

Barriers to action

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

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Summary for policymakers and urban practitioners

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.

A swift transition to low-carbon and resilient cities must be a just transition for all, simultaneously addressing historic injustices and preventing new ones. As home to large parts of national populations, economic hubs, and the closest level of government to their residents - cities are uniquely positioned to [drive a local just transition](#).

However, the current lack of integration of just transition principles into finance and access for local governments has a knock-on effect on cities' ability to plan for and implement inclusive climate action at scale. The average annual climate finance flows for cities in 2017–2018 were estimated at only 7–8% of the required amount for urban climate finance. As efforts are made to improve cities' access to climate finance, **just transition cannot be an afterthought; it must be integrated into finance by design**. Finance mechanisms proposed in the international climate policy arena must bridge the divide between available finance and urban just transition projects to meet city needs and deliver for residents.

The good news is 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, which is closely linked to the need for a just transition, although this link is not often made. Cities are some of the first to make this link in principle and practice, by implementing social protection measures that support communities through the transition to a green economy and protect income against climate hazards, promoting resilience.**

In C4O's new policy brief, developed in collaboration with UN University and informed by city experiences and policy experts, a total of **63 sources** of finance or funding for climate action and/or just transition were **assessed** for their relevance, suitability, and accessibility for cities. **16 were dedicated to a just transition**, and only **3 funds provide direct access to cities**, showing that **most of these mechanisms are either not tailored to fund locally-led just transition initiatives or are not easily accessible or suited to cities**. Based on the key barriers cities face, the study presents a set of recommendations for policymakers at various levels to improve access to just transition funding and finance for cities.

Given the complexity of the just transition, there is no one fund or finance tool that can cover all its needs. City officials would benefit from enhanced awareness and understanding of the various financing opportunities available, but capacity building in itself will not be enough without accompanying systemic change. Structural barriers must be addressed to facilitate access to just transition finance and funding for all cities, especially those in the Global South. Barriers include national policies that need to embed a just transition into climate planning, including NDCs; internal capacity and project readiness; ticket size (i.e. investment size); international finance institutions' rules that must prioritise inclusion and equity; and private investor risk aversion to upfront investment in social protection; and similar initiatives by cities to get climate ready.

In practice this will allow cities to go further, faster and fairer without leaving anyone behind. The proof of concept is there, ready to scale.

C4O has released a comprehensive policy brief on just transition finance gaps and opportunities for cities that can be downloaded [at this link](#).

This work is part of C4O's Inclusive Climate Action Programme and was generously funded by the Scottish Government's Climate Justice Fund.

Local governments are already implementing **labour market policies and social safety nets** to safeguard the poorest populations and prevent societal opposition to climate action. They are also recognising the invaluable contribution of informal workers and strengthening partnerships with them.



The city of **Accra** has created new mechanisms to provide access to improved healthcare and life insurance for 209 informal workers for a one-year period as a pilot.

Cities are also strengthening **social dialogue and partnerships** with all affected groups, particularly workers and unions, to ensure that initiatives are shaped by them and meet their needs.



In **Ekurhuleni**, the city has set up a Local Just Transition Forum to co-deliver the climate transition with local communities and ensure the equitable distribution of benefits.

Cities are embedding just transition principles and social protection measures within **climate adaptation and loss and damage** strategies and finance mechanisms.



The city of **Medellín** is linking a Municipal Fund for Emergency and Disaster Risk Management to a parametric risk insurance to strengthen quick access to finance and enhance community resilience.

These city policies and initiatives need investment vehicles that are tailored for the subnational context to allow them to go further and faster and which strengthen linkages between a just transition that

spans across mitigation, adaptation, loss and damage, and social protection. Instruments designed to fund and finance a just transition must respond better to the lived realities, needs, and capacity of cities.

Recommendations

- 1. Adopt a holistic approach across scales** by linking social protection, loss and damage, and other climate finance instruments to just transition goals and integrating informal sectors into projects by design.
- 2. Prioritise cities and their urban-specific challenges in international and national climate strategies**, leveraging their unique role as key sites for a just transition and efforts to partner with local stakeholders including unions, workers associations, the informal sector and residents.
- 3. 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.
- 4. Strengthen social protection and labour policies** to safeguard under-served groups, especially informal workers, and involve local governments in the design and implementation.
- 5. Integrate social goals with climate action** by incorporating social and employment considerations into climate finance and action.
- 6. Establish common principles, metrics, and allocation criteria for just transition finance** to help guide investors and development partners and enable tracking progress.
- 7. Develop tailored financial strategies for cities** by utilising diverse funding sources while acknowledging cities' unique challenges, especially in the Global South.
- 8. Use city powers to drive innovative local solutions while advocating** for shaping regional and national policymaking.
- 9. Integrate just transition principles into broader urban development strategies and plans** through context-specific financial planning and enabling governance schemes.



For more information about how cities are proactively addressing loss and damage and what support they need from national governments and international actors, read C4O's first-of-its-kind report [here](#). For more examples of how cities are driving local just transition initiatives and loss and damage responses, read C4O's [Just Transition Toolkit](#) and [Inclusive Climate Action Spotlight Series](#).