self-reflective. Already under fire for an overly cautious approach to their balance sheets and (in some cases) a laggardly response to the climate crisis, the shareholders, management and staff of MDBs will need to commit wholeheartedly to supporting nationally-owned country platforms that can deliver for both domestic development priorities and international climate goals. In particular, centring justice within country platforms may demand new operational targets, ways of working and staff incentives, informed by meaningful partnerships with national governments and comprehensive dialogue with stakeholders, particularly those from low-income and other marginalised groups.

Finally, the MDBs should consider pursuing **restorative justice** in their approach to energy transitions. Acknowledging pre-existing inequalities and actively seeking opportunities to repair past harms is not only a normative imperative, but a strategic way to build coalitions in support of climate-compatible development. MDBs 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.

MDBs have a pivotal role to play in providing and mobilising the trillions required for climate-smart, nature-positive development, 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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