JUST TRANSITION GUIDANCE NOTE

Integrating Just Transition Objectives into CIF Country Investment Plans and Projects

// July 2024

EVALUATION AND LEARNING //

Guidance note

TOPICS

- Just Transitions
- Social Inclusion
- Fair and Green Economy

ACKNOWLEDGMENTS

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1. INTRODUCTION

1.1. What is this guidance, and who is it for?

This guidance note provides an overview of key questions that country and Multilateral Development Bank (MDB) teams should consider when integrating just transition objectives into the design of the following:

- CIF Country Investment Plans;
- Projects under these investment plans;
- Individual activities within these projects; and
- Other policy or fiscal reforms supported by the Investment Plan (IP).

1.2. What is meant by "transition"?

Tackling climate change requires urgent structural changes in how goods and services are produced and resources are managed globally. "Transition" refers to these structural changes. These changes will often be a lot broader than individual project outcomes or activities, but constitute the larger context in which the projects and activities are taking place.

1.3. What does a "just" transition mean?

Some of the structural changes needed to tackle climate change will have profound negative consequences for communities and local economies, especially in places where people are currently reliant on unsustainable practices. Besides posing new risks and losses, the transition to a green economy is also expected to create new economic and social development opportunities. How those risks and opportunities are mitigated and distributed across society, and the extent to which diverse groups are involved in decision-making, will determine if the transition to low-carbon and resilient economies is just. The concept of just transitions encourages actors to:

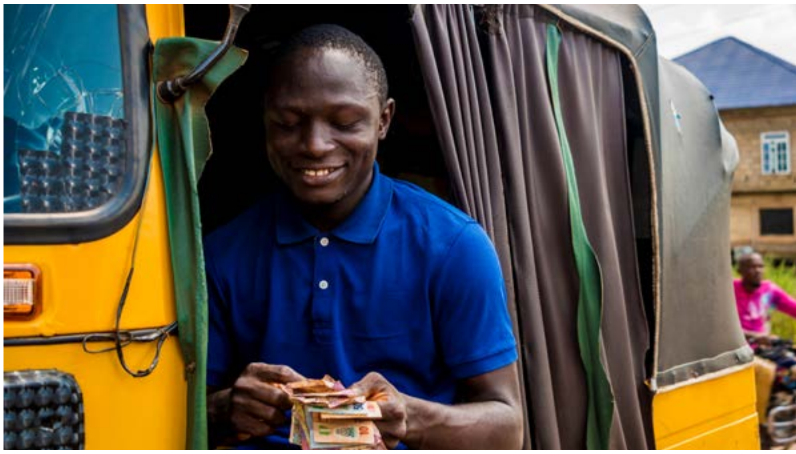
- Ensure that a diverse range of stakeholders, especially those affected by change, have a meaningful role in decisions (often referred to as "Procedural Justice");
- Mitigate the negative impacts of the transition where they fall unfairly on certain groups, compensate for losses, and maximize shared opportunities in the new economy ("Distributional Justice")
- Look for opportunities to use the transition to reform existing social or economic structures that currently create injustices and/or vulnerabilities ("Restorative Justice").

2. GUIDANCE QUESTIONS TO HELP INCORPORATE JUST TRANSITION OBJECTIVES INTO INVESTMENT PLANS AND PROJECTS

2.1. Assessing the potential socio-economic impacts of targeted transitions:

1 Have you assessed and documented possible socio-economic risks and opportunities associated with the intervention itself, as well as with the wider transition that the IP/project aims to catalyze?

- Note that the scope of this assessment goes beyond the application of MDB social and environmental safeguards. It requires considering how structural reforms could affect different stakeholders, such as households, workers, small and medium-sized businesses (both directly and along supply chains), regional/local government revenue, and other community actors.
- The types of impacts to consider include potential effects on: *employment* outcomes (e.g., job losses); social outcomes (e.g., households' financial security, personal or property rights, personal safety (e.g. risk of domestic violence), and/or mental health, and well-being); economic outcomes (e.g., loss of tax/royalty revenue for national governments, local governments); *environmental outcomes* (e.g., risks of degraded lands and waters left unaddressed as "old" practices or industries are phased out).



2 Have you assessed and documented which actors are particularly vulnerable to transition risks, and why? This could include a summary of types of stakeholders (e.g., small-scale farmers, taxi drivers, coal miners), although it is more useful to be more specific (i.e., which farmers, taxi drivers, or coal miners specifically, and why).

3 Have you assessed and documented how the benefits of the transition are likely to be distributed among stakeholder groups?

4 Have you assessed how inequality or marginalization could exacerbate the negative effects of the transition for some actors and/or prevent them from benefiting from transition opportunities? This means understanding how gender and other forms of socio-economic inequality could make some people more vulnerable to financial hardship, for example, during and after the transition.

FIGURE 1. Types of analysis that may be useful when assessing potential socio-economic impacts of transition

EMPLOYMENT IMPACTS	SOCIAL IMPACTS	ECONOMIC IMPACTS	ENVIRONMENTAL LEGACIES
Employment impact assessment Green jobs assessment Labour market analysis Labour mobility analysis	Social impact assessment	Economic impact assessment Economic diversification assessment Asset repurposing assessment	Contamination assessment Land repurposing assessment

See Module 3 of the CIF's Just Transition Planning Toolbox for more information.

2.2. Promoting the objectives of a just transition in IP/project design:

5 How does the proposal align with the government's vision or principles for a "just transition", if it has one?

6 Does the proposal include a comprehensive strategy to meaningfully engage diverse stakeholders, including those that are particularly vulnerable to transition risks, in the implementation of the IP/project activities?

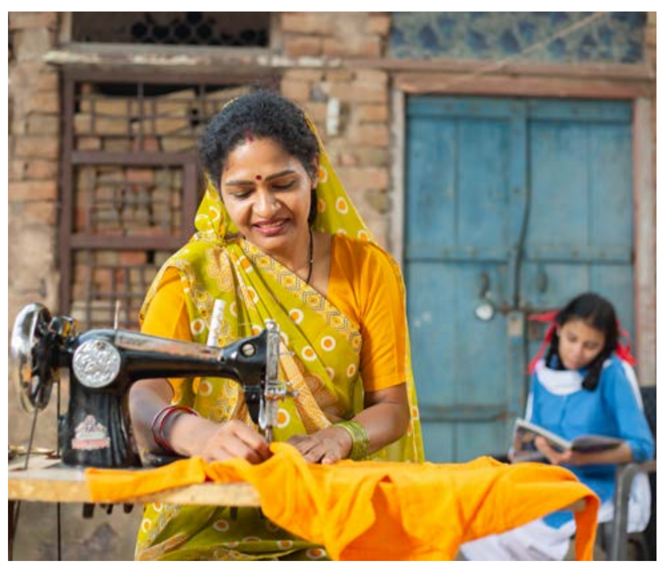
7 Has effort been made to design the activities in a way that promotes wide burden and/or benefit sharing, and seeks to target particularly vulnerable or marginalized stakeholders as beneficiaries?

- The aim is to think beyond a specific set of activities and consider how burden and/or benefit sharing could be scaled up through the changes promoted by the IP/project.
- Does the proposal include activities specifically designed to either take advantage of the opportunities of the transition in an inclusive way, or to actively mitigate/compensate for negative effects?

8 Does the proposal target any of the underlying drivers of inequality (e.g., related to gender, social stratus, etc.) in a way that is likely to promote more equitable societies? (See Module 4.2 of the CIF's Just Transition Planning Toolbox for guidance).

2.3. Just transition as a cross-cutting priority:

9 What aspects of a just transition (i.e., procedural, distributional, restorative justice) have been identified as a cross-cutting priority in the IP/project design?



3. EXAMPLE ACTIVITIES THAT COULD SUPPORT JUST TRANSITION OBJECTIVES

EXAMPLE ACTION AREAS	EXAMPLE ACTIVITIES
Initiate/advance dialogue between different stakeholders about transition and how to plan for it	• Provide forums for stakeholders to discuss what transition looks like, its possible impacts, and how these might be managed. • Build capacities to help stakeholders better understand the nature of sectoral or regional transition, and the impacts these changes could have for jobs, livelihoods, communities, etc. • Map stakeholders impacted by the transition and those responsible for different aspects of transition planning and implementation. • Engage with different groups of stakeholders in ways that are tailored to the needs or constraints of each stakeholder group (e.g., timing of meetings to allow participation, language used, etc).
Better understand the socio-economic context and its influence on transition outcomes	• Analyse gender inequality, and/or other forms of social inequality, to understand its causes and how it manifests in society. • Analyse the factors that are driving poverty or how it is experienced. • Analyse how social protection mechanisms could support stakeholders whose livelihoods might be affected by the transition.
Help stakeholders define a shared set of just transition principles	• Help government, and other stakeholder groups, articulate their own vision for "just transition", if this does not already exist.
Reduce negative impacts that transition may have for certain stakeholder groups	• Support the re-skilling/skills development of affected workers, their families, and wider communities, so that they can access new job opportunities. • Support communities to prepare strategies to diversify (local) economies affected by the transition.
Reduce negative economic impacts (e.g., on government revenue, regional economic activity)	• If there are assets, assess asset repurposing options to determine if/which assets (e.g. infrastructure, industrial equipment, etc) could be useful for other industries or businesses as part of a wider regional economic development transition strategy. • Help ensure social protection mechanisms are in place to support stakeholders whose livelihoods might be affected by the transition. • Support fiscal reforms that align the taxation system with the goals of sustainability, and in doing so, deliver more revenue to governments to offset potential losses due to, e.g., royalty losses.
Manage any environmental legacies resulting from the closure or phasing out of certain industries or activities	• Support land restoration and/or rehabilitation of contaminated sites in areas that have been degraded by mining or industrial activities and where the polluter cannot be held accountable for these environmental liabilities.
Target underlying drivers of inequality as part of the transition	• Promote gender equality through all activities. • Broaden ownership of productive assets as part of the just transition. • Help ensure that the green transition leads to a more equal access to quality health care; physical and legal security; education and learning opportunities; finance and dignified work; basic needs, such as water, sanitation, shelter, energy, and good nutrition; decision-making platforms; and basic rights that allow people to live free from discrimination and intolerance.

THE CLIMATE INVESTMENT FUNDS

The Climate Investment Funds (CIF) were established in 2008 to mobilize resources and trigger investments for low carbon, climate resilient development in select middle and low income countries. Fourteen contributor countries have pledged over US$11 billion to the funds. To date CIF committed capital has generated an additional US$62 billion in co-financing for mitigation and adaptation interventions at an unprecedented scale in 72 recipient countries. CIF's large-scale, low-cost, long-term financing lowers the risk and cost of climate financing. It tests new business models, builds track records in unproven markets, and boosts investor confidence to unlock additional sources of finance. The CIF is one of the largest active climate finance mechanisms in the world.

CIF CLIMATE INVESTMENT FUNDS

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