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MIND THE GAP:

The Global Governance of Just Transitions

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Abstract

Just transitions to a greener economy need to be governed and regulated, and there is a variety of multilateral and international institutions with responsibilities for finance, labour and technology development. Based on a analysis of some of the key actors in this space — such as the IMF, ILO and IRENA — we identify a series of 'gaps' in how just transitions are defined, promoted and financed.

This creates an increasingly fragmented landcape of international policy advocacy, making it more difficult for national governments to navigate the complexity of just transitions. This also makes future-oriented policies that aim at shared prosperity and sustainability more challenging, while largely reinforcing a dominant neo-liberal and financialised economic growth model.

For global institutions to play a more active and inclusive role in supporting just transitions in the context of uneven development and stark global inequalities, they need to address questions of justice head on, and institutions with explicit social and environmental justice goals need to be prioritised.

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Introduction

Transitions away from the fossil fuels driving the climate crisis, responsible for over 90% of CO2 emissions, need to be governed, financed, regulated and coordinated. Patterns of production and innovation need to be steered and shaped by rulemaking bodies at all levels of authority. For this to happen across a highly uneven international system, global institutions have a vital role to play in supporting and implementing just transitions (JTs). These are transitions that move away from fossil fuels in ways that deal with multiple aspects of justice: from who gets to participate in transition plans to who wins and who loses from the pathways pursued. Addressing these issues across an international system characterised by stark inequalities in development, political power and responsibility for addressing climate change represents a challenge of staggering proportions.

It is a challenge that global institutions increasingly recognise they have to address. In their High-Level Statement at the UN Secretary General's Climate Action Summit in 2019, Multilateral Development Banks (MDBs) committed to move away from fossil fuel use, through support for long-term low greenhouse gas (GHG) emissions and climate resilient strategies, and by developing financing and policy strategies that support a JT.

This is a critical moment to understand the potential and limitations of global governance institutions more broadly in playing a more proactive and inclusive role in supporting JTs. The nature of the role and engagement of global institutions with JTs has received scant attention so far. Given demands for an urgent deepening and scaling of transitions, this presents a real problem. As global institutions active in areas as diverse as trade, investment, technological innovation, labour, industrial policy, environment and human rights, they will need to play an active part in shaping and implementing JTs, as well as mediating between different interpretations of justice at various scales of governance. Unless bridged, this global governance gap could ultimately impede progress towards achieving sustainable transitions around the world, undermining efforts to legitimise and scale JTs across diverse and uneven governance landscapes.

This policy brief reflects on the role global institutions are currently playing in relation to the (i) *governance of finance*, using the case of the International Monetary Fund (IMF); (ii) *labour protection*, drawing on the case of the International Labour Organisation (ILO); and (iii) *mobilising alternatives*, exploring the role of the International Renewable Energy Agency (IRENA). It then highlights key gaps that need to be addressed and suggests some ways forward.

The global governance of just transitions in practice

Governing finance

- *The IMF stands at the apex of the multilateral financial system, which prioritises stability of financial markets and promotes green transitions through an increase in public investments and better standards of disclosure, while neglecting its own role in constraining just transitions.*

- *It places great faith in the idea that just transitions can be enabled through distribution of carbon trading revenues between social groups (households, businesses) and between types of workers.*

Since its inception in 1944 as part of the Bretton Woods Agreement, the IMF has become one of the most powerful institutions in the world, but due to its neo-liberal policy preferences, policies pertaining to JT, climate change and sustainability have been limited to date. An IMF policy paper from 2008 on the fiscal implications of climate change defined it as 'a global externality problem' and called for 'some degree of international fiscal cooperation', citing a range of potential fiscal instruments such as 'taxes, cap-and-trade, or hybrids', but concluded that 'the potential implications for the fiscal work of the Fund appear quite modest, and can be accommodated within the prospective budget envelope' (2008: 2-3).

Moreover, there is some evidence that IMF policies may have accelerated climate change and environmental destruction, through increased rates of deforestation as a result of Structural Adjustment Programmes (SAPs) (Shandra et al. 2011). But SAPs and other policy prescriptions of the IMF also directly shape the capacity states have to fund a JT given limited fiscal flexibility, growing debt distress (currently affecting 60% of countries), an increasingly uncertain macroeconomic environment (Zajontz 2022; Ghosh 2022) and recurrent climate emergencies. Indeed, high levels of indebtedness are cited as a key driver for countries to exploit new fossil fuel reserves in Africa and Asia, prompting calls for debt-for climate swaps (Sibaja 2022). Others point to the IMF's insistence on liberalisation enabling the expansion of high carbon industries such as aviation (Hooper and Duangphastra 1998). Indeed, the IMF has a legacy of liberalising energy industries, opening them up to foreign direct investment (FDI) (Hanieh 2014).

At the launch event for the IMF's climate work, Managing Director Kristalina Georgieva announced that the IMF's work on climate has 'four pillars: carbon pricing, public investment, disclosure standards and just transition' (IMF 2021). Yet, further detail on the JT pillar was not provided, only that, 'Carbon revenues can help secure a just transition — compensating households for price increases and helping businesses and workers move from high to low-carbon intensity activities' (IMF 2021).

Protecting labour

- *Historically, the ILO has strongly advocated for a just transition and promoted a strong(er) social dialogue led by governments.*

- *It views justice through the lens of assisted employment and economic diversification.*

The ILO is an essential stakeholder in the development and implementation of JTs as the organisation has been at the forefront of struggles to promote international human and labour rights since its inception in 1919 (Olsen and Kemter 2013). According to the ILO's mission statement, as the only tripartite UN agency, 'The ILO brings together governments, employers and workers' representatives of 187 member states, to set labour standards, develop policies and devise programmes promoting decent work for all women and men' (ILO, 2022). The ILO has multiple workstreams relevant to JT, including the Decent Work Agenda launched in 1999, and the Green Jobs Initiative of 2007 in collaboration with the United Nations Environment Programme (UNEP), the International Organisation of Employers (IOE) and the International Trade Union Confederation (ITUC).

The 2009–2014 Green Jobs Initiative, collaboratively promoted by the ILO, UNEP, IOE and ITUC, as well as the Green Employment Initiative by the European Commission, provides further evidence of the organisation's role as a convenor in this space. During the 2007 International Labour Conference, the Director-General used the opening remarks to focus on 'decent work for sustainable development', identifying the promotion of a socially just transition to green jobs as one of the main responsibilities and aims of the ILO, from which the Green Jobs Initiative was born. In the following year, the ILO published *Green Jobs: Towards Decent Work in a Sustainable, Low-Carbon World*, a report which sought to raise awareness of the need for a JT, intertwining concerns pertaining to equity with the necessity to train and educate a green workforce (2008). The Green Jobs initiative is active in over 30 countries, supporting national government initiatives through advocacy workshops, knowledge creation, policy advice and capacity building.

The ILO also stresses the role that economic diversification can play in formalising labour relations in certain contexts and as a route to creating 'green jobs'. However, this economic diversification is not something that is best left to the free market. For the ILO, then, the state has a key role in supporting an inclusive JT. For example, in 2015, the ILO published a report titled *Guidelines for a Just Transition Towards Environmentally Sustainable Economies and Societies for All* that builds on the four pillars of the Decent Work agenda — social dialogue, social protection, rights at work and employment — towards a JT for all (2015). The guidelines call for governments to facilitate social dialogue at all stages and levels, from private businesses to nation-wide governance, in line with international labour standards (ILO 2015).

These have become the international anchor for JT policies within the international labour movement and have created two pillars for JT: having a clear future strategy for decarbonisation with a comprehensive policy framework, and a meaningful and functional social dialogue that runs through all processes at every level (Galgóczi 2020). In 2016, the ILO published the *Green Jobs Progress Report* that drew attention to the Paris Agreement's recognition of the imperative of a JT which, according to the ILO, 'echoes the call for a more pronounced role of the ILO and places an important responsibility on the world of work to contribute to climate action in ways that promote both job creation and social justice' (2016: 43).

Mobilising technological alternatives

- *Technological innovation is critical to just transitions and IRENA has a unique role to play in supporting renewable energy development, particularly in the context of developing countries.*

- *However, its technology-focused approach to energy systems risks reducing the importance of social and economic justice in green transitions.*

Mobilising finance and creating new forms of employment requires support for alternative low-carbon technologies and infrastructures. IRENA was founded in 2009 out of dissatisfaction with the existing set of multilateral institutions supporting alternative sources of energy, in particular the International Energy Agency (IEA) (Van de Graaf 2013). IRENA is the only IO with a specific mandate to facilitate cooperation, advance knowledge, and promote the adoption and sustainable use of renewable energy through policy.

The organisation's engagement with matters of energy transition, climate change, support for alternative energy sources, sustainability and JT is therefore significant, although the organisational focus remains narrow: supporting and accelerating the deployment of renewable energy. By 2013, IRENA had 161 members and applicants for membership, including all but five G20 members (China, Brazil, Russia, Indonesia and Canada), and as of 2022 it has 168 members. However, as IRENA plays no role in implementation of funding or capital investment into alternative sources of energy, it has been described as an 'epistemic' organisation, with a focus on generating and sharing knowledge on the deployment of renewable energy, specifically on capacity building and support within least developed countries (Urpelainen and Van de Graaf 2013).

Through IRENA, least developed countries can secure access to a wide range of information and expertise on renewable energy, positioning themselves to benefit from financing and technology transfer critical to supporting JTs. On the other hand, through IRENA, wealthy industrialised nations can influence the energy and industrial policies of those lesser developed nations that rely on IRENA (Urpelainen and Van de Graaf 2013) by promoting technologies in which they may have a competitive advantage in order to boost exports, creating path dependencies that may omit considerations of justice. While this focus on the business and investment case for renewables, rather than environmental or social drivers, reduces political controversy around issues such as climate policy, focusing attention on disseminating policy and technological expertise to inform the deployment of renewables (Urpelainen and Van de Graaf 2013) and may have been a factor in IRENA's success, it also highlights the challenges and potential backlash involved with shifting organisational focus towards JTs.

Nevertheless, IRENA does outline policies required as part of a 'fair and just transition', including 'industrial policies that support the creation of domestic supply chains' where governments provide 'preferential access to credit, land and buildings', as well as the creation of 'economic incubators and industry clusters' (2018: 73). It stresses the importance of 'educational and training policies' as part of a JT that includes 'an assessment of the occupational patterns and skill profiles in rising and declining industries' and 'interim support such as unemployment insurance and other social protection measures' (2018: 73).

Despite its narrow organisational focus, IRENA engages with the issue of jobs and how emerging renewable technologies can provide novel opportunities for workers transitioning out of high-carbon industries. In 2013, IRENA published the *Renewable Energy and Jobs* report, which outlined the global landscape of renewable energy and its impact on jobs. The report touches on a variety of socio-economic issues, including removing the barriers to entry for women's employment in renewable energy and the need to maximise co-benefits of renewable energy deployment (IRENA 2013). Nevertheless, the technology-centred framing means questions of just and unjust transitions are thought to mainly apply to fossil fuel economies, overlooking some of the injustices associated with renewable extractivism (Soto Hernandez and Newel 2022).

Four gaps in the global governance of just transitions

- *There are various 'gaps' in how justice is defined and promoted through key multilateral institutions operating in the domains of finance, labour protection and technological innovation.*

- *A finance-led pathway of green transition dominates and promotes 'efficient' green markets, de-risking of private investments and a limited role for the public sector, with little consideration of social and economic justice.*

- *Policies are misaligned in terms of expectations: varying levels of social dialogue, financing and state capacities are not considered.*

- *Often, rhetoric does not match with reality: carbon-intensive activities are prioritised over greener sectors, and finance-dominated practices overlook labour protection and other socio-economic policy concerns.*

- *Overlooking misalignments and fragmentation in the policy advocacy landscape on just transitions serves to reproduce the dominant neo-liberal financialised model of growth.*

We explore four key gaps in the way global institutions are approaching the issue of JTs. First, there is a **vertical gap** between the dominant framings and practices of major global (economic) institutions, such as the World Bank, IMF and regional development banks on the one hand, and labour and environment-centred organisations on the other, reflecting different mandates, patterns of historical institutionalism and ideologies.

This finds expression in different approaches to economic regulation and policy intervention. In the Skills for Green Jobs report, the ILO concludes that 'government intervention is crucial to support job creation', including subsidies for research and early-stage deployment of green technologies, and improving access to funding for SMEs (2010: 6). Specific policies the ILO deems important to JT include the promotion of job opportunities and labour mobility, shaping the institutional and governance frameworks to promote 'social dialogue', implementing temporary measures to minimise the potential impacts of trade-sensitive industries, and expanding social protection schemes (2011: 8).

By contrast, the finance-led pathway of the IMF and other financial organisations is based on risk adjustments and pricing mechanisms that foresee a minimal role for the state. In this view, low-carbon sectors lack investment because of inadequate information about their technological and hence profit potential. This translates to enabling a policy framework for states focused on de-risking private finance (or rather shifting risks from private financial actors to public financial institutions and governments), developing disclosure standards, stress-tests and scenario analysis (through the Taskforce for Climate-Related Financial Disclosures or the Network for the Greening of Financial Systems, for example) combined with the 'greening' of existing financial markets and products, including financial derivatives and futures.

However, this market-led approach is poorly equipped to deliver either transformative changes in production structures guided by justice principles, or to redirect financial flows away from polluting activities towards job creation in lower carbon sectors. Furthermore, the emphasis on private finance does not incentivise the creation of capabilities and coordination capacities within governments, nor in financial governance institutions, that are needed for shaping the structural transformations required for JTs (Mikheeva and Ryan-Collins 2022).

Second, there is a **horizontal gap**, manifested as a disconnect across levels of authority, between the aspirations and framings of JTs at the global level and the experiences of JTs at a national (and local) level. This is evidenced through misaligned expectations around finance, levels of civil society and labour engagement, and assumptions about institutional capacity. For instance, although social dialogue is central to the ILO's guidelines, the countries most in need of JT policies are places with limited social welfare systems and minimal capacity to undertake social dialogues (Stevis 2018). In other words, there is a mismatch between stylised JT processes based on European experiences, where there are active business engagements, strong trade unions and ample civic space; conditions which are often absent in other parts of the world and vary dramatically across contexts (Newell et al. 2022).

We can also see this gap in diverse national experiences, from Canada to Spain, and New Zealand. In 2019, Canada's federal government funded the establishment of locally driven transition centres in affected communities, where locally operated 'hubs' would provide community members with access to re-training, employment and social services (WRI 2021). Similarly in Spain, the Just Transition Strategy calls for just transition agreements to be established alongside businesses and social partners (Institute for Just Transition 2021). New Zealand, though, has taken a more proactive approach with its Just Transition Unit directly shaping partnerships in affected regions (MBIE 2021), with representatives of various social groups taking part in making strategy-related and investment decisions (Taranaki 2019). Likewise, some countries have more experience coordinating macroeconomic and industrial policies (such as Korea and China) compared to countries where industrial policies are weaker or absent (such as Argentina and Brazil), resulting in a loss of productive capabilities that makes these countries less prepared to adapt to economic shocks (Cimoli et al. 2020).

This suggests that the challenges of delivering a JT can further entrench inequities in state capacity, which calls for more proactive state-led JT policies at national levels (UNCTAD 2022). At the same time, institutional capacities of government agencies to effectively design and implement (and coordinate) policies aiming at structural change vary greatly and often prioritise market-led policy responses (Mikheeva and Ryan-Collins 2022), which further amplifies inequalities and uneven decarbonisation pathways.

Third, this points to a broader **disconnect between rhetoric and reality**: the power of JT as a mobilising discursive device, yet its lack of traction as a guiding policy principle in a context of unequal power relations, levels of development and shrinking civic space in many parts of the world. This manifests itself in poor levels of alignment between policies that could deliver transformative change in economic activities and international initiatives that prioritise financial interests. It is observable in inconsistencies of the policies, strategies and lending practices of the very institutions advocating for JTs. The gap between rhetoric and reality is visible in the role of these IOs in financing and bankrolling unjust transitions and locking in path dependencies around oil and gas infrastructures, which will leave many countries with stranded assets. For instance, the World Bank Group has invested over $12 billion in fossil fuel projects between 2015 and 2020, of which $10.5 billion went into new fossil fuel projects (Urgewald 2020). More recently, during the recovery from the COVID-19 pandemic, nine MDBs were reported to have provided at least $3 billion in fossil fuel finance (OCI 2021).

International agencies, particularly within the UN group, such as UNCTAD and UNIDO, have been explicitly advocating for the green transition as a managed structural change, asserting that (pro)active industrial, sectoral and regional policies are needed at the national level. However, the very same agencies often form policy alliances that promote a finance-led response and prioritise the interests of private finance in low-carbon sectors. For instance, UNIDO is part of multistakeholder initiatives such as the Private Finance Advisory Network, the Industrial Energy Accelerator (UNIDO 2020) and the Renewable Energy Innovation Fund to finance Uruguay's energy transition (UNIDO 2021). The support aims to improve energy systems by financing green transition projects, with no explicit reference to employment or social development goals.

Finally, this results in **political inconsistencies** where tensions arise between the sorts of policies and interventions required to stimulate and ensure a JT, and pressures to pursue and adopt policies and reforms which undermine these goals. In the case of the former, examples include social protection schemes, as well as policy levers to guide investment (such as infant industry protection, use of subsidies, preferential tax arrangements) and expand spaces for civic engagement. Examples of the latter include trade and investment agreements, investor protections, power sector reform programmes, secretive procurement and the removal of social safety nets. For example, the experience of the International Just Energy Transition Partnership (JET-P) with South Africa, supported by the EU, UK and US, and largely focussed on coal transitions, is being watched closely. This is amid concerns about the need to protect the policy space of recipients to use the full range of policy tools richer countries themselves used to chart their development pathways unhindered by overly restrictive rules on trade, investment and intellectual property rights. The demands are for transitions in justice and not only JTs.

Here the financing programmes and policy advice of key economic institutions may be inhibiting or constraining the pursuit of JTs. Or, worse still, entrenching and driving unjust transitions that lock in fossil fuel pathways, specific technological configurations, poor working conditions, exclusionary politics, social inequities, and unequal patterns of consumption and production. In other words, we find evidence of a lack of alignment between the types of economic, technological and other transitions these bodies seek to promote through their programmes and lending activities on the one hand, and the requirements of JTs to address different axes of injustice on the other, which find expression in a number of tensions and inconsistencies.

For example, power sector reform, the financialisaton of economies, and informal and restrictive labour regimes supported by international economic institutions often curtail state capacity to advance JTs. The drive for low-cost export strategies often implies the extensive use of 'cheap' fossil fuel energy (Tellam 2000), while drives by the IMF for labour market flexibility inhibit capacity to articulate collective social demands for a JT. Meanwhile, power sector reform aimed at unbundling generation, transmission and distribution makes it harder to coordinate energy sector reform in a more just direction when direct control is ceded to private providers (McDonald 2012).

Further overlooked is any recognition that social and environmental injustices associated with transitions derive from the current neo-liberal growth orientation of economies, which many IOs continue to support. There is also a clear risk that neo-liberal and growth-oriented policies find renewed justification under the umbrella of JTs, while the more radical and transformative aspects of JTs are actively hollowed out. Dominant framings of the sources of injustice being related to financing, technology and capacity gaps deflect attention away from the problems inherent in extractivist models of development, which themselves rely on social, racial and gender inequalities. This suggests the need for shifts in power and not just attempts to mobilise new finance or incremental institutional innovations, and a deeper reappraisal of dominant development paradigms (Newell 2021).

Table 1 summarises key features of the dominant policy discourse around JTs by listing main policy levers promoted in the domains of finance, labour and technological development, as well as misalignments between these policies.

Moving forward

- *There is a strong need for enhanced coordination and cooperation among key multilateral agencies.*
- *Countries facing greater development and inequality challenges can utilise multilateral forums in more strategic and proactive ways, but also require support to build their own capacity to deliver just transitions.*
- *Institutions with a stronger focus on social and environmental justice need to be supported to counterbalance global financial institutions that are less attentive to these issues.*

Across the board, where they are mentioned by IOs, JTs are subsumed within the drive for establishing a 'green economy' that delivers 'green growth' and creates 'green jobs'. Understandably perhaps, dominant narratives focus on the opportunities for JTs and the ways in which enabling environments can be created through policy measures supported by IOs, combined with calls for inclusive policymaking and coordination between key actors, such as trade unions and marginalised communities that have been historically excluded. Equally unsurprisingly, working with private sector actors is seen to be the main vehicle by which decarbonisation and its social (and justice) benefits will be delivered. However, such framings and institutional responses, reflective of wider power dynamics, provide partial, limited and ultimately inadequate responses to the challenge of JTs.

There is a clear need for more effective divisions of labour as part of broader efforts at cooperation and coordination among institutions competing for resources. IOs can also use their convening power to build and host platforms for sharing best practices. For example, the Just Transition

Table 1. Dominant policy discourse around JTs and key misalignments

	Financing	Labour and social protection	Industry and technology
Main narrative for JTs	Low-carbon sectors need additional incentives for finance to invest > financial markets need assistance in climate-adjusted price discovery (through disclosures, risk assessment models, forecasts, etc)	Downsizing existing dirty sectors will result in displacement of workers > they will need social protection and retraining while new green sectors will require new skills and additional public support	Green technologies have the potential to enable transformative structural change > by focusing on green jobs and innovation-led growth, more sustainable, equal and socially more just development can be built
Dominant discourse: policy levers promoted	▪ Scaling up public and private finance ▪ Active role of multilateral banks ▪ De-risking private finance ▪ Greening of financial markets/instruments ▪ Mainstreaming finance (in governments) ▪ Liberalisation of existing industries to scale up deployment of low-carbon technologies ▪ Green subsidies	▪ Social protection schemes, ▪ re-training ▪ Green jobs and new skills (innovation) ▪ Policies for sunset industries ▪ Formalisation of employment	▪ Re-emergence of industrial policies ▪ Green public procurement ▪ Energy transition programmes ▪ Energy efficiency and poverty reduction ▪ Inclusive innovation
Major misalignments	▪ No distinction between the types of finance (time horizon, risk appetite) ▪ Incoherence between fiscal and monetary policy ▪ Little enforcement of green conditionalities in financial markets ▪ No consideration of distributional effects ▪ Little consideration of industrial/structural policy priorities	▪ Little connection with industrial and macroeconomic policies ▪ Little consideration of natural sources constraints	▪ Green strategies lack sectoral policies ▪ Lack of regional specificities ▪ No coordination with financing and macroeconomic policies
Global asymmetries (eg Global North/ South)	▪ Level of debt distress ▪ Fiscal space ▪ Volatility of financial capital flows ▪ Dependency on external financing ▪ State capacities in 'expansionary' investment policies and coordination thereof	▪ Informal employment and underemployment ▪ Dependence on extractive industries (especially in rare metals and minerals) ▪ State capacities in labour/ social protection policy	▪ Technology ownership (low-carbon patents) ▪ Trade in high-tech goods (including technology transfer) ▪ Energy poverty/security ▪ State capacities in economic/industrial planning

Source: Authors' own elaboration

Initiative is a partnership project developed by Climate Investment Funds of the World Bank and the Center for Strategic and International Studies' Energy Security and Climate Change Program to conduct a systematic analysis of the various understandings and components of a JT, and foster a community of stakeholders and scholars engaging in this space. But beyond that, a key role IOs can play is using their power to support civil society inclusion, building capacity for engagement and supporting proactive efforts to bring in excluded groups to discussions about transition and investment plans.

Strong states are essential for 'steering' JTs at various levels and therefore capacities for designing and implementing JTs at national and local levels should be given serious and proactive consideration. Global governance institutions can simultaneously enhance and inhibit the development of such capacities, and identifying or creating policy spaces within the international system to prioritise this goal should be a strategic priority. For example, UN agencies such as UNCTAD continues to advocate for cooperative spaces and coordination across countries, while stressing the challenges of uneven access to technology and finance across countries (UNCTAD 2022).

There will not be one pathway or roadmap to a JT behind which all IOs can rally. Agreement on general principles, shared efforts and pooling of experiences is starting to occur, but the prospects and fate of JTs will inevitably be an outcome of the uneven power dynamics between institutions of global governance and their member states. Given the role some IOs play in exacerbating the climate crisis, we need to ensure institutions with stronger social justice and environmental mandates have a greater say in future responses to the crisis to avoid a 'double dividend', where those least responsible for climate change are most affected by the policies implemented to address it.

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