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C40 CITIES

Barriers to action

Gaps in financing for a just transition, social protection, and loss and damage in cities

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Contents

Executive summary

The climate breakdown disproportionately affects those who have not only contributed the least to causing it, but who lack the means to address and adapt to it. This necessitates swift decarbonisation and a transition towards an environmentally sustainable, low-carbon economy, while simultaneously addressing historic injustices and preventing new ones. This **just transition** for all is essential to ensuring that the process of greening the economy is "**as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind**".[1]

A just transition is particularly relevant for cities. Indeed, as home to large parts of national populations, hubs of economic activity, and the closest level of government to their residents, cities are uniquely positioned to lead the way in facilitating a just transition. However, their capacity for planning and financing just transition initiatives – as well as for preparing projects that are eligible for climate finance – could be significantly improved.[2]

This report is based on an analysis of funding and financing mechanisms available to cities for just transition programmes and projects. It studies the relevance, suitability, and accessibility of a number of existing funds, and the barriers cities typically face in securing this type of finance. It also highlights how the current lack of integration of just transition principles into finance and access for local governments has a knock-on effect on the ability to plan for and implement inclusive climate action at scale. The report concludes with guiding principles for key actors in the climate finance space to facilitate cities' access to just transition funding and finance instruments.

Key findings of this study

There is a growing number of funds that are explicitly earmarked for just-transition projects, and social protection funds that could potentially incorporate or support elements of the just transition. There is also an emerging interest in funding to address loss and damage.

However, **few of these options are designed for – or even accessible to – cities**. Local governments, particularly in the Global South and those with limited resources in general, face a number of **structural barriers** at multiple levels, often making it difficult for them even to take advantage of the limited pool of existing funding mechanisms that tend to be sectorally siloed. Capacity constraints limit their ability to assess funding opportunities, undertake complex application processes and develop longer-term project pipelines for bankable projects. Regulatory hurdles around fiscal borrowing constraints and low levels of creditworthiness and indebtedness pose additional challenges for effective use of funding and financing opportunities. These barriers will remain unaddressed unless local governments are involved in the design and implementation of funding and financing instruments for a just transition.

The current lack of integration of just transition principles into finance and access for local governments has a knock-on effect on the ability to plan for and implement inclusive climate action at scale

There is growing recognition that if regional actors, including local governments, are to implement a green and just transition at the pace and scale needed, **investment vehicles must be tailored for the subnational context**.

For this study, **a total of 63 sources of funding or other support for climate action and/or social protection, with different foci and scales, were assessed for their suitability and accessibility for cities**. Thirteen funding opportunities, two alliances and one platform were shortlisted as particularly relevant and dedicated to a just transition. Of these, **three funds** provide direct access for cities, with most other funds targeting either higher administrative levels – mostly national governments – or the private sector.

Most of the funds assessed have a regional focus. However, there is no particular type of "just transition" funding identifiable; instead, the different sources and foci add up to a portfolio of solutions and finance options that could inform, broaden, or link with existing funding schemes without additionally complicating access, if access to those funds is facilitated. Examining existing solutions and combining or aligning them to serve multiple goals seems a promising way forward.

Infrastructure funding still tends to focus on engineering and construction infrastructure, while social aspects or social infrastructure such as skilling or supporting workers tend to be covered by social protection funds. Skilling may also be partly addressed within just transition projects, when it comes to supporting the workforce to transition from one sector to another, however again there are few dedicated just transition funding mechanisms.

To date, interlinkages among these funding elements seem to be more recognised in policy publications than seen in actual implementation and finance. However, **investments in social protection will support a just transition both directly and indirectly** – even if they were not planned or in place before the implementation of just transition goals. The fact that many such processes take place in cities is currently poorly reflected in the available funding options.

Key recommended areas for attention

A number of gaps and opportunities exist within this funding and financing landscape. Building synergies and identifying interlinkages and the role of a just transition in climate finance, infrastructure, loss and damage, social protection, and broader climate policy appears to be a particularly promising avenue for developing meaningful action in cities or across scales and sectors.

Despite a key gap in currently available funding mechanisms, many cities have already embarked on this path and can serve as a source of inspiration. These cities also showcase how initial barriers around acceptance, funding, or diverging goals can be overcome. Among the cases presented in this report, for example, are that of Accra, Ghana, which is pioneering an innovative inclusive climate action pilot to integrate marginalised informal workers into its waste management strategy, and of Ekurhuleni, South Africa, which takes an inclusive and equitable approach to a just transition at the city level. In the latter case, the city's strategy includes economic analyses, stakeholder dialogues, and workforce considerations. In another example, the city of Medellín, Colombia, is linking a Municipal Fund for Emergency and Disaster Risk Management to a parametric risk insurance. Such pre-arranged finance mechanisms will strengthen quick access to finance and enhance community resilience, a cornerstone of a just transition.

Guiding principles for various actors

Based on the analysis presented in this report, we conclude with a set of guiding principles and recommendations for improving access to just transition funding and finance for cities. These recommendations are tailored specifically to actors of different types and at various levels, and have a particular focus on facilitating access to finance that bridges just transition principles with climate action and social protection.

1. For all actors and stakeholders

- **Adopt a holistic just transition approach across scales:** To ensure that transitions to low-carbon economies are inclusive and equitable, ensure that policies, funding and financing decisions take into account job creation, workforce retraining, and access to jobs for all. Integrate informal sectors into projects by design, aiming to reduce social inequalities. Identify and overcome barriers to a just transition, such as capacity constraints, complex application processes, and regulatory hurdles, in urban and non-urban settings. Look into social protection, loss and damage, and other climate finance instruments that can be linked and aligned with just transition goals.

2. For international policymakers

- **Prioritise cities in international and national climate strategies:** Recognise and leverage the unique role of cities as major contributors to CO2 emissions and energy consumption, and that they are therefore key sites for a transition, for leadership and for action – recognising that this must be a *just* transition. Focus on urban-specific challenges, such as increasing inequality, cost of living, and energy poverty, as well as the role of informal workers and informal settlements and their access to solutions and opportunities to drive effective climate action and green investments.

- **NDC integration:** Introduce financial support needs for an urban just transition in NDCs to facilitate roadmap development, investments from the public and private sectors, and finance flows to cities. The Coalition for High Ambition Multilevel Partnerships (CHAMP) pledge, endorsed to date by 72 negotiating parties to the Paris Agreement as a COP 28 presidency initiative, provides a key opportunity for partnership in closing the systemic climate finance gap at the subnational level. Indeed, by signing the pledge, national governments have committed to better involve subnational authorities in the revision, implementation and financing of their NDCs and other national climate strategies.[3]

3. For national policymakers

- **Strengthen social protection and labour policies:** Implement robust social protection and active labour market policies to safeguard under-served groups, especially informal workers, from the adverse effects of climate change and economic transitions. Involve subnational decision-makers in the design and implementation of these policies.

- **Integrate social goals with climate action:** Incorporate social and employment considerations into climate finance and action. Aim for a comprehensive approach that creates synergies between social welfare and environmental sustainability.

4. For subnational policymakers

- **Use powers to map local needs and pilot solutions:** Even with limited sectoral, legislative, and/or fiscal powers, map local needs and strengthen partnerships with communities and key stakeholders to drive innovative local solutions, including social protection scheme pilots and labour protection mechanisms.

- **Advocate for shaping regional and national policymaking:** Where possible, engage with higher administrative levels to create enabling environments for local climate finance and action, and amplify subnational voices by getting involved in relevant networks.

- **Foster inclusive urban development in parallel with a just transition:** Integrate just transition principles into broader urban development strategies and plans, considering the specific risk profile and (financial) situation. Develop enabling governance schemes to ensure sustainable, equitable, and resilient futures for cities and all their inhabitants. It is clear that there is no one-size-fits-all solution to securing a just transition, underscoring the importance of tailored, context-specific policy development and financial planning.

5. For private and public financiers

- **Establish common principles, metrics, and allocation criteria for just transition finance:** Clarity on what constitutes just transition finance will help guide investors and development partners, accelerate investments on international, national, and local levels, and enable the tracking and measuring of progress towards a just transition for all.

- **Develop tailored financial strategies for cities:** Address the diverse financial needs of cities for facilitating just transitions. Utilise a mix of funding sources while acknowledging the unique challenges faced by cities, especially in the Global South. Support the structuring and aggregation of subnational project pipelines, providing intermediation and risk mitigation instruments and mechanisms

6. For international and national policy-makers and city networks

- **Provide guidance for cities:** Support cities by providing information – including guidance specific to urban contexts – and establishing working groups or networks for exchange and mutual learning.


Credit: Getty

I. Introduction

The climate crisis and the world's responses to it are already driving profound changes in societies across the globe. Swift decarbonisation and a transition to an environmentally sustainable, low-carbon economy is essential in order to keep global heating below 1.5°C. It is also critical that this be a **just transition for all**, and that the process of greening the economy is "as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind".[1] This approach seeks to prevent the exacerbation of existing inequalities, help address long-standing historic injustices, and ensure that no community or worker is disproportionately disadvantaged. It balances environmental goals with social equity, ensuring that the benefits and burdens of economic and environmental changes are shared equitably.

One core consideration of the just transition concept is the impact of the energy transition on the labour market and workforce. It recognises that, while the transition offers ample opportunity in these areas, **careful management and engagement with workers, their representatives and local stakeholders – including cities – is required**. International Labour Organization (ILO) studies estimate that a just transition could result in the loss of 78 million jobs globally, offset by the creation of up to 103 million new jobs. Although this represents a net gain in jobs, the disruption of the transition will necessitate critical action.

For example, it is estimated that the just transition process will affect around 2% of the global labour force, requiring "reallocation, upskilling and reskilling" for impacted individuals. Skill development will be essential, and should be integrated with key climate and environmental policies and regulations. It also needs to be supported by social protection schemes to assist people while transitioning to new jobs.[4] As an example, the costs associated with providing this type of support in provinces that are dependent on coal mining range from about US$ 22,100 per worker in South Africa to US$ 14,285 in Silesia, Poland, and US$ 6,315 per worker in Lusatia, Germany. These differences are due to the pre-existing and alternate labour support structures linked to social protection systems in the European countries; this underlines the value of these systems and the need to improve and increase them where coverage is lacking.[5]

Box 1

The ILO's "Guidelines for a just transition towards environmentally sustainable economies and societies for all"

Guidelines published by the International Labour Organization, a leading body on the just transition, provide high-level recommendations for achieving a just transition that leaves no one behind.[6] The concept of a just transition is intimately connected to the decent work agenda, emphasising social dialogue, social protection, rights at work, and employment, while aligning with sustainable development principles.

As such, the guidelines focus on achieving decent work for all, social inclusion, and poverty eradication. Key elements include occupational safety and health, addressing climate change mitigation and adaptation, and the unavoidable impacts of the climate crisis (or "loss and damage", in today's terminology).

The guidelines highlight the potential for driving green job creation and job upgrading, encompassing both the formal and informal economy through a holistic approach. In 2023, the ILO reaffirmed the guidelines and supplemented them with an action framework.[4]

Ensuring a just transition, in the workforce and other areas, is particularly relevant for cities – densely populated hubs of economic activity that face unique challenges and opportunities when it comes to addressing climate change. Despite occupying less than 3% of the Earth's surface, cities consume 78% of global energy and account for 70% of total CO2 emissions.[7] This underscores the enormous potential for green investment to transition the economy and meet the immense needs of millions of residents – particularly those from poorer and marginalised communities amid growing inequality. Cities have significant green investment potential of up to US$ 29.4 trillion, in areas including green building, electric vehicles, better water resource management, renewable energy, and waste management.[7,8] And such investment is urgently needed, as cities are also particularly vulnerable to the effects of climate breakdown: 80% of cities across the world had already experienced climate-related hazards in 2022[9], and among the cities of the C40 network this increases to 98%[10]. Furthermore, the effects of the climate crisis in urban areas are felt by significantly higher numbers of people compared to those in rural localities, with approximately 4.4 billion people, or 56% of the world's population, living in cities. By 2050, this urban population is predicted to have more than doubled from its current level, with over seven out of ten people expected to be living in cities.

City and other subnational authorities are therefore uniquely positioned to lead the way in facilitating a just transition. Given that cities create more than 80% of the world's GDP, a well-managed just transition in cities can promote sustainable economic development, including the creation of millions of green jobs.[11] However, cities' capacity for planning and financing just-transition initiatives, as well as preparing projects that are eligible for climate finance, could be significantly improved. In particular, city officials would benefit from enhanced awareness and understanding of the various financing opportunities and financial instruments available.[2] Yet **while capacity development in this area is critical, it will not be enough without accompanying systemic change**. This is necessary to address the major finance gap cities currently face due to **barriers such as national policies, internal capacity and project readiness, ticket size (i.e. investment size), international finance institutions' rules, and private investor risk aversion**.

National governments also have a pivotal role to play in setting up institutional mechanisms that connect the investment needs of cities to finance sources across scales. The main solutions to bridging this gap and unlocking finance for climate action at city level include **structuring and aggregating subnational project pipelines, and providing intermediation mechanisms and risk mitigation instruments**.[12]

Meanwhile, in order to achieve a just transition, **instruments designed to fund and finance climate action need to respond better to the lived realities, needs, and capacity of cities**. This includes frequently under-recognised issues, such as the dependency of larger economies on micro, small and medium enterprises (MSME) and workers from informal areas, and the potential of social protection schemes for building urban resilience and their consideration in policymaking.[13,14]

There is also currently a conceptual divide between available finance and urban just transition projects. Although several concepts – such as response measures for mitigation and adaptation or loss and damage – are discussed in the international climate policy arena and often come with available finance mechanisms, they remain disconnected from the concept of urban just transitions, despite their clear relevance to it. **This is a huge waste of potential – and rather than acting across this divide, cities need funding and finance to meet them where they are.**

This policy paper highlights the crucial role that an urban just transition can play in mitigating, adapting to, and addressing the materialised impacts of climate change (also known as "loss and damage"). It will outline the financing types required for this endeavour and, in particular, stress the relevance of social protection and active labour market policies across the spectrum. Finally, based on an analysis of funding sources relevant to a just transition from a city perspective, it will outline opportunities for relevant funding as well as the (significant) barriers to accessing it.

Box 2

Climate justice, just transition, and loss and damage – distinct but linked concepts

Until recently, **climate justice** was most prominent in the discussion around "common but differentiated responsibilities and respective capabilities" – a discussion which, among others, underpins the provision of climate finance from high-income, industrialised countries to those with smaller economies. The concept has now widened to emphasise the need for fair treatment of *all* people in the creation of policies and strategies to combat the climate crisis and its impacts. It particularly highlights how marginalised communities often bear the brunt of climate impacts while contributing the least to the problem.

The concept of a **just transition** has its roots in the labour movement, and represents a framework for a fair shift to an economy that is ecologically sustainable, equitable, and just for all its members. It focuses on ensuring that workers and communities who are affected by climate action are not left behind, and advocates for sustainable, economically inclusive communities and labour rights within the new green economy.[15] Although jobs are at the core of the concept, C40 uses a broader definition of "just transition", which encompasses a proactive agenda to drive systemic change and shift power to those who have been excluded across a wide range of sectors and domains.[16]

The Paris Climate Agreement defines "**loss and damage**" as the adverse impacts of the climate crisis that cannot be averted through mitigation or have not been sufficiently minimised through adaptation. This includes impacts due to both sudden and slower-onset extreme weather phenomena, and other impacts that have not been – or cannot now be – avoided. Damages are usually quantifiable in monetary terms, while losses can be both non-economic and economic. Losses are generally understood to be irreversible.[10]

For cities, these concepts (climate justice, just transition, loss and damage) are closely connected - particularly for departments/ agencies delivering essential services

For cities, these concepts are closely connected – particularly for departments/ agencies delivering essential services and working directly with communities facing climate impacts alongside changing economic and job markets. Policy debates and measures may therefore respond to one or more of these concepts.

II. Overview of global climate and just transition finance

The global financing needs for climate action – both mitigation and adaptation – are enormous and growing. They are expected to increase from US$ 8.1 trillion and 9 trillion a year until 2030 and jump over US$ 10 trillion from 2031.[17] For the two-year period 2021–2022, average annual climate finance flows reached almost US$ 1.3 trillion. Clearly, an unprecedented surge is needed to meet the goals of the Paris Agreement, with an annual increase of at least 590%. And although cities are at the forefront of battling the climate crisis, the average annual climate finance flows for cities in 2017–2018 were estimated at only US$ 384 billion.[18,19] This represents **only 7–8% of the required amount for urban climate finance**, previously estimated to be between US$ 4.5 trillion and 5.4 trillion annually.[20]

Importantly, however, **climate finance does not automatically equal just transition finance**. Funding designated as “climate finance” typically focuses on climate action. It is not always designed to address potential impacts on workers and communities, either from the current high-carbon economy or the transition. And unless it is specifically designed to achieve just transition principles, it is unlikely to follow the “leave no one behind” paradigm.

A true just transition finance approach is complex to define, but at a minimum, it will “seek opportunities to connect green assets with positive social outcomes and impact on affected workers and communities”.[21] A global quantification of extant just transition funding and financing would be challenging to undertake and does not yet exist, as the specific character and focus of just transition finance will – and has to – be very context specific. But it is clear that **a focus on just transition in finance *by design* is key. It cannot be an afterthought**.

Note: One non-exhaustive set of criteria for finance to be considered “just transition finance” is the inclusion of: 1) climate and environmental action, 2) socioeconomic distribution and equity, and 3) community voice.[26] This is promising but does not explicitly address, for example, social dialogue and decent work standards for investments that engage with a workforce transition.

This paper does not attempt to exhaustively define what just transition finance is. Rather, it highlights how **the current lack of integration of just transition principles into finance and access for local governments has a knock-on effect on the ability to plan for and implement inclusive climate action at scale**. It also negatively affects the ability for cities to ascribe a value to just transition projects, or to adopt policies that serve multiple goals at the nexus of climate action, climate justice, loss and damage, and a just transition for the benefit of affected people and communities.

Just transition principles have in fact started to be integrated into national climate policies that will drive investment decisions. For example, as of October 2022, just transition principles were reflected in 38% of nationally determined contributions (NDCs) and 56% of long-term strategies.[22] This integration with policy is essential for aligning investments with emissions reduction targets, enhancing resilience, and achieving the Sustainable Development Goals (SDGs).[23]

However, it is not enough. Eventually, the global financial system – worth over US$ 500 trillion – needs to be reformed. The system needs to align with just transition principles to ensure that all investments and climate action positively redress the inequities associated with our current reliance on high-carbon economic models, as well as addressing all potential negative side effects during the transition – many of which may exacerbate and lock in existing inequities.

To facilitate this transformation, just transition finance needs a common understanding, shared and clear principles, indicators, metrics, reporting and monitoring framework, and guidelines.[24] This will build a just transition ecosystem and guide investors – public and private, domestic and international – to make the best decisions for and with affected people and communities. Indeed, the potential offered by mobilising private finance alone is tremendous, possibly providing up to 70% of the climate investment needed globally by 2030.[25]

Credit: Unsplash

III.

Linkages between a just transition, climate policy, and social protection: From global to urban

In this section we highlight the close relationship – both globally and locally – between the concept of a just transition and what is needed for effective mitigation and adaptation and to address climate-related loss and damage. We show that the need for a just transition and investment in people for good, green jobs, resilience and social protection are key common threads across all aspects of climate action.

Just transition and climate mitigation

Historically, efforts towards a just transition have focused on mitigating the potential negative effects on workers and communities from the decarbonisation process in key sectors such as energy, manufacturing, transport, construction, and waste. The shift towards renewable energy and a green economy has the potential to create 120 million new jobs – including 20 million from the implementation of nature-based solutions. But at the same time, 78 million jobs could be lost.[27] While it is clear that with the right policy measures a positive balance can be achieved, the transition will entail challenges such as skills mismatches, new jobs not being in the same field or location as those lost, and a contracting labour force due to aging societies in Global North countries.

Dedicated just transition mechanisms (such as city-led policies or processes that engage businesses, unions, and communities on measures to transition in a way that prevents job losses or improves conditions), active labour market policies (such as reskilling and upskilling for both hard and soft skills, training programmes, and apprenticeships), and effective social protection measures (such as income transfers, early retirement compensation, and social insurance) are all necessary to avoid unemployment, safeguard workers from its temporary impacts when unavoidable, and prevent increased poverty and social tension. Fairness of policies has been shown to be the key factor in gaining broad public support.[28] Therefore, **adequate labour market policies and social safety nets are critical – not only to safeguard the poorest populations, but to prevent societal opposition and rejection of climate action**.

The concept of a just transition is currently heavily orientated to the Global North, focusing on decarbonising economies and shifts in job markets. But this only captures a part of the reality in Global South countries, where up to 80% of workers earn their living in the informal economy. These countries and their economies are characterised by youthful populations and challenges such as limited policy and institutional capacities, limited industrialisation, low per capita income, high unemployment, and restricted access to capital. In addition, they typically face huge ecological and climate challenges, often resulting in distinctive migration patterns, among other consequences. Yet despite these common threads, countries' different needs and circumstances result in a unique character for their respective national just transitions. This is important to note, since funding – which is essential to any just transition initiative – often aligns with current international objectives.[29]

Another common area of concern for a truly just energy transition is mitigating increased energy costs – both under current, fluctuating, high-carbon fossil fuel energy systems, and through the cost of transitioning to new tools and models for energy use (e.g. electrification). This includes the phase-out of subsidies for fossil fuels and the shift towards renewable energies. Although essential, this process is closely linked to conditions for employment, the cost of living, and take-home pay, and has the potential to heavily affect lower-income or other marginalised parts of the population unless protective mechanisms are put in place.

Just transition and climate adaptation

Globally, more than 800 million jobs – providing employment for more than a quarter of the global workforce – are highly vulnerable to impacts from the climate crisis and economic transition. With 1.2 billion jobs – representing 40% of world employment – relying directly on a healthy and stable environment, both the jobs themselves and the level of take-home pay they provide depend on stable climate conditions.[30,31] The same study found the highest levels of job vulnerability in the African and Asia Pacific regions – areas also characterised by large shares of informal labour. Climate impacts and risks – including increased temperatures, changes in water availability, and climate-induced disasters – as well as knock-on effects such as disruptions to supply chains, can affect workers and communities and their livelihoods both directly and indirectly. These impacts also pose a significant challenge to occupational safety and health. Already, more than 2.4 billion workers are exposed annually to excessive heat at work, with millions more affected by UV radiation, air pollution, and pesticides.[32] By 2030, productivity losses from heat stress alone are expected to account for 80 million jobs, and 2% of all work hours will be too hot for safe employment due to the anticipated rise in global temperatures.[33,34]

Embedding just transition principles within climate adaptation strategies to address these and other impacts can increase overall employment levels and stop job losses. Research indicates that by 2050, the rise in adaptation-related activities in Europe will result both directly and indirectly in the creation of about 500,000 new jobs (providing for 0.2% of the working population).[30] Nature-based solutions have the potential to create an additional 20 million jobs worldwide if investment in this area is tripled by 2030.[35]

Adapting to climate risks can entail changes in the number and character of jobs, but it can also require relocation of businesses, adjustments to urban planning, and upgrading of infrastructure, including transport. This can all lead to changing patterns of work and employment. It is important to recognise that risks can also stem from maladaptation action, with unjust actions leading to negative effects.[15] Examples of these adverse outcomes include climate gentrification; policy changes that put a disproportionate burden on low-income groups or exclude them from certain adaptive actions (e.g. costly climate-smart building retrofits); and investments in resilience that are disproportionately allocated to wealthier areas and neglect those who are most at risk. When it comes to workers and communities, the potential negative consequences of unjust adaptation actions are similar to those associated with unjust mitigation – namely unemployment, adverse health impacts, increased marginalisation, and poverty – all growing further over time.

A just transition to address loss and damage

Simultaneously, cities must plan for what van der Geest and Warner (2020) describe as “impacts of climate change that have not been, or cannot be, avoided through mitigation and adaptation efforts”.[36] This is also known as “loss and damage”. Instead of merely replacing what has been lost, incorporating principles of reskilling, building back better (or forward), and the provision of social protection prior to and following climate impacts, can all contribute to a just transition.

The ILO[4] welcomed the COP27 decision to establish a loss and damage fund, which will support a just transition by providing resources to countries that are particularly vulnerable to the adverse effects of climate change, helping to effectively address economic and non-economic loss and damage. The International Trade Union Confederation (ITUC) similarly endorsed the loss and damage fund at COP28, while demanding efforts to ensure its adequacy for less wealthy countries and to “undo the damage already being done to lives, livelihoods, infrastructure and the biosphere”.[37]

Spotlight

Informal workers need to receive special attention in relation to mitigation, adaptation, and loss and damage

Over 60% of the world’s workers operate in the informal economy, which is valued at over US$ 10 trillion.[35,13] Informal workers are particularly prevalent in cities across the Global South (see Box 3), where a high proportion of MSMEs are located in and around larger industrial areas, often acting as crucial suppliers for the formal economy. The informal workers in these cities contribute to essential public service delivery and climate action in sectors such as waste management, transport, and construction.

Across all three areas of mitigation, adaptation, and loss and damage, these people and communities need particular attention. These communities are especially susceptible to climate shocks and climate-induced disaster impacts, because of pre-existing inequities. They already face deficits in decent work conditions, greater occupational safety and health risks, limited access to adequate and resilient housing, healthcare and social protection, and exclusion from government support – especially during crises like the COVID-19 pandemic. Furthermore, formal statistics and data may not capture informal workers and communities and their needs, resulting in a lack of consideration in policymaking, not to mention involvement in any participatory governance processes. This already high level of susceptibility is then compounded by their exclusion from access to resources and networks, making it harder for them to adopt resilient strategies.

People working in the informal labour market may also face challenges obtaining legal status in a country or city, the right to work, or ownership of assets like land and equipment, which in turn hinders access to opportunities in formal sectors, including training and access to financial and banking services.[35] Meanwhile, low-income, displaced populations make up a growing share of those living and working in informal settlements, having no other option. In Freetown, Sierra Leone, for example, rapid rural–urban migration is already resulting in the expansion of informal settlements in the city’s most climate-vulnerable areas.[38]


Credit: Abinet Teshome

Box 3

Informal work, gender, and cities

Women in particular usually make up a higher proportion of informal workers, creating additional layers of intersectionality and vulnerability.[39] In sub-Saharan Africa, for instance, more women than men (83% compared to 65%) are informally employed. In Greater Accra, 87% of women's employment is estimated to be informal, compared to 79% for men.[40] Clear differences can also be seen in the number of informal workers when comparing rural and urban areas, although the proportions differ between countries (see Figure 1). Overall, numbers are often higher in urban areas, despite the common assumption that informal work is mostly linked to rural agriculture.[41] This trend is likely to continue as more people move and/or are displaced into urban centres, including due to climate change. In South Africa, for example, informal work represents about 24% of total employment in the eight major metropolitan areas.[42]

Despite these critical needs, informal workers have not received sufficient attention in national policy discussions on just transitions in relation to any of the three key areas (mitigation, adaptation, and loss and damage). There are many reasons for this, including limited data, less recognition of informal workers' role in the green transition, and recognition that workers within the sector could form unions, associations, and other forms of organisation to demand decent working conditions. But whatever the reasons, this lack of attention represents a major gap. Many crucial services and green practices depend on MSMEs and informal labour – for instance in the waste or construction sectors, among others. **This demands an "ecosystem" or whole-of-society approach to a just transition that does not just focus on singular (formal) sectors and takes a universal approach to social protection**.

Social protection is key to enabling a just transition for all

So far, this section has outlined the different ways in which workers and communities are engaged in the green transition and the potential benefits associated with a just transition – as well as the risks if this is not considered by design in both policy and finance. It has highlighted the importance of social protection and other mechanisms as "buffers" that mitigate potential impacts during a transition, support adaptation, and/or can mitigate loss and damage.

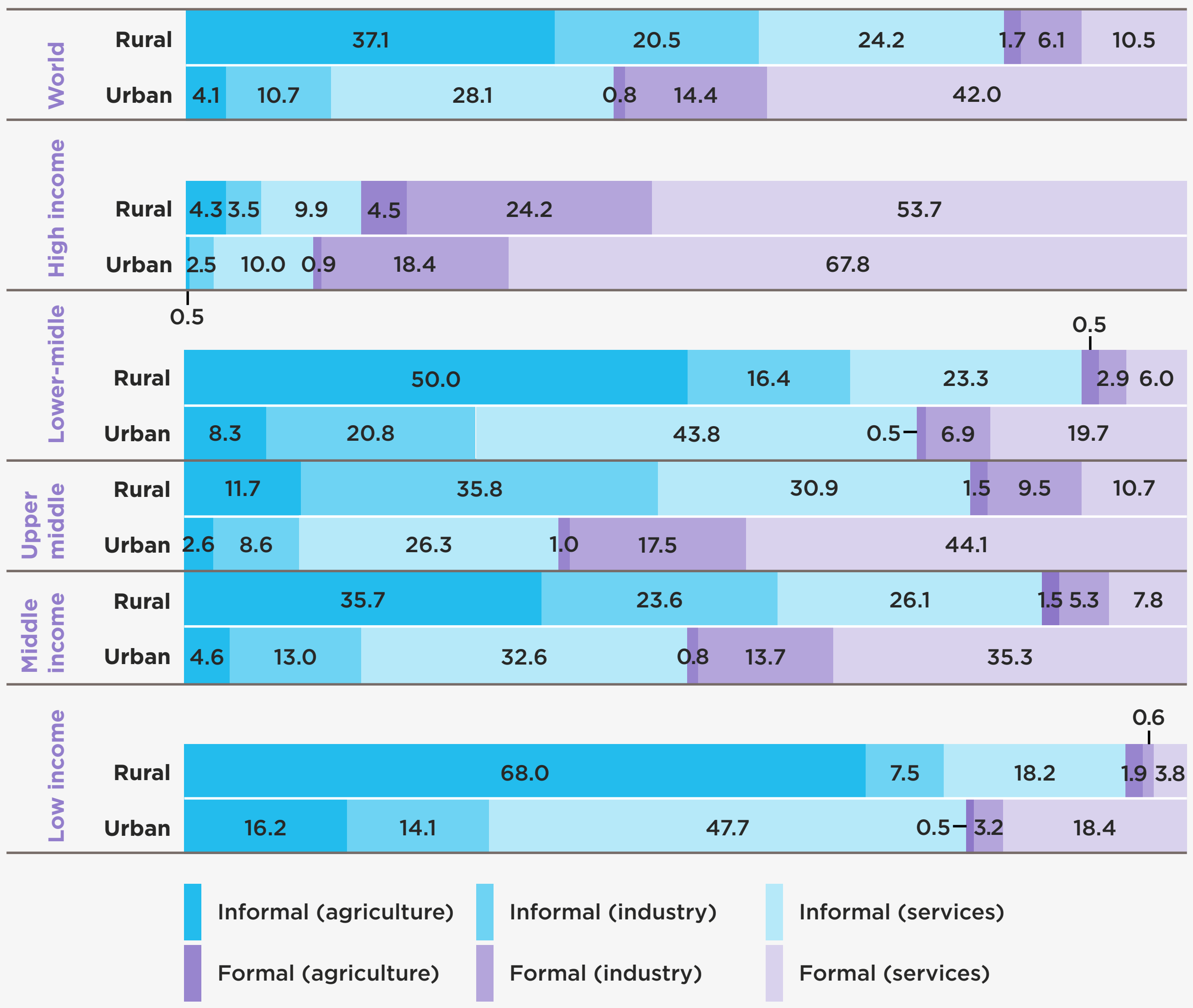
"Social protection" is defined by the ILO as the set of public measures that a society provides to protect its members against economic and social distress caused by the absence of, or a substantial reduction in, income from work as a result of various contingencies (sickness, maternity, employment injury, unemployment, invalidity, old age, or death of the breadwinner). It also covers the provision of health care and of benefits for families with children.[43]

Based on this definition, then, social protection covers much of the loss and damage caused by various types of shocks. Although the conceptual linkage of climate-related loss and damage to social protection remains in its early stages, channelling loss and damage funding through existing national social protection systems could contribute to safeguarding development and long-term resilience.[44]

However, given the relatively low coverage of social protection schemes compared to the relatively high vulnerability of informal workers – and their high numbers in low-and middle-income countries – **there is a clear need for the introduction of more (and better) social protection. Severe coverage gaps exist**: only 47% of the global population are effectively covered by at least one social protection benefit, with Europe and Central Asia (84%) and the Americas (64%) benefiting from comparably higher protection levels. In contrast, Asia and the Pacific region have 44% coverage, the Arab States have 40%, and Africa ranks last with only 17%.[45]

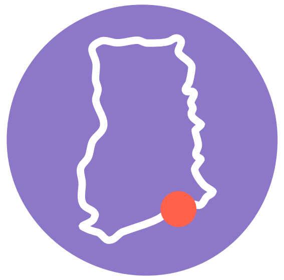
Figure 1

Distribution of rural and urban employment, by sector and formal/informal nature of employment



Source: Data from ILO Working Paper "Employment and Wage Disparities Between Rural and Urban Areas."[41]

Mayors tend to have very limited powers on welfare and social protection, and are typically heavily reliant on national government policies and regulations in these areas. Despite this, cities can and are already exploring innovative solutions, by using a combination of formal and soft powers to deliver the broadest impact with the competencies and tools available to them.[46] Some cities can leverage executive powers to introduce guaranteed income programmes that support the most disadvantaged communities; others might activate soft powers to collaborate with informal workers and sectoral experts on small-scale projects and pilots that can be scaled gradually (see Accra's social insurance pilot in Case Study 1). Mayors can also call on the national governments for fiscal devolution, involvement in shaping national-level social protection policies, and the integration of urban needs into the design of policies and legislation.



Case Study 1: Accra, Ghana

Accra, Ghana's capital city, is pioneering an innovative inclusive climate action pilot, integrating marginalised informal workers into its waste management strategy as part of the UCAP Climate Action Implementation Programme.[47] This initiative is vital in addressing Accra's challenge of managing about 2,200 tonnes of solid waste daily, which is causing major environmental and health problems. An essential part of the project is to foster an atmosphere of appreciation for the essential role of informal waste workers, who handle a third of the city's waste and repurpose items for reuse, recycling, and resale. Historically marginalised and subjected to barriers such as equipment seizure and fines, these workers were previously excluded from waste management decision-making and left facing income insecurity and social discrimination.

The city administration is now focused on strengthening partnerships and positioning informal workers as contributors to solutions, not as the problem. These workers benefit from a city government liaison, and incremental steps are being taken to set up a migrant/informal workforce desk. The administration has also fostered trust by providing office space for informal worker associations within the Waste Management Department, and by running media campaigns highlighting their public health contributions to help combat discrimination. Capacity-building and training workshops are part of the initiative as well, enhancing informal workers' organisational skills and knowledge of city bylaws. The city also collaborates with civil society organisations to assist workers in obtaining licenses for motorised tricycles, which are crucial for waste collection in low-income areas. Positive outcomes from these efforts include improved efficiency and effectiveness among informal waste workers, reduced waste burning, lowered city waste removal costs, and enhanced sanitation in informal and low-income areas.

As informal waste management workers are not classified as a "vulnerable" group within Ghana's national social protection policy, improving their very basic levels of healthcare was a priority. New mechanisms were created to provide access to improved healthcare and life insurance for 209 informal workers for a one-year period as pilot. The initiative focuses on **inclusive insurance for low-income workers, including MSMEs**, including the use of mobile payment systems. It also aims to signal to stakeholders on local, national and international scales, to showcase what can be done.

The pilot has elevated the workers' societal role, potentially attracting more educated young workers to the sector. Future plans include establishing a childcare centre to reduce risks for working mothers, facilitating access to identification documents for migrant workers, and improving informal workers' access to formal waste collection infrastructure.

Accra's case study illustrates how inclusive urban strategies can address both environmental and social challenges, creating cleaner, more livable cities. This approach not only empowers informal waste workers but also sets a sustainable model for urban development and climate action. [48, 29]

Credit: Photomaticstudio

Figure 2

Social protection benefits

Source: Aleksandrova et al. 2021 [49]

Social protection

Non-contributory

Social assistance

- **Social transfers**
  - Conditional or unconditional cash/in-kind transfers for vulnerable groups (elderly, people with disabilities, orphans, unemployed)
  - School feeding programmes
- **Public work programmes**
  - Food for work
  - Cash for work
- **Fee waivers**
- **Subsidies**

Social care/services

- Universal healthcare services
- Counselling services
- Care services
- Social housing
- Social shelters

Contributory

Social insurances

- **Insurance for life cycle risks***
  - Old age
  - Unemployment
  - Maternity/paternity
  - Disability
- **Health insurance**
- **Climate risk insurance**

Labour market policies

- **Active labour market policies**
  - Job search assistance
  - Job training
  - Work sharing
- **Passive labour market policies**
  - Sick leave
  - Injury compensation
  - MInimum wage
  - Safety regulations

Social protection can include access to health care, income assistance, emergency employment services, and more (see Figure 2). It sits at the core of achieving a just transition for all, as it already provides multiple mechanisms to support workers transitioning to other employment and to buffer potential income gaps and insecurities (see Figure 3).[50,51] Social protection programmes also can – and partly already do – buffer the potential negative effects of climate impacts and the energy transition, as well as those associated with mitigation, adaptation and loss and damage actions. Indeed, many of the impacts are the same: loss of jobs and livelihoods, displacement, increased vulnerability, and decreased health, among many others. **The investments needed to improve social protection can therefore also benefit the just transition.**

Figure 3

The role of social protection in decarbonisation

Energy/power	Housing	Transport	Industry	Land use
• Unemployment protection • Income support • Disability benefits • Severance pay	• Heating and electricity benefits • Link to energy efficiency measures, adequate housing	• Free/subsidized public transport • Social assistance	• Unemployment protection and social assistance as needed • Health protection • Grants for training (or work-related items)	• Public employment for green land use / managing resources • (Complement-ary cash/in-kind benefits)

Source: ILO Just Transition Policy Brief: Social Protection for a Just Transition [50]

In summary, social protection has a vital role to play at the intersection between a just transition, climate mitigation and adaptation, and addressing loss and damage. For example:

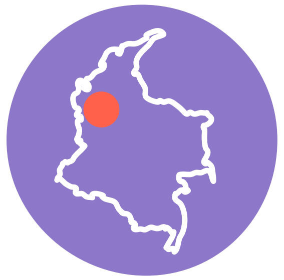
- Social protection programmes can provide coverage in case of (temporary) unemployment and ease reskilling and changing jobs. They can unlock adaptation and related capacities by supporting livelihoods and providing security for resilient investments.
- Social protection is already going beyond its typical scope and being upscaled to deliver assistance in the form of shock-responsive or adaptive social protection programmes for those most in need at times of disaster and crisis. Shock-responsive social protection focuses on shocks that affect a large proportion of the population simultaneously, and can thereby complement and support other emergency response interventions. Adaptive social protection (see Box 4) has a specific focus on building the resilience of the poorest residents and those most at risk from climate change and natural-hazard-induced disasters (socialprotection.org n.d.). Both approaches can serve as cross-sectoral role models for the integration of just transition principles.

Box 4

Adaptive social protection

Adaptive social protection has recently emerged as a promising approach to strengthening the resilience of communities by integrating social protection, disaster risk management, and climate change adaptation efforts.[52] In practice, this means that existing social protection programmes, such as health or unemployment insurance, are being adapted to now also cover impacts resulting from natural hazards and climate change, such as a lack of access to workplaces due to flooding. This overarching approach can also help to identify risks across sectors to develop lasting solutions.[53] Linking adaptive social protection to the just transition can bring mutual benefits, providing social protection coverage to marginalised communities and informal workers. This is already being implemented in Indonesia, with the initiation of just transition actions alongside a countrywide adaptive social protection roadmap.[54]

Credit: Book fotográfico de Medellín 2016 - Medellín Convention and Visitors Bureau



Case Study 2: Medellín, Colombia

Medellín, Colombia's second-biggest city, is highly prone to natural hazards. On a regular basis, disaster events, in particular earthquakes, floods and landslides cost lives and destroy houses, infrastructure and other assets. The climate crisis is particularly intensifying the risk of flooding and landslides. Keeping risks to a feasible level requires capacities for emergency response at the city but also the individual level.[55]

In 2020, the city established a Municipal Fund for Emergency and Disaster Risk Management (FONGRED) under its Department for Disaster Risk Management. The plan is to replenish the Fund through 1% of property tax and industry and commerce tax, equivalent to around USD 4 million per year.[56]

City officials also recognised that after a disaster, quick access to finance to fund recovery and reconstruction efforts is crucial and can be accelerated by pre-arranged finance mechanisms. Therefore, the city is co-developing a parametric risk insurance with international stakeholders, the first of its kind in Medellín and Colombia.[57] In this type of insurance, a payout is automatically triggered when certain predefined parameters (e.g. the duration of a dry period, amount of rainfall, or wind speed) are reached or exceeded. The compensation payment reaches the insured comparably quickly, without the need for additional time-consuming claim assessment.[57]

In the case of Medellín, the mayor's office is the insurance policyholder, with finance from FONGRED. Inhabitants are beneficiaries that would receive livelihood services in the form of food and cash disbursements, in addition to benefiting from emergency response, namely infrastructure repair. The foreseen custom-designed policy will be linked to local early warning systems the city is pioneering.[58] That reduces reliance on satellite data, a common challenge for swift payouts without bureaucratic delays. Additionally, the city is exploring alternative risk transfer mechanisms such as financial derivatives.[57,59]

The public-private partnership known as "the Medellín Project" has helped strengthen links between the insurance sector and urban authorities, to co-develop solutions that speak to the needs of the city.[55] The product will complement existing disaster risk management plans, and increase Medellín's ability to respond to disasters that exceed financial and operational capacities.[57] It can serve as an interesting model for insurance schemes tailored to local contexts, including for jobs and skills transition.

Having pre-arranged finance mechanisms at hand can strengthen cities' quick access to finance and enhance community resilience, which is a cornerstone of a just transition.

The project shows that coupling disaster risk reduction with climate action and social protection measures can lower risk levels and contribute to more sustainable livelihoods. Public funding linked to public-private partnerships provides the needed frame. Although structure and methodology are context-specific, the approach can serve as an inspiration for other cities.[57]

Conceptual linkages for a just transition in cities

If we put together the concepts discussed so far, the following insights become clear:

- The concept of a just transition provides a vital framework for safeguarding and creating equitable job opportunities as cities shift towards low- or zero-carbon economies. Indeed, **a just transition is in itself a form of future-orientated social protection that mitigates workforce issues related to climate impacts**.[60] It is therefore clear that it should be integrated with mitigation, adaptation and loss and damage action (see Figure 4 for an illustration of the conceptual linkages between these areas, the just transition, and social protection mechanisms).

- **The key to unlocking the benefits of a just transition is true participation of all affected groups**. This involves building on existing and trusted initiatives and partnerships, piloting new initiatives, learning from community leaders and practices, and including those who have been previously excluded in governance and decision-making. Inclusive social dialogue with impacted communities, workers and key stakeholders is central for local governments. This will ensure that social protection policies and programmes are shaped to meet the perspectives and needs of workers and their communities, both formal and informal.

- Academic literature underscores the necessity and value of directing financial resources towards an equitable transition that safeguards communities from the negative impacts of the climate crisis and responses to it. **Studies also highlight the cost-effectiveness of preventive measures compared to emergency responses, and the economic, social, and environmental returns on investment in just transitions and social protection mechanisms**.[61] It is through integrated strategies that cities can pave the way for a sustainable, equitable, and resilient future, ensuring that adaptation and mitigation efforts – as well as those currently being developed to address loss and damage – are inclusive and beneficial to all members of society. The World Bank Evolution Roadmap includes a reinforced and prioritised commitment to tackling the climate crisis as a complement to its core development mandate.[62] Examples of integrated strategies include the World Bank Group's Country Climate and Development Reports. These economic analyses now include avoided costs and damages; for example, in the country report for Brazil, calculations show that the additional investment needed for making roads climate-resilient will pay off by a ratio of 2:1 with respect to losses avoided.[63]

Case Study 3: Ekurhuleni, South Africa

South Africa's commitment to a just transition is exemplified by initiatives like the use of municipal green bonds and the Just Energy Transition Partnership (JETP) of US$ 8.5 billion in the form of grants, concessional loans and guarantees – the first international partnership of this kind. These national efforts blend economic growth with environmental care and social justice, with the just transition financing mechanism illustrating a commitment to innovative financial solutions.

In this context, Ekurhuleni, in the East Rand region of Gauteng, stands out for its inclusive and equitable approach to transition at the city level. Ekurhuleni's Growth and Development Strategy 2055, which drives its sustainable urban development, also incorporates a Local Just Transition Forum (LJTF). Supported by C40 Cities, the LJTF will play a pivotal role in transitioning Ekurhuleni into a sustainable city by 2055, focusing on areas such as energy, buildings, and transportation. This strategy aligns with South Africa's broader goals for a just and fair transition, emphasising a reduction in greenhouse gas emissions alongside economic and social progress.

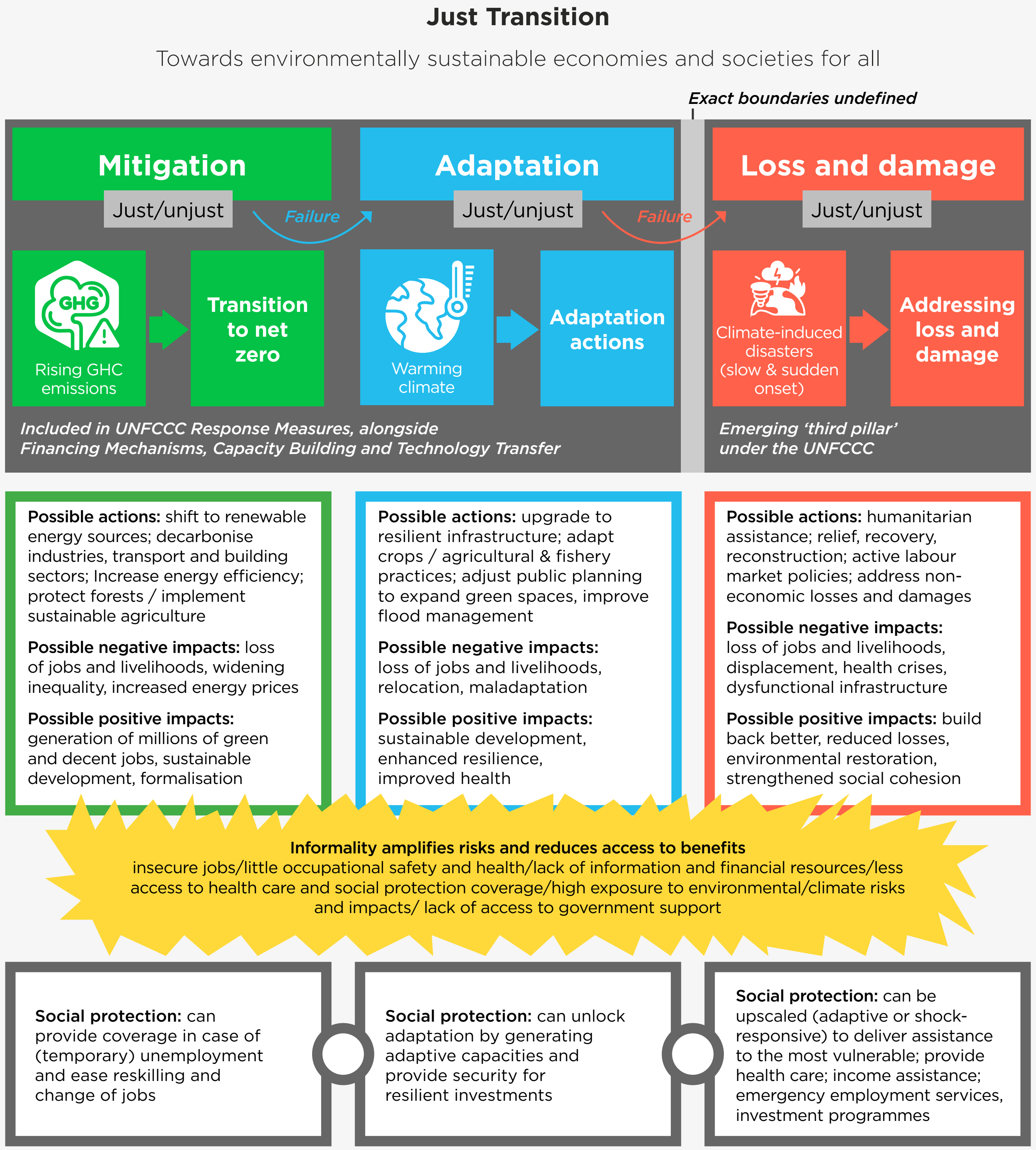
The analyses carried out during the process of forming the LJTF indicate that Ekurhuleni's transition offers opportunities for economic growth and job creation in critical sectors. However, they also acknowledge the potential challenges for informal workers impacted by the transition and climate events. In consideration of ways to address these challenges and ensure no one is left behind, the analyses emphasise the need for targeted support and training as part of the transition. This approach will not only strengthen the city's resilience against the climate crisis, but also ensure the equitable distribution of sustainable development benefits.

Ekurhuleni is an industrial centre linked to the coal industry, meaning that a significant portion of its workforce – including many informal workers – is either in or adjacent to this sector. By focusing on a just transition, Ekurhuleni is addressing the unique challenges posed by its industrial profile – and these efforts are vital for both the city and the wider region.

Methodologically, the city's strategy includes economic analyses, stakeholder dialogues, and workforce considerations, demonstrating an inclusive approach; indeed, this systematic assessment and community engagement exemplify Ekurhuleni's strategy of integrating environmental sustainability with economic and social equity. Moreover, **by focusing on social equity and inclusion, the city will ensure the broad sharing of transition benefits, and reduce the costs associated with climate-related disasters**. Ekurhuleni's emphasis on protecting lives, property, and infrastructure, as well as enhancing social services in under-served areas, showcases a prime example of effectively integrating environmental, economic, and social considerations into just transition initiatives.

Figure 4

Conceptual linkages between a just transition that spans across mitigation, adaptation, and loss and damage, highlighting the special role of social protection. ***Source: authors' own elaboration***



Credit: Subrata Biswas

IV.

A just transition for cities: Financial needs and opportunities

Growing urban populations, as well as increasing challenges from the climate crisis and the part reversal of positive development trends, put stress on city governments and their finances, which are typically highly limited. Areas of the SDGs that are particularly off track in terms of achieved development include poverty, unemployment, food security and health.[64,65]

At the same time, it is becoming increasingly clear that sustainable urban development goals cannot be achieved separately from one another. For instance, **65% of the SDGs may not be fully achieved without the involvement of urban and local actors**, while SDG 11 on sustainable cities and communities will not be met without major shifts in urban policy and investments.[66,67]

Consequently, overarching strategies must be planned and tailored investment vehicles for subnational investment must be scaled up. **Cities in particular need financing for long-term, cross-sectoral projects linking climate action to larger sustainable and just development**.[68]

To achieve a just transition, sound policies and plans need to be accompanied by investment at scale. This requires access for regional actors and projects to affordable, long-term sources of financing and their effective use. A variety of sources – public, private, domestic, and international – and mechanisms need to be combined more effectively, while keeping in mind the fiscal constraints and debt vulnerabilities that many national and local governments face, and their responsibility to meet a range of policy objectives or aims. **Challenges are comparably higher for low- and middle-income countries, where regional actors, including cities, face greater difficulties accessing finance**.

Just transition finance has to support and respond to a range of different policy actions and tools at different levels of government. Consequently, it involves many spatial and time scales, actors and sectors. For instance, national commitments for transitioning from coal to cleaner energies must go beyond the construction of new power grids and installing photovoltaics by putting in place appropriate measures for reskilling the respective workforce and providing them with adequate social protection.

Although the exact situation will differ per country, Table 1 (on the next page) identifies a number of typical activities required for a just transition, applicable to any sector and any potential actor. **Delegation of powers by higher governments can empower cities to deliver on a greater range of these processes required for a just transition, in partnership with local actors**.

To assist city practitioners in their local just transition planning, C40 has published a step-by-step guide: Achieving the Just Transition: A Toolkit for City Leaders Across the Globe.[16] This toolkit fleshes out seven pillars of a just transition – which first and foremost includes bold and committed city leadership. C40 has also published regional papers for South Africa, Europe, and the United States, providing cities in those regions/countries with relevant policy context and recommended entry points to engage with just transition strategies and policies.[69] Another toolkit that can be applied by subnational governments is the Climate Investment Fund's Just Transition Planning Toolbox.[70] Other guidance tools are being published as well, such as a Just Transition Finance Tool for banking and investing activities, a Just Transition Toolbox for Coal Regions, and the European Business Toolbox for Just Transition.[71,72,73]

Table 1
Typical activities required for a just transition

Scale	Typical activities required for a just transition
National government (and/ or urban/local government where power is devolved)	• National workforce needs-assessments, from key affected industries to dependent services • Grants for small business transformation • Transition programmes for workers • Implementation/revision of social protection scheme • Capacity building for workforce needs-assessments • Awareness raising and information campaigns • Legal and regulatory frameworks • Funding and finance mechanisms tailored to subnational investment
Urban/local government	• City-led industrial and investment strategies • Development of locally suited MSME transformation plans • Local workforce needs-assessments, including employment impacts of different transition scenarios • Capacity building for workforce needs-assessments • Locally implemented and context-specific social protection schemes and services • Child care/wrap-around services
Private sector/ employers	• Compliance with legal and regulatory frameworks • Skills training programmes (in-house or at institutions) • Job finding and matching schemes • Relocation of services along with new grids/companies etc.
Multi-actor	• Just transition processes hosted by municipal and other authorities, which support social dialogue with and between employers, workers and representatives and affected communities

Box 5

Potential areas for just transition financing

**This list is not exhaustive and represents some of the key areas that require significant and structured financing to achieve a just transition.*

Active labour market policies

Active labour market policies aim at reducing unemployment and maintaining individuals' attachment to the labour market. They can also contribute to important social and economic goals, such as reducing poverty and inequality, and have strong potential for linking with and supporting just transition efforts.[74]

Workforce development

Funding is required to ensure that urban workers, both formal and informal, can adapt to and thrive in new, low-carbon industries and the environment. Investments should target reskilling and upskilling programmes, vocational training, and education initiatives aimed at green jobs, thereby reducing the risks of unemployment and underemployment associated with economic restructuring.[75] A compelling example is the city of Seattle, USA. In 2023, the city distributed US$ 1 million for inclusive workforce development in the clean energy sector, promoting access to clean energy careers for women, people of colour, and others who face social and economic disadvantages. In 2024, this investment has grown to US$2.24 million and will go into programmes that provide job readiness training to place individuals into clean energy jobs. Specifically, funding will support the recruitment, training, and development of workers; application and enrolment costs; tools, personal protective equipment, and work gear; and supplemental courses/ educational opportunities.[76]

Social protection funding

Social protection systems must be bolstered with significant funding to shield urban populations from the socioeconomic disruptions of the climate crisis and the transition to greener economies. Investments in social protection are directly correlated with enhanced urban resilience, enabling communities to withstand and bounce back from climate-related adversities.[77]

Such systems can include unemployment benefits, health coverage, and conditional cash transfers tailored to support those most at risk during economic transitions.[78] For instance, Brazil's Bolsa Familia programme, a conditional cash transfer initiative, has shown significant success in reducing poverty and improving health and education outcomes among the poorest populations, modelling how social protection can contribute to resilience in urban settings.[79]

The primary responsibility for social protection systems usually lies with the national government, but local or regional authorities often play a significant role in administering related programmes, establishing locally specific systems (e.g. for informal workers), and/or delivering cash distribution mechanisms for particular settings (e.g. immediate, post-disaster relief). They might also be responsible for delivering services including health and social services, managing local offices, or tailoring programmes to meet regional needs.

Financing mechanisms and strategies for cities

Given the complexity of the just transition, there is no one fund or finance tool that can cover all its needs. Cities and local governments may have a range of instruments available to them to support their just transition efforts, although these are often severely limited by budgets and mandates. The details will vary by region and state, but – in addition to nationally allocated budgets – **options available to cities may include**:

- **City budgeting:** Municipal taxes and budget allocation planning are vital for a just transition, enabling local governments to fund sustainable and just initiatives. But financing these efforts through an already stretched municipal budget creates significant hurdles, particularly in the Global South. Many cities struggle with limited tax revenue, as they are typically limited to raising taxes in areas linked to their formal powers (such as taxation for the rental of retail premises, land taxes for home purchases, or similar). In addition, in many cities, a substantial portion of economic activities remain outside the formal tax system, reducing the tax base but also complicating the implementation of new taxes or the reallocation of existing budgets toward sustainability projects. In some cases, cities may be able to add new taxes or levies, such as adaptive carbon pricing mechanisms, the revenue of which may be directed to just transition initiatives. However – consistent with the principles of a just transition – these must be deployed carefully so as not to burden small businesses or already poor and marginalised parts of the population.

- **Development partner programmes in low- and middle-income countries:** Regional actors in lower-income countries have less capacity and/or creditworthiness to access the wider range of instruments typically available in richer countries. Consequently, they rely heavily on development partners' support. Multilateral development banks (MDBs), development finance institutions (DFIs), the UN, and civil society organisations have increasingly recognised the key importance of subnational action and sustainable urban development. They provide a wide set of financial and non-financial instruments to subnational projects, including grants, loans, guarantees, and technical assistance.

- **Green banks and climate funds:** National and subnational green banks, along with subnational climate funds, are entities that leverage limited public funds to attract private investment in clean energy or other "green" investments. Several C40 cities have successfully established city climate funds.[80] City green banks catalyse investment in local low-carbon and climate-resilient infrastructure, maximise investment impact by helping to identify a pipeline of projects, and often reduce perceived and actual project risk. They also help to foster an inclusive green economy through job creation and equitable access to low-cost energy upgrades, and may prioritise under-served and disadvantaged communities. Like other initiatives, their impact on a just transition will be maximised if the investment principles and criteria are consistent with those of the transition, and/or they establish dedicated windows for funding just transition activities. C40 and NYCEEC have published a best practice guide for establishing a city green bank.[81]

- **Green, social, and sustainability bonds** (sometimes also described as "resilience bonds"): These need to be connected to initiatives that benefit society (social bonds), the environment (green bonds), or both (sustainability bonds), and have the potential to become a major financing vehicle of the just transition. Bonds are also available on a local level – municipal green bonds offer a mechanism to finance climate resilience projects and green infrastructure. The use of municipal bonds to foster a just transition on the city level should be further explored; C40 and partners' overview of how to issue a green city bond provides a starting point for cities.[82]

- **Dedicated just transition funds:** Regional, national or subnational just transition funds – specifically targeting initiatives that include workforce development and social protection measures – are crucial for a holistic approach to urban resilience.[23] Cities already have experience with establishing local climate funds (for example, see C40's Good Practice Guide: City Climate Funds), which could be expanded to or replicated for the just transition.[80]

- **Public–private partnerships (PPPs):** PPPs can mobilise private investment for sustainable urban projects with social and environmental co-benefits. The public finance element can be used to de-risk projects and provide first-loss capital and/or for wrap around activities and services such as skills training programmes, thereby making investment more attractive to the private sector. Further information can be found in the C40 and UrbanShift publication: Public–private collaboration to accelerate sustainable urban development: A guide for Global South cities.[83]

- Other mechanisms:
  - **Community investment funds** are typically organised at the local level, allowing residents to invest in their own communities.
  - **Municipal sustainability investments** are direct investments by city governments in local sustainable infrastructure.
  - **Crowdfunding and peer-to-peer lending** can be used by local entrepreneurs, small businesses, or community groups for specific local projects.
  - **Microfinance** is often targeted at individuals or small businesses in a local community.

Box 6

The C40 Cities Finance Facility

The C40 Cities Finance Facility (CFF) serves as a link between cities and sources of finance to support a green and just transition. The UNFCCC-award-winning CFF is not a funding/financing instrument in itself, but rather supports cities as they prepare projects for financing. As such, while it falls outside the scope of this report, the CFF should be acknowledged here for the critical assistance it offers to help local governments access climate finance. Impacts on inclusion and equity, including wider socioeconomic benefits of climate actions, are assessed for each project proposal that the CFF assists on, and future mitigation and resilience projects will be required to demonstrate how their actions help the city achieve a just transition.

The CFF's highly successful project preparation case studies and resources, such as this report, detail the challenges and opportunities cities are encountering when seeking climate finance. They also corroborate the findings of this paper on cities' most critical needs, which include:

- Greater fiscal autonomy and budgetary space, and updated national legal frameworks to support finance access.
- Technical support to create investment-ready projects.
- Standardised processes and ways to bundle projects to achieve economies of scale.
- Direct access to private and multilateral finance.

Through individual or collective action, facilitated through alliances such as C40 Cities and the Global Covenant of Mayors, cities can advocate for better coordination, cooperation, and financing at the national or international level. This may present more of a challenge for cities in low- and middle-income countries, as instruments involving private capital need strong public incentive for de-risking. Nevertheless, options and approaches that cities can take in this direction include:

- **National governments:** Cities need to advocate for their national governments to provide good framework conditions for financing a just transition. National governments play crucial and diverse roles, such as **implementing** national programmes, providing public funding, and leveraging international institutions. They are key actors in channeling domestic and international finance to subnational actors through intermediation mechanisms (such as national development banks). In low- and middle-income countries, they are the counterparts of development partners (i.e. multilateral and bilateral development banks, donors, UN agencies) to finance subnational projects (individual subnational projects, country programmes financing multiple cities). They establish national funds and create financing facilities, fostering PPPs and blended finance products. They also extend sustainability-linked loans, structure bonds, impose taxes and incentives, and finance social protection systems – all of which are pivotal in mobilising private capital towards a just transition. National bonds can also finance social inclusion at the subnational level; for example Mexico's SDG Bond, which amounted to US$ 5.02 billion in 2022, allocated a substantial US$ 1.44 billion to marginalised territories at the state and municipal level.[84] In 2019, Sadiq Khan, C40 Co-Chair and Mayor of London, in coordination with other regional mayors, called on the national government to devolve powers around skills, training and apprenticeship services, and to allow greater control over existing taxes and the revenues they create. As a result, the national government devolved certain adult education functions to regional mayors, and Mayor Khan took control of a £306 million (US$ 464.5) adult education budget for the city. This enabled a series of crucial interventions to support Londoners acquire the skills they need, with a focus on equitable access).[46]
- **Official development assistance (ODA):** ODA may be particularly suited to longer-term projects, supporting cities to apply a holistic approach to formulating development strategies, social protection systems, and models for transitioning between formal education and the workforce, as well as governance and capacity building within the city.
- **Philanthropy**: The philanthropic community has played a crucial role in financing just transitions in cities, by providing flexible funding, fostering innovation, and driving social equity. Their support can help to bridge funding gaps, enable experimental solutions, and ensure inclusive approaches. As well as providing patient and early capital to city projects, philanthropic entities can offer ongoing knowledge and capacity building.
- **Impact investors:** These are investors that focus on projects with social and environmental impacts. Cities can attract impact investment by creating an enabling environment with clear, stable policy frameworks and incentives; showcasing successful projects; developing a bankable project pipeline; ensuring regulatory support and a close exchange; and supporting start-ups.
- **(International) climate finance:** Utilising the existing climate finance architecture is vital for supporting just transition initiatives. Relevant elements can be integrated into already planned activities, or new windows for specific just transition measures can be added. C40 has contributed to the latest overview of the [state of cities climate finance], which highlights the opportunities and needs around this financing mechanism.[12]
- **Reform of the international financial system:** DFIs and MDBs are integral to achieving a just transition, due to their role filling funding gaps and creating investment pipelines. Through their suite of financial products, they can blend public and private capital, provide risk-tolerant financing, issue debt swaps for climate action, and support capacity-building to advance a just transition. Unfortunately, much of this financing is currently inaccessible to cities for systemic reasons; cities must therefore continue to advocate for better access and a much-needed reform of the global financial system.[85]

Box 7

The challenges of debt burdens

Over the past few years, poverty rates in low- and middle-income countries have surged, largely due to high levels of national debt, which is correlated with inadequate social spending. Conversely, countries that have been able to invest in safety nets have prevented a significant number of people from falling into poverty. The obligation to service their debts often limits governments' capacity to offer support for populations that need it, as social expenditures are typically the first to be cut. In other words, "**countries are being forced to choose between servicing debt and saving lives"**.[86] Globally, the stock of external public debt in low- and middle-income countries exceeds US$ 3 trillion, with private creditors holding nearly 60%. Many of these countries are also highly vulnerable to the impacts of the climate crisis, suffering accelerating losses, particularly in sectors like agriculture. This "polycrisis" at the intersection of climate change and national debt burdens is only marginally addressed in international policy and the unfair global financial architecture.[86,87] The concept of "debt justice" questions the legitimacy of much of this debt and puts the needs and rights of people ahead of debt servicing, demanding debt relief as well as fundamental reforms on how debt crises are prevented and addressed.[88]

Despite a large and growing number of funds available to support climate action and a just transition, they may not suffice to close existing gaps or meet the increasing needs caused by accelerating climate breakdown within a highly complex, and debt-burdened, finance environment.[89] These funds might even add new challenges to national and subnational governments, which must navigate a growing and changing landscape of financiers and tackle systemic issues with financial instruments of limited scope.

The challenges of growing debt burdens and demands for climate justice also lead impacted countries and non-governmental organisations to demand adaptation (and loss and damage finance) to be grant-based. This aspiration has not been met to date, causing a direct impact on cities and their development.

Debt burdens represent a major challenge for cities on at least two fronts: on the one hand, cities might be affected by national debts, which impede urban development and just transition efforts due to lack of available funding. On the other hand, cities might suffer from their own debt burdens, while some may even face both scenarios in parallel.[90,91]


Credit: Getty

V.

Current sources and mechanisms of finance related to the just transition

Despite the fact – highlighted in the previous section – that cities can theoretically leverage a range of funding and financing mechanisms, in practice there are significant limitations. Outside of city-controlled mechanisms, such as taxes and green banks (which depend on city powers and capacity to raise funds), most mechanisms are established at multilateral, regional and national levels, or by private-sector actors. **Cities therefore face two specific challenges: 1) these mechanisms may not be tailored to fund locally led just transition initiatives, and 2) they may not be easily accessible or suited to cities**.

We analysed a range of existing funds, assessing: 1) whether they are already directed towards a just transition; 2) whether they can serve just transition needs and principles, even if not specifically designed for this purpose; and 3) how accessible and suitable they are for cities. Further details are provided in the next section, while a high-level analysis is given below:

- A growing number of finance sources and mechanisms are currently explicitly targeting – or could be linked to – just transition efforts, although not all have an urban focus. **Overall, 13 funding opportunities, two alliances, and one platform dedicated to a just transition were identified from desktop research**. However, these came with varying degrees of information available, which already indicates that searching for the most suitable funding source or a mix thereof is far from easy. The 13 funds all explicitly focus on a just transition, but **only one is specifically designated for cities**. Three others can be directly accessed by cities, but details of how to do so are limited. Most of the other identified funds do aim to support local-level initiatives, which is positive, but are distributed only through national or regional entities. Information on how local agencies, including cities, can access funds that are allocated at higher levels is not provided for any of the identified funds.
- In addition to the 13 funding mechanisms explicitly targeting just transition efforts, **another 36 were identified with focuses such as "social protection", "climate action", and "net zero transition"**. These funds either have a secondary just transition mandate or the potential to include funding for just transition initiatives, even if their primary goal is different.

A summary of the most relevant funds identified in the analysis is provided in Annex I.

Analysis of funding mechanisms dedicated to just transitions

The 13 funds dedicated to just transition projects range from national to regional or private funds. Examples include the EU Just Transition Fund; the Just Energy Transition Partnership between South Africa, four partner countries and the EU; and the Just Transition Initiative (JTI) of the Climate Investment Funds, benefiting 72 low- and middle-income countries.

Funding volumes can be grouped in three categories:

1. Two *smaller* funds providing between US$ 60,000 and 100,000 (C40 ICA Fund, focusing on urban inclusive climate action, and the US Just Transition Fund for mining and power plant communities).
2. Two *medium-sized* funds with budgets of US$ 20–35 million (GEAPP/GEATTF and the Just Transition Fund supported by IKEA), which focus on transitioning to clean energy in selected emerging economies in Asia and Africa.

3. Seven *larger* just transition partnerships of US$ 1–20 billion, targeted at specific countries or regions.

   In two cases the exact volume was not available.

Our analysis of these funds identified several trends representing challenges for cities:

Lack of dedicated funding for locally led just transitions

Currently, no global funds specifically support a just transition in urban areas, with the exception of the donor-supported Inclusive Climate Action Cities Fund (ICA Fund) offered currently to a small group of cities by C40. While some regions and countries have specific just transition initiatives or funds, such as the respective EU and US Just Transition Funds, these are mostly targeted towards certain geographic areas within a broader country or region – typically rural areas or smaller cities with specific industries. There is also **currently no dedicated just transition fund providing global coverage that is available to cities**.

Regional disparity

There is an evident disparity in the progress of just transition finance between countries in the Global South and Global North. Countries and regions in the Global North have made more strides in allocating specific funding, establishing their own just transition funds, and extending financial support to related initiatives in the Global South, including through partnerships and alliances. **In the Global South, most initiatives for just transition finance focus on a select few emerging economies, leaving a significant share of countries lacking dedicated funding streams**. Frontrunner countries of so-called Just Energy Transition Partnerships (JETPs) are South Africa, India, Indonesia, Senegal and Vietnam. In each of these countries, plurilateral structures for accelerating and financing the phase-out of fossil fuels have been established, each worth several billion US dollars. However, JETPs come with challenges, including lack of recognition around the particular needs of local governments, remaining funding gaps, a heavy reliance on loans to make up financing packages, and a focus on built infrastructure over social components such as supporting workers with job transitions.[92,93] All of these can hinder the provision of support to cities. Nevertheless, JETPs still carry the potential to leapfrog development towards renewables and sustainable development, including in cities – the latter contingent upon advocacy at the national level where planning takes place.[94]

Narrowly defined funding and financing types

Most of the identified funds focus on supporting communities and small- and medium-sized enterprises that are impacted by the net-zero transition. These funds mostly offer a mix of financial instruments such as grants, concessional loans, debt financing, equities, and other forms of investment. One example of a fund offering typically narrowly defined funding is the US Just Transition Fund's Federal Access Center, which provides grants of up to US$ 100,000 to economically distressed coal communities to cover the costs associated with accessing federal funding for their economic development projects.[95]

Direct access for cities is limited

Many multilateral or other funds have a local implementation focus, but cannot be accessed directly by local authorities or city governments. Instead, **most funding is allocated to the national government and then transferred to local authorities in a top-down approach** following donor decisions on funding eligibility. For instance, the EU Just Transition Fund mandates EU countries to identify the territories and sectors eligible for funding, and uses its public sector loan facility to disburse grants and loans through the European Investment Bank (EIB) and its advisory hub. Consequently, local governments need to have considerable technical knowledge and capacity in order to access this kind of support.

Where cities cannot access finance directly, and require cooperation from the regional or national level for its disbursement, political support becomes a crucial and, at worst, limiting factor. For instance, cities with different political orientations than those of the central government might find it difficult to secure sufficient support to access funds. This happened in Budapest, the capital city of Hungary, when in 2019 the party in opposition to the national government took mayoral office. This resulted in loss of revenues and the exclusion of Budapest from many of the national and nationally governed EU funds. The original Hungarian plans for using the European Regional Development Fund and the European Social Funds, aimed at managing transitions in the job market, now excluded Budapest. Following extensive negotiations, Budapest, which accounts for 16–17% of national greenhouse gas emissions, was granted only 2.2% of the total allocation.[96]

The findings of our analysis around the challenges cities are facing align with feedback from cities themselves. According to the 2023 Eurocities Pulse Mayors Survey, **more than half (52.6%) of the surveyed EU mayors believe that EU institutions and policies do not consider the specific needs and requirements of cities, and that there is a need to engage city representatives in decision-making**.[97]

Other funds related to social protection with just transition elements

Besides the *13 funds* with an explicit just transition focus and the three just transition alliances, the analysis found *47 other funds* aimed at the global, regional or national level that incorporate or support elements of the just transition concept, including social protection. Out of the remaining 47 funds, 20 have secondary just transition components. The related funds focus on net zero transition, social protection and real estate, private debt, or private equity finance. Another 16 funds with a focus on net zero transition, social protection, urban climate action, or climate action and social protection do not have direct entry points for just transition. However, their focus on topics such as vulnerability or poverty reduction, resilience planning or climate adaptation and mitigation might provide opportunities for broadening their scope in the future. The remaining nine funds are focusing on natural hazards, risk reduction and related financial instruments. Though they do not have an immediate just transition focus the larger resilience building perspective might allow for linking them to just transition activities.

Examples include:

- The EU's InvestEU Fund and Horizon Europe, the World Bank's green bonds, and the IMF's loans under the Resilience and Sustainability Trust have all included a just transition component. For instance, the InvestEU "Just Transition" scheme is one of the pillars of the EU Just Transition Mechanism. This means that InvestEU can support investments in the framework of the Territorial Just Transition Plan in a wider range of projects, including for energy and transport infrastructure, gas infrastructure and district heating, but also decarbonisation projects, economic diversification and, importantly, social infrastructure. The InvestEU Advisory Hub, and its city specific component, URBIS, will act as a central entry point for advisory support requests to some projects to be financed under the EU Just Transition Fund.[98,99,100] Also in the EU, the European Social Fund Plus aids in managing transitions in the job market, and the European Globalization Adjustment Fund for Displaced Workers assists workers who lose their jobs due to economic restructuring and the transition to a low-carbon economy.

- In the United States, the Inflation Reduction Act (IRA) provides grants and loans to support just transition actions, with the majority of funding allocated towards transitioning to low-carbon energy sources. The IRA provisions include an allocation of US$ 3 billion for "environmental and climate justice block grants" to initiate unique investments in community-driven projects. Notably, various programmes supported by the IRA, such as the Urban and Community Forestry Program and the Rural Energy for America Program, are explicitly linked to the Justice40 Initiative, a commitment to ensure that at least 40% of the overall benefits from federal investments in climate and clean energy are available to disadvantaged communities.[101] Additionally, a total of US$ 75 billion within the Infrastructure and Jobs Act and Inflation Reduction Act is dedicated to supporting green workforce development across 54 programmes.[102]
- Also falling under this category are the green, social and sustainability bonds by Caisse des Dépôts, France; and equity funds such as the African Development Partners III, the Rise Fund II, the AfricaGrow, the FMO/NNIP Emerging Markets Loans Fund, the InsuResilience Investment Fund, the Triodos Microfinance Fund, the Emerging Africa Infrastructure Fund (EAIF), the Urban Property Fund by Diversity, the Amundi Planet Emerging Green One, the IFC Masala Bond Programme, and others.[103] All of these funds include social protection components. For instance, the Caisse des Dépôts established its green, social, and sustainability bonds as part of its commitment to provide up to €16 billion (US$ 17.3 billion) of financing for the just transition. It organises the issuance of these bonds to provide long-term support for ecological and energy transition in France, with the aim of reducing social and territorial inequalities. Eligible categories include social and solidarity economy, social real estate, healthcare and social healthcare, education, and professional insertion, among others.


Credit: Quezon City Climate Action Plan

Complexity and access

As with the 13 dedicated just transition funds, cities may face challenges accessing these alternative funding sources. In particular, such initiatives – although essential and potentially transformative – are highly complex to navigate. **Cities, even in the Global North, face legal, structural and capacity-related barriers to full implementation, and need ongoing support to better understand and fulfil the multiple roles that mayors can play in maximising the benefits of laws and policies**. Guidance, such as the IRA Guidebook developed by C40 and Climate Mayors on how to access emerging funding and financing opportunities for workforce development and safeguarding, is paramount to securing financing and ensuring the effective delivery of a just transition in cities.[101]

Climate funds with the potential to serve a just transition

Lastly, our analysis identified numerous global climate funds with the potential to also serve a just transition. Examples include the Global Environment Facility (GEF) trust fund, the Green Climate Fund, the Adaptation Fund, the Least Developed Countries Fund, the Special Climate Change Fund, and the Community Resilience Financing Partnership Facility.

In this category, a comparably large number of funds explicitly target climate action in urban areas, such as the Urban Climate Change Resilience Trust Fund, the Urban Resilience Trust Fund by the Asian Development Bank (ADB), the Climate Change Fund by the ADB, the City Climate Finance Gap Fund by the EIB, or the Urban Projects Finance Initiative.

Many of these global funds with city access options can offer significant capital to support climate action and to expedite social protection and just transition initiatives. Others, such as the Urban and Municipal Development Fund by the African Development Bank (AfDB) and the Cities Development Initiative for Asia, are more comparable to project preparation facilities, providing finance expertise and feasibility studies to support cities preparing projects.

Project-type focus

Many of these funds prioritise infrastructure and technological constructions, with potential linkages to a just transition. Examples include greening of transportation infrastructures under the GEF, and the construction of hydro energy plans and general development of power and water infrastructure under the EAIF. However, **to date, the vast majority of these funds do not have an explicit just transition component, nor do they focus on social protection**. They typically focus more on the materials and process side of infrastructure construction, and less on workforce aspects.

Direct access

Only four out of the broader pool of 36 funds identified within this category can be accessed directly by cities; these focus on risk reduction for poor and marginalised communities.

Overall analysis of access and suitability

Mastering a comprehensive overview of this large number of funds, each coming with specific application, implementation, and monitoring obligations, requires high levels of capacity and expertise. This creates a number of barriers to cities accessing funds expressly for the purpose of just transition activities, or that can serve just transition needs.

Barriers at development partner and programme-design scale

- **Large-scale projects as a criterion for eligibility:** Some funding programmes have a minimum project value for providing support; for example, URBIS, an urban investment advisory platform by the European Commission and European Investment Bank, only funds projects worth a minimum of €20 million (US$ 21.6 million).[104] **This impedes access for smaller cities with limited capacities and resources, and disadvantages projects that aim to support skills and labour-market access – which are comparatively low-cost compared to infrastructure construction projects**.

- **Complex application process:** Long and complex application processes and the requirement to prepare supporting documentation might create barriers, particularly for smaller or less-resourced cities.[105]

- **Language barriers:** The European City Facility programme supports municipalities/local authorities across Europe to implement climate and energy action plans. However, the application has to be written in English. This is a significant barrier to some cities, as those without existing capacity to meet this requirement have to engage (often costly) consultants and translators.[104]

- **Aligning project goals with donor priorities:** Questions of financial viability, repayment plans for loans, and generating returns on investment are challenging for just transition projects, particularly when aiming to secure private funding. These projects require consideration of both financial and social returns on investment, and it is difficult for cities to develop bankable project proposals that align with both goals.

- **Prevalence of sectoral funding:** Despite growing evidence and advocacy for cross-sectoral and interlinked approaches – including the bridging of just transition efforts and social protection – **funding schemes are often planned in sectoral siloes, matching the setups of national and subnational governments. Only rarely are just transition or social protection elements included as upfront criteria in funding design**, as in the sustainable credit facility by the BBVA. Likewise, innovative urban development finance schemes might have a topical focus not (yet) geared towards a just transition or social protection; one exception to this is the innovative Green Cities programme of the European Bank for Reconstruction and Development, which focuses on environmental challenges.[106] This is recognised as the most advanced global programme to finance cities, making direct loans without a sovereign guarantee, and holds great potential for the integration of just transition considerations and criteria.

Barriers at national scale

- **Regulatory and legal constraints:** Any kind of borrowing by the local governments, including the issuance of municipal bonds, is linked to fiscal borrowing constraints and restricted by national governments in 56% of countries.[107] As of 2018, only 32 cities in the Global South had recorded issuing municipal bonds.[108]

Barriers at city scale

- **Lack of knowledge and awareness:** The funding landscape is highly dynamic, and many cities might not be aware of the funding support available.

- **Low levels of creditworthiness and high levels of debt:** Among countries with emerging economies, only 21% of the 500 largest cities have investment-grade credit ratings, hindering their ability to access to finance (see Box 7).[12]

- **Reluctance towards new means of funding:** Many cities are still dependent on traditional funding sources like subsidies and grants. Decision-makers might be reluctant to explore new and innovative financing sources, including private-sector funding and PPPs.

- **Lack of capacity and skills:** A lack of trained staff and/or the need to build staff capacity can be a major barrier to both accessing and managing available funds. This affects smaller cities more than larger ones, but it is a universal urban challenge. Peer learning and knowledge exchange support provided by city networks, such as C40, can help cities identify challenges – as well as approaches to overcoming them – and transpose good practices from other cities to meet local needs.

- **Lack of project pipeline:** Many cities face difficulties in adopting a proactive approach to project planning, which results in a significant challenge when it comes to securing funding opportunities. Without a prepared project pipeline (and a dedicated fund or forum for submission of pipeline projects), cities may be unprepared when relevant opportunities arise.

- **Lack of data:** Cities might face crucial data gaps when applying for funding that supports the most marginalised populations. In particular, this typically requires data from informal settlements and informal workers, which are often not captured within formal censuses.

- **Challenge of combining multiple funding sources:** Cities may lack the capacity to combine multiple financial resources to fund larger, cross-sectoral projects. In addition, current funding mechanisms do not necessarily encourage the consideration of co-benefits – instead tending to perpetuate siloed approaches – which can hamper the directing of funding to cross-sectoral initiatives.

VI. Recommendations

Based on the analysis presented in this report, we conclude with a set of guiding principles and recommendations for improving access to just transition funding and finance for cities.

These recommendations are tailored specifically to actors of different types and at various levels, and have a particular focus on facilitating access to finance that bridges just transition principles with climate action and social protection.

Guiding principles for various actors

1. For all actors and stakeholders

- **Adopt a holistic just transition approach across scales:** To ensure that transitions to low-carbon economies are inclusive and equitable, ensure that policies and funding and financing decisions take into account job creation, workforce retraining, and access to jobs for all. Integrate informal sectors into projects by design, aiming to reduce social inequalities. Identify and overcome barriers to a just transition, such as capacity constraints, complex application processes, and regulatory hurdles, in urban and non-urban settings. Look into social protection, loss and damage, and other climate finance instruments that can be linked and aligned with just transition goals.

2. For international policymakers

- **Prioritise cities in international and national climate strategies:** Recognise and leverage the unique role of cities as major contributors to CO2 emissions and energy consumption, and that they are therefore key sites for a transition – but that this must be a *just* transition. Focus on urban-specific challenges, such as increasing inequality, cost of living, and energy poverty, as well as the role of informal workers and informal settlements and their access to solutions and opportunities to drive effective climate action and green investments.

- **NDC integration:** Introduce city-level financial support needs for a just transition in NDCs to facilitate roadmap development, investments from the public and private sectors, and finance flows to cities. The **Coalition for High Ambition Multilevel Partnerships (CHAMP) pledge**, endorsed to date by 72 negotiating parties to the Paris Agreement as a COP 28 presidency initiative, provides a key opportunity for partnership in closing the systemic climate finance gap at the subnational level. Indeed, by signing the pledge, national governments have committed to better involve subnational authorities in the revision, implementation and financing of their NDCs and other national climate strategies.[3]

3. For national policymakers

- **Strengthen social protection and labour policies:** Implement robust social protection and active labour market policies to safeguard under-served groups, especially informal workers, from the adverse effects of climate change and economic transitions. Involve subnational decision-makers in the design and implementation of these policies.
- **Integrate social goals with climate action:** Incorporate social and employment considerations into climate finance and action. Aim for a comprehensive approach that creates synergies between social welfare and environmental sustainability.

4. For subnational & urban policymakers

- **Use powers to map local needs and pilot solutions:** Even with limited sectoral, legislative, and/or fiscal powers, map local needs and strengthen partnerships with communities and key stakeholders to drive innovative local solutions, including social protection scheme pilots and labour protection mechanisms.
- **Advocate for shaping regional and national policymaking:** Where possible, engage with higher administrative levels to create enabling environments for local climate finance and action, and amplify subnational voices by getting involved in relevant networks.
- **Foster inclusive urban development in parallel with a just transition:** Integrate just transition principles into broader urban development strategies and plans, considering the specific risk profile and (financial) situation. Develop enabling governance schemes to ensure sustainable, equitable, and resilient futures for cities and all their inhabitants. It is clear that there is no one-size-fits-all solution to securing a just transition, underscoring the importance of tailored, context-specific policy development and financial planning.

5. For private and public financiers

- **Establish common principles, metrics, and allocation criteria for just transition finance:** Clarity on what constitutes just transition finance will help guide investors and development partners, accelerate investments on international, national, and local levels, and enable the tracking and measuring of progress towards a just transition for all.
- **Develop tailored financial strategies for cities:** Address the diverse financial needs of cities for facilitating just transitions. Utilise a mix of funding sources while acknowledging the unique challenges faced by cities, especially in the Global South. Support the structuring and aggregation of subnational project pipelines, providing intermediation and risk mitigation instruments and mechanisms.

6. For international and national policymakers and city networks

- **Provide guidance for cities:** Support cities by providing information – including guidance specific to urban contexts – and establishing working groups or networks for exchange and mutual learning.

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Annex

Dedicated just transition funding opportunities for cities

No.	Category	Name	Description	Just transition component?	Direct access?	Value	Geographic coverage
1	Just Transition Fund	C40 Inclusive Climate Action Cities Fund	Fund for cities specifically focused on facilitating inclusive climate action and a just transition to a green economy	Yes	Yes	US$ 60,000/ city	C40 cities
2	Just Transition Fund	Just Transition Fund (EU)	Provides tailored support to the territories most affected by the transition towards climate neutrality	Yes	No	€19.2 billion	EU countries
3	Just Transition Fund	Just Transition Fund (US)	Focuses on mining and power plant communities in major coal-affected areas of the United States. Non-profit organisations and local governments serving coal communities are eligible to apply for grants and technical assistance	Yes	Yes	grants up to US$ 100,000/ project	United States
4	Just Transition Fund	Global Energy Alliance for People and Planet (GEAPP) Energy Access and Transition Trust Fund (GEATTF)	Single-partner trust fund, established in 2023 under the Pacific Financing Partnership Facility and the Innovative Finance Facility for Climate in Asia, to support an equitable transition to clean energy across emerging economies in relevant member countries of ADB. Supports central and local governments, government agencies, and eligible private sector and other entities	Yes	Access arrangements for local governments not mentioned	US$ 35 million	Bangladesh, India, Indonesia, Pakistan, and Vietnam
5	Just Transition Fund	Blended Finance for the Energy Transition (USAID)	Fund aimed at mobilising finance to support renewable energy projects and facilitate just and resilient energy transitions in emerging markets. Provides catalytic grant funding to private sector entities	Yes	No	US$ 1 billion	India, Indonesia, South Africa, and Vietnam
6	Just Transition Fund	Just Transition Fund supported by IKEA	Supports the development and implementation of just energy transition programmes	Yes	No	US$ 20 million	South Africa, Vietnam, and Indonesia
7	Credit Facility for Just Transition	Sustainable credit facility by BBVA	The first credit facility aligned with the just transition concept. The conditions of the facility are linked to the fulfillment of two sustainability indicators: 1) a social indicator related to SDG 7.1, which seeks to ensure universal access to affordable, reliable and modern energy services; and 2) an environmental indicator linked to SDG 7.2, to substantially increase the share of renewable energy in the global energy mix	Yes	No	€1.5 billion	Spain
8	Just Transition Initiative	CIF's Just Transition Initiative	Provides practical guidance, funding, and a knowledge sharing platform to help operationalise just transition principles into policies, plans, and projects in Global South countries	Yes	Yes	N/A	72 low- and middle-income countries
9	Just Transition Initiative	EBRD's Just Transition Initiative	Supports regions affected by the green transition through available financing investment, in line with the existing strategic approach in each relevant country. Mostly loans and grants	Yes	No	N/A	EBRD countries

10	Just Transition Partnership	South Africa's Just Energy Transition Partnership	Partnership between South Africa and five industrialised countries (European Union, France, Germany, the United Kingdom and the United States) to help South Africa move from a coal-based to a renewable energy economy, taking into account inclusivity and equality. Commitments include concessional funding and policy loans (mechanism still under development as of April 2024)	Yes	No	US$ 8.5 billion	South Africa
11	Just Transition Partnership	Just Energy Transition Partnership, Indonesia	Partnership with Indonesia, co-led by the US and Japan and also consisting of the UK, the EU, Germany, France, Italy, Canada, Denmark, and Norway. Targets the early retirement of coal-fired power plants in Indonesia	Yes	No	US$ 20 billion	Indonesia
12	Just Transition Partnership	Just Energy Transition Partnership, Vietnam	Partnership with Vietnam, consisting of the UK, the EU, the US, Japan, Germany, France, Italy, Canada, Denmark, and Norway. Aims to decommission coal-fired power plants, invest in renewable energy and energy storage, and increase energy efficiency	Yes	No	US$ 15.5 Billion	Vietnam
13	Just Transition Partnership	Just Energy Transition Partnership, Senegal	Partnership with Senegal, consisting of France, Germany, the EU, the UK, and Canada. The technical expertise and funding will be provided by multilateral development banks, the private sector, sovereign wealth funds, and philanthropic foundations over the next three to five years. Focuses on increasing energy access, accelerating renewable energy deployment, and envisioning a long-term, low-greenhouse-gas emission development strategy in Senegal	Yes	No	€2.5 billion	Senegal
14	Just Transition Alliance	Glasgow Financial Alliance for Net Zero	A coalition of major financial institutions committed to accelerating the transition to a net-zero economy. Mobilises private capital towards climate-friendly investments	N/A	N/A	N/A	N/A
15	Just Transition Alliance	Financing a Just Transition Alliance	Brings together over 50 banks, investors and financial institutions with universities and trade unions. Aims to translate the growing commitment to a just transition across the financial sector into real-world impact	N/A	N/A	N/A	N/A
16	Just Transition Platform	Just Transition Support Platform	Technical assistance platform aiming to build the capacity of the ADB's lower-income member countries, to strategically plan, implement, and finance a just transition	N/A	N/A	N/A	N/A

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