PRESIDENTIAL CLIMATE COMMISSION
TOWARDS A JUST TRANSITION

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The Presidential Climate Commission's Recommendations on a Just Transition Financing Mechanism

A Presidential Climate Commission Report

FOREWORD

As we celebrate the 30th anniversary of South Africa's democracy, it is with immense pride and reflection that we acknowledge the strides we have made as a nation. South Africa has undergone a profound transformation since the historic first democratic elections in 1994, embracing principles of equality, justice, and human dignity. Our journey, however, is far from complete. The path ahead requires continued commitment and innovative solutions to ensure sustainable and equitable development for all.

This document, "Recommendations for the Just Transition Financing Mechanism," marks a significant milestone in our ongoing efforts to address climate change while promoting social and economic justice. This is achieved by building on the assessment of challenges related to the financing of just transition projects, the existing financial architecture and ecosystem, and the subsequent provision of options for a Just Transition Financing Mechanism (JTFM).

As a former Minister and Deputy Chair of the Presidential Commission, I have witnessed first-hand the challenges and opportunities that lie in transitioning to a low-carbon, climate-resilient economy. The recommendations put forth in this report are crucial for achieving a just transition, which not only aims to mitigate the adverse effects of climate change but also seeks to redress historical injustices and promote inclusive growth.

The importance of the JTFM cannot be overstated. It is designed to ensure that the transition to a green economy is fair and that no one is left behind. The JTFM envisions a future where economic development is harmonised with environmental sustainability, and where the benefits of this transition are shared equitably across all sectors of society. This mechanism provides options and suggestions on the necessary financial support to communities and workers who are most vulnerable to the impacts of climate change and the shift away from high-carbon industries.

The principles of distributive, procedural, and restorative justice underpin the just transition framework that informs the JTFM. Distributive justice ensures that the risks and opportunities of the transition are shared fairly. Procedural justice emphasises inclusive decision-making processes that engage those most affected by climate change. Restorative justice addresses the historical and ongoing inequalities exacerbated by environmental degradation and economic marginalisation.

The journey towards a just transition is collective, and it demands a unified approach to mobilise resources, build capacity, and foster innovation. Thus, we must recognise the vital role of collaboration among government, private sector, civil society, and international partners as we implement these recommendations. The stakes are high, but the potential rewards—a sustainable, just, and prosperous South Africa—are well worth the effort.

This report is a testament to our commitment to building a resilient and inclusive future. It provides an evolutionary roadmap for how we can finance and support the transition to a low-carbon economy, ensuring that it benefits all South Africans, particularly those who have historically been marginalised.

In conclusion, let us reaffirm our dedication to the principles of democracy, justice, and sustainability. Let us work together to realise the vision of a just transition, ensuring that we also uplift and empower every member of our society as we combat climate change. The journey ahead is challenging, but with determination and collaboration, we can achieve a future that is equitable, sustainable, and bright for all.

Valli Moosa,
Deputy Chairperson,
Presidential Climate Commission

About this report

This report presents the PCC's recommendations on a JTFM. It presents the need for just transition finance; identifies barriers and challenges to scaling finance; and makes recommendations to support financial flow to just transition projects and programmes.

This report was prepared by Jesse Burton and Tara Caetano, with contributions from the PCC Secretariat through the Head of Climate Finance and Innovation Dipak Patel and the project lead Climate Finance Manager Khwezikazi Windvoel. Further, this report builds on analysis conducted by Krutham to assess the challenges related to the financing of just transition projects and the existing financial architecture and ecosystem to subsequently provide options for a JTFM. The report has been through a number of iterations, building on previously published draft reports and following a consultative process with stakeholders and institutions within South Africa's development finance ecosystem.

The PCC thanks its Climate Finance Working Group for their invaluable input, as well as the broader range of stakeholders that the PCC interacts with on an ongoing basis.

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About the Presidential Climate Commission

The Presidential Climate Commission (PCC) is a multi-stakeholder body established by the President of the Republic of South Africa. The PCC advises on the country's climate change response and supports a just transition to a low-carbon climate-resilient economy and society.

The PCC produces recommendations to the government based on research and evidence and facilitates dialogue between social partners – ultimately aiming to define the type of economy and society we want to achieve and provide detailed pathways for getting there.

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EXECUTIVE SUMMARY

The climate transition involves profound changes to the domestic and international economy, in which emission-intensive sectors of the economy will decline and low-carbon and climate-resilient sectors will grow. The just transition aims to ensure that the risks and opportunities in this transition are equitably shared, and in particular, that affected workers and communities are empowered to pursue sustainable livelihoods into the future. Just transition projects and programmes support workers and communities in transitioning out of declining sectors and into new sectors and include:

- Workforce development
- Economic diversification
- Sustainable agriculture and land rehabilitation
- Clean energy and infrastructure
- Social protection and services
- Community engagement and environmental stewardship
- Innovation and capacity building

In line with the Presidential Climate Commission (PCC)'s Just Transition Framework, just transition activities need to be based on the principles of restorative, distributive, and procedural justice.

Public and private finance already support just transition activities to a certain extent, but there are both systemic and project-specific barriers to the sustenance and scaling of such finance. There are three overarching challenges:

1) The absence of a universally accepted definition of the just transition, resulting in varied interpretations and understanding of what should be included and excluded.

2) The lack of a viable project pipeline, coupled with insufficient project preparation support, hinders the development of potential interventions, including by communities impacted by the transition.

3) A discernible mismatch between available funding sources and the specific requirements of just transition projects and programmes. Similarly, a major systemic challenge includes that the finance sector is not currently equipped to support a just transition.

Effective mobilisation and allocation of resources for South Africa's just transition requires the implementation of interventions and financing mechanisms that can address systemic and project-specific obstacles. In particular, the following core functions are required:

1. Matchmaking to connect suitable projects with potential funders
2. Funding mobilisation and aggregation from various sources
3. Blending and structuring of financial instruments
4. Applying a standardised project assessment framework
5. Providing project preparation assistance
6. Facilitating collaboration among stakeholders

Based on an analysis of the obstacles and recognition of the need to evolve the institutional and governance ecosystem over time, the PCC is proposing the creation of a Just Transition Financing Mechanism (JTFM). The JTFM will raise and channel funds towards the just transition, provide support to enable bottom-up responses to the just transition, and facilitate the development and successful implementation of just transition projects. These will be achieved while providing an institutional capability for learning by doing and implementing lessons as knowledge on financing just transition increases.

This report summarises the crucial interventions that need financing and outlines current actions and future plans to address barriers requiring targeted interventions. It also addresses longer-term actions to develop a comprehensive financing approach for the just transition.

Flexibility is key as South Africa navigates the unchartered territory of financing a just transition. Learning by doing, as well as reflecting and adjusting, as more information becomes available and experience with financing just transition increases will allow a response that is immediate, agile, and evolving.

The PCC envisages two phases to the establishment of the JTFM – in the short to medium term (18 to 24 months), a more decentralised approach will be anchored on the Just Energy Transition Investment Plan (JET-IP) Project Management Unit (PMU) Funding Platform and work to be undertaken within the DFIs. In particular:

- As an immediate first step, the implementation of the JET-IP PMU Funding Platform will provide critical matchmaking and project preparation services, in addition to targeted SMME support and development.
- Implementation of a collaborative process within existing development finance entities such as the Industrial Development Corporation (IDC), DBSA, and National Empowerment Fund (NEF) will enhance their existing JTFM functions and address currently siloed and fragmented efforts.

This will ensure these entities embody the principles of the Just Transition Framework and develop capacities that respond to the new and emerging demands for financing just transition, including procedural justice. During this phase, key interventions to enable the future evolution of the JTFM include:

- Collaborating to identify structuring and blending barriers facing the pipeline of projects.
- Developing a strategy for mobilising increased funding and aggregating.
- Instituting a review process after 18-24 months of implementation.

Over the longer term, the JTFM will evolve into a more permanent and centralised entity to comprehensively address functional gaps. This evolution must be in the spirit of procedural justice and co-designed with stakeholders to define appropriate institutional and governance structures that are fit for purpose and accepted at the level of implementation (community, municipality, provincial and national).

In parallel to addressing immediate functional gaps, system-level reforms are needed to enable finance to flow to a just transition. These reforms include mainstreaming just transition concepts in the finance sector, endorsing and supporting community- and worker-led project origination and development, mobilising additional local and international grant and concessional funding, reimagining the role of public finance, and meaningfully engaging the private sector in support of just transition efforts. A collaborative multi-stakeholder approach is vital, combining public and private sector efforts and ensuring procedural justice through robust and meaningful stakeholder engagement.

- The PCC will convene a private finance implementation taskforce to socialise just transition concepts and priorities, provide advice and support to private finance champions, and collaborate to shift the financial sector towards more responsiveness to the just transition.
- In response to stakeholder calls for structured processes that ensure procedural justice, the PCC will also develop and publish a stakeholder engagement charter.
- The PCC and PMU will establish an expert group to test, refine, and validate a project assessment framework as a fit-for-purpose tool to guide the market on quality just transition projects.

The PCC recognises the importance of developing projects on the ground that contribute to people's needs, support alternative economic futures in areas with spatially concentrated or sector-specific risks, and provide the benefits of inclusive, locally-led economic diversification. It therefore endorses bottom-up community and labour-led initiatives such as the Community Just Transition Fund and the Partnership Implementation Model. Further, the PCC urges local and international development partners to avail new and additional funds for just transition needs across the spectrum of required investments, including community- and worker-led initiatives, and to explore innovative and creative approaches to grant financing.

With respect to the important role that public finance plays in supporting the just transition, the PCC recommends that the National Treasury:

i. Undertakes a fiscal review to analyse existing public funding and the extent to which grants and spending address just transition needs.

ii. Based on the existing pilot projects, roll out the climate budget tagging framework for public expenditure.

iii. Integrate just transition elements into the Green Finance Taxonomy.

iv. Assess the potential role of public finance in derisking just transition projects and the extent to which incentives and mechanisms can be developed in support of a just transition.

While it is recognised that the JTFM cannot single-handedly solve all challenges, it can trigger particular interventions to mobilise, scale, and catalyse finance for South Africa's immediate just transition needs while remaining agile and navigating uncharted territory.

INTRODUCTION TO THE JUST TRANSITION FINANCING MECHANISM

This report makes recommendations on interventions and mechanisms required to effectively mobilise and allocate resources for South Africa's just transition. It describes the interventions that need finance, recommends actions to address barriers, and provides a longer-term financing strategy for achieving a just transition.

The recommendations described in this report address barriers to directing existing funds towards viable just transition projects and programmes, which are urgently needed in places where climate transition impacts are already being felt. These recommendations outline the systemic changes required to meet these funding needs, including transforming public and private sectors to support just transition. Given the urgency required and the unchartered territory of financing a just transition, flexibility is key. An approach of learning by doing and of reflecting and adjusting, as more information becomes available and experience with financing just transition increases, will allow a response that is immediate, agile, and evolving.

Analysis undertaken for the PCC over the last two years identified several gaps in funding the just transition. Current efforts are often fragmented and uncoordinated, even where key functional capabilities exist in established institutions. This fragmentation, exacerbated by other barriers, poses a major challenge in efficiently mobilising and allocating finance for the just transition. In response, the PCC is proposing the creation of a Just Transition Financing Mechanism (JTFM). A JTFM will provide a cohesive strategy for raising and channelling funds towards the just transition while providing an institutional capability for learning by doing and implementing lessons as knowledge on financing the just transition increases.

The various stakeholder engagements, bilateral discussions with key institutional partners, and inputs of PCC Commissioners have contributed valuable insights into the development of these recommendations on the JTFM.

Background and Context

South Africa faces a critical juncture in its transition to a low-carbon economy. The devastating consequences of climate change, including intensified floods, droughts, and other extreme weather events, are threatening livelihoods, ecosystems, and economic activities across multiple sectors. At the same time, a shift away from high-carbon sectors with existing workforces and local economic concentration - such as coal mining and auto manufacturing - can lead to job losses and economic hardship for many people. These factors highlight the urgency of a just transition in South Africa.

The Just Transition Framework (JTF) envisions a resilient economy powered by renewable energy and equitable access to resources and sustainable land use, all while upholding social justice, creating decent employment opportunities, and eradicating poverty (PCC, 2022a). This vision is based on an understanding of a transition in which social justice is intricately linked to measures addressing climate mitigation and adaptation to achieve an equitable, holistic societal transition.

The JTF advances the principles of distributive, procedural, and restorative justice to underpin the transition towards an environmentally sustainable economy and society in South Africa.

Restorative justice seeks to address the historical economic, environmental, and social losses that have been incurred against individuals and communities under extractive industries and aims to provide redress for these harms. Montmasson-Clair (2021) aligns restorative justice with the discourse of transitional justice, which underscores the need to be cognisant of historical instances of widespread and normalised human rights violations. This translates to interventions that ensure equitable access to environmental resources and land, advancing land redistribution and reinforcing strategies such as B-BBEE (Montmasson-Clair, 2021; PCC, 2022a). In other words, restorative justice seeks to use the transition to address historical harms and ensure that decarbonisation efforts do not perpetuate the structural injustices of the past.

Distributive justice demands that the risks and opportunities presented by the low-carbon transition be shared equitably. It requires interventions and policies that equip and empower citizens and stakeholders with the support and capacity to participate in the economy into which we are transitioning.

Procedural justice emphases that just transition interventions should be developed in bottom-up ways whereby those most vulnerable and affected define their own needs and futures. Partnerships should seek to unlock the various capabilities of community, private sector, and government institutions and build long-term networks between communities and resource organisations.

The transition must therefore be implemented to ensure that the burdens and benefits of the climate transition are equitably shared and that human development outcomes are maximised. Furthermore, it must provide opportunities for local communities and workers who are most vulnerable to the physical, societal, and socio-economic impacts of climate change and the transition.

The risks of not proactively financing just transition interventions include substantial job and livelihood losses, lack of job creation, ... and the erosion of development gains; in other words, the exacerbation of existing injustices and inequalities.

Just transition interventions entail measures that provide support to workers and communities whose livelihoods are threatened by decarbonisation efforts, both locally and internationally. This includes strengthening skills, enabling active labour market interventions (job placement schemes and transition support), promoting localisation, fostering enterprise development and championing support for small, medium and micro enterprises (SMMEs) as part of economic diversification and industrialisation strategies. Additionally, there is an emphasis on social ownership models and community development, with a particular focus on gender and youth empowerment, rehabilitation of land and ecosystems, as well as social and income support. The just transition presents an opportunity to address social and spatial inequalities, which are linked in many ways to the country's colonial and apartheid legacy.

Financing needs and interventions: what needs funding?

Realising the vision of a just transition necessitates substantial financial resources. A recent World Bank study, the "South Africa Country Climate and Development Report", developed with inputs from the PCC, estimates that R574 billion will be required for just transition investments by 2030 and R1.9 tn by 2050 (World Bank Group, 2022). These numbers are early estimates and are not very granular, indicating the need for further study and sector analysis – in particular, the quantification of financial support for workers, communities, and SMMEs. Although these figures are lower than those projected for adaptation and resilience (about R1.9 tn by 2050) and decarbonisation (R2.4 tn by 2050), the mobilisation and allocation of funds for the just transition face distinct challenges.

The financing of South Africa's just transition necessitates a whole-of-society, multifaceted approach to support those impacted by decarbonisation and to harness opportunities in climate resilience and the future net-zero economy. Key intervention areas include:

- **Workforce development:** Retraining and reskilling initiatives for workers and communities engaged in fossil fuel industries, workforce transition support (such as redeployment, mobility / relocation, job search and placement, and temporary income support), as well as attention on equipping workers and youth to participate in emerging low-carbon and diverse economic sectors.
- **Economic diversification:** Funding to diversify economies in decarbonising regions, supporting startups and SMMEs in local value chains, and building new firms and sectors as part of regional and national industrialisation opportunities.
- **Sustainable agriculture and land rehabilitation:** Investment in climate-resilient agriculture, rehabilitation of spent mining lands, and land management for food security and environmental sustainability.
- **Clean energy and infrastructure:** Ensuring equitable access to clean energy, including social ownership, equity ownership by workers through their labour unions, and funding for climate resilient infrastructure in water, transportation and urban planning, and buildings.
- **Social protection and services:** Transitional support for workers and communities affected by industry shifts, including social security nets, unemployment insurance, and education or apprenticeship stipends; service delivery improvements and continued provision of basic services for impacted communities and in impacted areas, including health.
- **Community engagement and environmental stewardship:** Financial support for community involvement in just transition decision-making processes as well as funding for community-led projects, including in, but not limited to, environmental restoration and resource management.
- **Innovation and capacity building:** Support for research, innovation, and capacity building in local institutions and individuals to facilitate and empower transition contributions.

The risks of not proactively financing just transition interventions and managing concentrated declines include direct and indirect job and livelihood losses, low growth and unrealised economic opportunities in new sectors, lack of job creation in new sectors of the economy, the erosion of development gains, and missed opportunities to boost domestic ownership and capital. In other words, the exacerbation of existing injustices and inequalities.

What problem are we trying to solve?

Financing for the just transition (not merely the climate and industrial transition) grapples with three overarching challenges: 1) the absence of a universally accepted categorisation of just transition projects, resulting in varied interpretations and understanding of what should be included and excluded; 2) the lack of a viable project pipeline, coupled with insufficient project preparation support that hinders the development of potential interventions, including by communities impacted by the transition; and 3) a discernible mismatch between available funding sources and the specific requirements of just transition projects and programmes.

Interventions that support a just transition are still in a nascent stage. This results in conceptual and prioritisation ambiguities, especially in relation to climate finance and levels of ambition related to social outcomes. Climate finance works to deliver climate action, such as mitigation and adaptation, the objectives of which have dominated discussions about the climate transition. While just transition finance does align with the objectives of climate finance, it also adds emphasis on addressing the social, economic, and environmental justice questions that underpin the transition to a climate-resilient and net-zero economy and society (Lowitt, 2021; PCC, 2022a).

The work undertaken by the PCC over the last two years has identified various barriers that prevent the mobilisation and allocation of just transition financing (for a detailed discussion, see Mobilising just transition finance: barriers and gaps in the financial ecosystem (PCC, 2023)).

These barriers include:

A finance sector that is not equipped to deliver a just transition

Neither the private nor the public finance sectors can finance and enable the just transition on their own. The private financial and investment sectors cite real and perceived risks, the small scale of projects, and insufficient risk-return rations as inhibiting factors. The public finance system faces fiscal constraints and is not yet configured to incentivise just transition investments. These must be harmonised to achieve the right balance and blends required for successfully mobilising the financial capital needed for just transition projects that are an essential part of the overall transition. The just transition is an economy-wide, whole-of-society transformation that seeks to embed improved socio-economic outcomes into the economic transition to net-zero by mid-century whilst building climate resilience. Stakeholder feedback has emphasised the importance of a deep and sustainable transformation of the overall finance sector alongside shorter-term targeted interventions to unblock investment in appropriate projects.

Conceptual challenges are marked by a lack of consensus on defining and categorising just transition projects. This translates to an under-recognition of just transition objectives within existing funding modalities, including climate finance and social development finance (i.e. that existing modalities can be refocused on forming part of a just transition financing ecosystem).

Information asymmetries also present significant challenges to mobilising just transition finance. The absence of standardised just transition indicators and metrics, along with poor quality data, complicates impact assessment, investor confidence, resource allocation, and integration into financial systems for informed investment decisions.

Furthermore, **there is a limited project pipeline,** especially at the community- and worker-level. Even where funds have been mobilised (as under the JETP, however insufficient they may be in relation to current challenges), funders struggle to mobilise financing for appropriate projects whereas project developers struggle to identify appropriate funding opportunities for innovative projects. This conundrum requires effective matchmaking and project development capacities.

Just transition projects also face significant financial and economic barriers should they seek to raise capital. For instance, it is difficult to price risk in just transition projects. Moreover, it is often not clear how commercially available funding can be attracted towards these projects, which are often smaller in scale (and therefore have higher transaction and arranging costs). There are also insufficient financial instruments that could cater to the needs of just transition projects, such as patient, risk-tolerant capital that can be mobilised through incentives and other de-risking instruments.

There are significant market and structural barriers to raising just transition finance. This entails the failure of existing pricing models to account for project externalities, particularly social benefits and environmental risks.

There are also reputational and regulatory risks, particularly in areas where government policy is less developed.

The PCC recognises the urgency of addressing these barriers to catalyse funding for just transition projects and programmes. Drawing on international and local examples :

- There is a need for matchmaking entities to link projects with appropriate funding sources throughout their lifecycle. Central to this is building a database that maps out potential projects with potential sources of finance.
- In addition to matching, a coordinated and targeted effort is required to mobilise and aggregate funding. This entails pooling resources from varied sources, forming blended finance arrangements, and amalgamating projects into larger, fundable programmes (particularly in sectoral or spatial clusters) and transactions.
- To integrate just transition projects within existing financial infrastructures, standardised project assessment frameworks are required to ensure that projects are aligned with the national framework and are sustainable in the long term.
- There is also a well-established need for project preparation assistance to address the lack of a viable project pipeline. This type of support is required through various development stages, including conceptualisation, technical assistance, and stakeholder engagement.
- Finally, coordination is paramount, facilitating collaboration amongst funders and project sponsors, as well as implementing bodies such as municipalities and non-governmental organisations (NGOs) to streamline efforts towards the just transition.

Although all vital, these steps could be staggered to allow for more experience and learnings as more just transition projects are rolled out, building towards and evolving into an end-state that addresses all functions in a unified and coherent manner.coherent manner.

What functions are needed to address gaps and challenges?

Given the barriers and required systemic changes identified in this report, mechanisms that directly address these challenges are needed, serving a pivotal role within the broader financial ecosystem. Drawing on global and local examples and recognising the unique needs of the South African context, some of the functions to be fulfilled include:

Function 1: Matchmaking

A vital function in mobilising funding towards the just transition will be matchmaking – connecting suitable projects with potential funders. Matchmaking is more than just a cataloguing platform. It is contingent upon several other functions, beginning with an initial screening to identify projects and potential financiers based on a preliminary fit. There needs to be an emphasis on ensuring municipalities and local communities, especially those with limited capacity, meet the criteria set by financiers. This process may include technical assistance. Thorough project preparation is another vital function. It involves feasibility studies, in addition to planning and structuring projects to align with the objectives and risk appetites of potential financiers. Negotiation, often a demanding phase, aims to bring parties to a common position, considering each stakeholder's unique considerations, risks, and expectations.

Involvement should not necessarily end at the negotiation table. It should also span post-deal support, facilitating successful project execution and establishing monitoring and reporting mechanisms to ensure just transition objectives are met. Moreover, a continuous feedback loop is needed, where project outcomes influence and refine future processes. This approach aims to facilitate immediate action for a just transition that ensures both environmental sustainability and social equity.

The functions detailed in subsequent parts of this report, such as funding mobilisation, blending, project preparation, and capacity building,

See the PCC's draft report of December 2023, Mobilising just transition finance: barriers and gaps in the financial ecosystem, for further details regarding local and international case studies.

Box 1: Aligning the PMU Funding Platform and functions of a JTFM

The work on a JTFM, while driven by the PCC, fits into a broader ecosystem of discussions and policy design work on how to finance the just transition at scale and over the short- and long-term. Within this, the work of the Just Energy Transition Investment Plan (JET-IP) Project Management Unit (PMU) forms a crucial pillar. The JET-IP Implementation Plan (approved by Cabinet and released in late 2023) makes specific suggestions on the need for a "JET Funding Platform" (PMU-FP) that will be established by the JET-IP PMU in 2024, initially in a proof-of-concept phase. It will be a matchmaking mechanism between the suppliers of grant funding under the JETP and potential JET beneficiaries. It will also provide project preparation support services to project originators to help them prepare plans and apply for grants. Furthermore, it will provide the public with regular analysis of the deployment of grant funds to JET projects. An Advisory Board comprising government, business, trade unions, and civil society organisations will oversee the Platform, which will ensure that the grant component of the JETP package is utilised with maximum relevance and impact for the just energy transition. This multi-stakeholder Advisory Board should be mandated to ensure that JTFM functional capabilities are appropriately institutionalised over time, based on the Board's experience and insights from the PMU-FP processes. Such a Board is also critical considering the proposal received from stakeholders for civil society oversight of financing processes (see Appendix summarising stakeholder perspectives).

The JET-IP Implementation Plan recommendations provide an immediate point of departure based on the already mobilised grant funding and an investment plan that identifies thematic and spatial areas of focus. The PMU and PCC have had extensive engagements to ensure that there is close alignment between the two mechanisms and that the lessons and insights from the Funding Platform evolve into a more expansive matchmaking function. A JTFM that evolves out of the Platform will need to address matchmaking and project preparation functions in support of projects within the overall Just Transition Framework, which may be beyond the scope of the initial Funding Platform; that is, projects that are geographically more diverse or beyond the energy sub-sectors covered by the JET-IP but are critical aspects of a just transition. In particular, the sources of grant, concessional, and commercial resources in these areas of the just transition have yet to be identified and mobilised. The PCC's analysis and recommendations in this report are longer-term in nature and seek to inform a more developed, sustainable, and fully-fledged institutional ecosystem that will undertake key functions over the full course of the transition. Of key importance is the alignment of the critical need for such a function to scale finance, crowd in both projects and funding and then match them or eliminate blockages.

The PCC considers the PMU work a valuable and important commencement of the process required for allocating and matching the JETP grant commitments to just transition projects. The platform will provide an early impetus for the development of a JTFM, as well as the crucial experimentation that is required for lesson-learning and evolutionary development of the fuller capabilities towards a comprehensive JTFM over time. The PCC and PMU will maintain close contact as the implementation of the just transition components of the JET-IP unfolds.

As a practical starting point, one immediate recommendation from the PCC is the adoption of a consolidated project assessment mechanism by the JET Funding Platform. The initial design of the assessment mechanism seeks to widen the scope of projects that qualify for categorisation as just transition projects in the early period of the JET Implementation Plan; particularly, it is an enabling mechanism for:

- The localities affected by coal power station decommissioning and mine closures.
- Maximising the participatory opportunities for workers and communities in new renewable projects.
- Motivating funding flows towards local economic diversification projects and programmes in affected areas.
- Implementing the Partnership Implementation Model (PIM).

Function 2: Fund mobilisation and aggregation

Significant barriers currently hinder the flow of finance towards the just transition. While 2024 will likely see a New Collective Quantified Goal set under the UNFCCC, finance for the just transition should also form part of international discussions, aligned with the goals of the Paris Agreement. To this end, carving a space within existing climate finance typologies and facilitating coordination between the public and private sectors and international funding sources will be vital.

The JET-IP implementation plan has highlighted the mismatch between just transition needs and available grant finance, demonstrating the need to mobilise greater flows of finance overall and additional concessional and grant resources in particular. International partners and grant funders will need to avail new and additional contributions that go beyond research and technical assistance to enable project implementation (including new blending and structuring approaches). Ensuring both increased quantities and improved quality of finance is a necessity raised explicitly by stakeholders.

Funding mobilisation should be accompanied by the development of innovative financial instruments that are tailored to the needs of just transition projects, such as guarantees, as well as insurance and catalytic capital mechanisms, to engage traditional investors. This would entail collaboration with financial institutions, NGOs, public finance actors, and the private sector to ensure the utilisation of multi-stakeholder expertise aimed at developing targeted solutions. These instruments can be tested through pilot programmes, which allow for real-world assessment, adjustment, and refinement before a wider rollout.

Support for pilot projects can also take the form of aggregating smaller, similar projects into a more substantial investment portfolio. Aggregation could group projects either based on location or type, e.g. New Energy Vehicles in the Eastern Cape. Aggregation aims to create investment opportunities that are sufficiently sizable and robust to attract capital from larger financiers, such as institutional investors, development banks, or government funds. Demonstration of successes, even on a smaller scale, can attract more investors, gradually establishing just transition financing as a viable investment opportunity.

Function 3: Blending/structuring

Blending and structuring entails financial engineering that combines various types of capital, such as grants, equity, and debt, to finance projects in a manner that maximises outcomes while minimising risk. This can help attract a wider range of investors and funders, each with different risk tolerances and expectations of return.

Function 4: An evolving approach to project assessment/tagging

The national JTF is a roadmap for South Africa's transition that sets out a shared vision, guiding principles, and governance approach. Importantly, the framework provides a vision of a just transition that takes into account the unique socio-economic, environmental, and historical realities of South Africa. This is embodied in its guiding principles of distributive, restorative and procedural justice, with the primary objectives being to achieve a quality life for all while fostering climate resilience and reaching net-zero greenhouse gas (GHG) emissions by 2050.

These objectives and principles underpin the just transition project assessment frameworks that have been developed in South Africa, presented in Appendices A, B and C. The PCC is proposing a unified assessment framework that evaluates whether proposed projects align with the principles of the JTF and contribute towards a just transition, thereby preventing 'just transition washing'. The approach encompasses a holistic evaluation of primary factors, including economic, social and environmental aspects. Central to this are climate adaptation and resilience and the reduction of GHG emissions, the creation of sustainable jobs, dedicated support for transitioning communities and workers, and local economic diversification.

Beyond merely identifying projects, an assessment tool can inform the behaviour of market participants. It outlines clear criteria for project developers to align with, enhancing their project's appeal to investors. Concurrently, it steers investors towards initiatives that are aligned with the just transition. To this end, a project assessment framework has a distinct strategic function in that it addresses the problem of information asymmetry in the financial ecosystem.

To enable matchmaking and mobilisation functions, project assessments should be conducted to evaluate a project's alignment with just transition principles as set out in the national JTF. For assessment purposes, the following criteria should be considered:

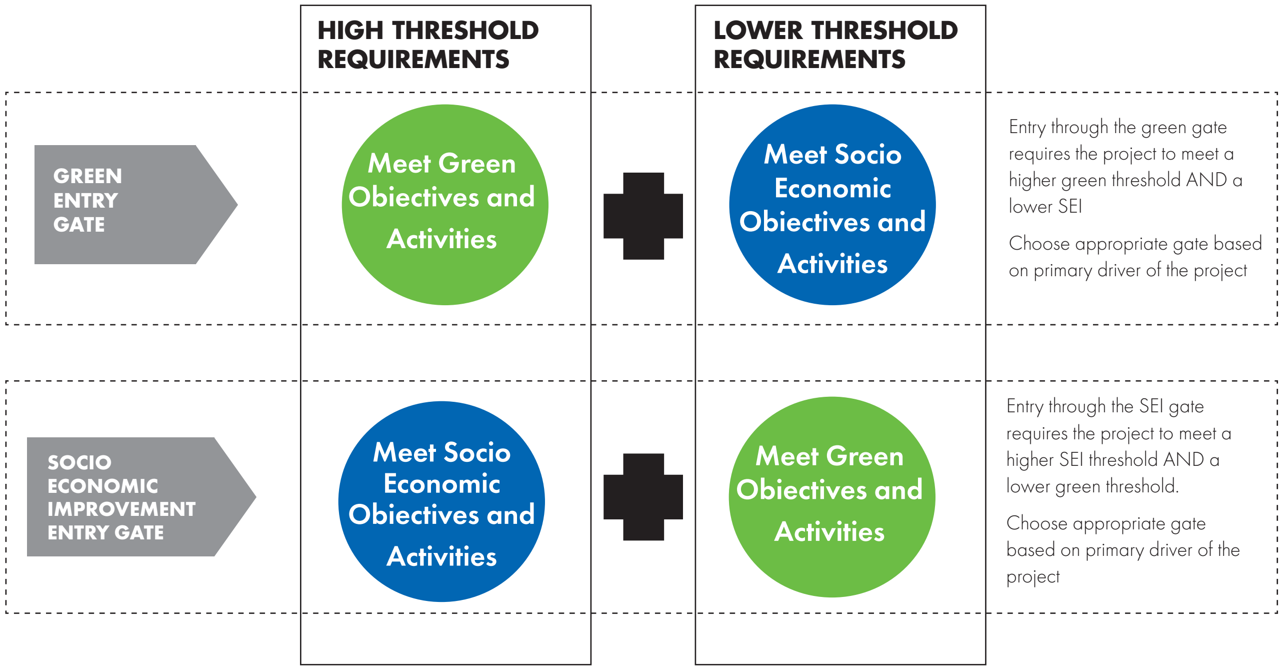
- **Potential impact:** Projects should have a high potential for positive social, economic and environmental impact linked to climate transition (transitioning into new low-carbon sectors or transitioning out of declining sectors). This could be assessed through projected job creation, development impact, climate mitigation and/or adaptation, or other relevant indicators.
- **Financial sustainability:** For projects that are funded through blended or private finance structures, there must be potential for financial sustainability and return on investment. This can be done by looking at business plans, revenue models, and financial projections.
- **Risk assessment:** A comprehensive risk analysis should be undertaken, factoring in market, technological, policy-related, and environmental risks. Risk mitigation strategies should subsequently be developed to address identified risks.
- **Innovation:** Preference could be given to projects that employ innovative technologies or approaches to address the challenges of the just transition.
- **Scalability:** The potential for a project to be scaled up or replicated in various contexts should be examined. This could facilitate the prioritisation of investments that have the potential for broader impact beyond the initial implementation site or scope.
- **Community involvement:** A crucial aspect of the project assessment will be measuring the extent and quality of community participation and the benefits derived. Engagements such as local stakeholder interviews and public consultations should be conducted to ensure that projects cater to community needs and have local support. This consideration is important for the long-term success of projects and aligns with a commitment to social justice and equitable resource allocation.

Box 2: Insights from alternate project assessment frameworks

A comparison of the draft PCC and TIPS frameworks (as shown in Appendix C) demonstrates general alignment on what activities constitute just transition actions within projects, related to key themes under the JTF. Both frameworks essentially rest on a set of shared activities that support a just transition, covering activities under similar themes and addressing similar vulnerabilities amongst workers and communities.

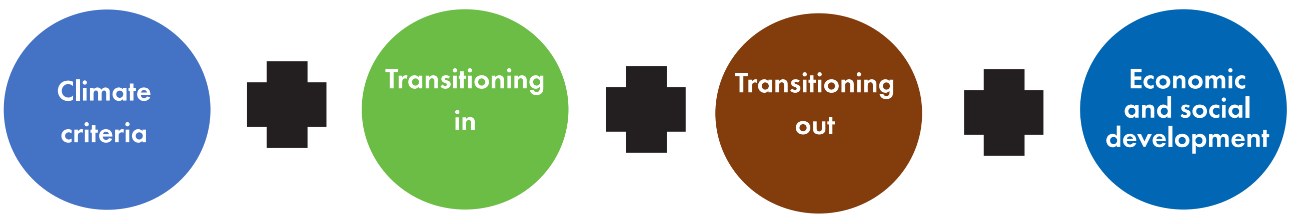
The TIPS approach categorises projects as either primarily green or socio-economic, but with a secondary set of socio-economic or green activities that must also be met. The approach recognises that projects can either be geared towards social projects (with lower effort for greening) or green projects (where additional socio-economic efforts would be needed to take the project from pure technology investment, such as an RE plant, to a just transition project). A further layer includes more ambitious ownership or empowerment criteria to create a 'gold standard' (Just Transition Plus). The logic is to create incentives for more social ambition in green projects and vice versa, as well as reward socially ambitious development projects for making efforts towards meeting the green finance taxonomy (GFT) criteria. The approach rests on assessing the project on a set of indicators for the underlying activities.

Figure 1. TIPS assessment framework



The PCC framework takes as its starting point (first gate) a set of climate impact criteria (mitigation, adaptation and resilience), in addition to transition-related activities such as decommissioning or support thereto. Projects must then contribute to transitioning into the new net zero or climate resilient economy, transitioning out of the old fossil fuel economy or supporting workers and communities impacted by the transition, and finally to a set of criteria related to economic and social development (namely equity and inclusion, local content, and SMME support).

Figure 2. PCC assessment framework



Both frameworks link climate change response to development outcomes, with just transition projects having an explicit social impact in addition to decarbonisation or climate resilience.

The major differences arise in:

- Linkages to the GFT, where TIPS uses the existing taxonomy indicators for part of the entry into their framework or relies on a set of socio-economic indicators ("gates" for entry), whereas the PCC framework rests on climate-related activities as a first step to enter consideration;

- Conceptual organisation across themes (i.e., how much effort is devoted to particular activities or required across different indicators);

- Scoring of levels of ambition and consequent informational needs and validation/auditing burden. Scoring ensures the quality of the social aspects of transition projects, but it requires validation and data collection to assess project compliance. A further issue is the currently constrained project pipeline; excluding projects at this early stage would potentially limit learning and action. As the project pipeline develops, a more robust mechanism will be required to assess project outcomes and effectiveness. In light of stakeholder comments (notably for simplification and to ensure a fit-for-purpose framework) and the current shortage of projects, the PCC proposes the removal of points-based scoring for the assessment framework, although projects will still need to successfully contribute to the key categories to ensure requisite ambition.

One critical aspect of both frameworks is that neither explicitly addresses large-scale, public social protection programmes, especially for workforce transition. That is, beyond the existing employment and labour relations and unemployment insurance modalities, the frameworks do not yet incorporate activities that address targeted (be it sectoral or spatial) interventions for workers in sectors undergoing significant transformation. Addressing such modalities is a key area for further work, and emerging public policy support may entail a re-assessment of the framework over the coming years.

South Africa is a global pioneer in developing solutions for and policies supportive of just transition investment frameworks, with a great depth of research and knowledge on the topic. However, stakeholders noted the risk of fragmentation (and therefore dilution of scarce resources) with multiple frameworks. Given the need to align, streamline and integrate approaches, this report recommends a unified project assessment tool, as reflected in Appendix B.

A critical role for the JTFM will be to apply this unified framework, collect data, and provide guidance to project developers and financiers. As collective understanding grows and validation of a consolidated framework is achieved, a more robust assessment framework that includes stricter and more quantified scoring can be applied to just transition projects. This will be essential to ensure the requisite ambition for just transition project implementation, and to assess whether the framework is working effectively to crowd in projects and finance.

Further, the continued development of the GFT to incorporate a just transition lens is important. Climate budget tagging (for public sector expenditure) monitored through periodic fiscal reviews, as well as guidance to private sector lending and investment institutions to report on their just transition activities, will provide a clearer understanding of how South Africa is progressing in its endeavour to ensure that the country's climate response constitutes a just transition.

Function 5: Project preparation and development

Given the pipeline constraints, more active project preparation support is necessary to develop a viable just transition project pipeline. Project preparation helps to transform project ideas into financially sustainable and actionable outcomes. Project preparation and development need to address the multifaceted challenges and requirements that just transition projects entail. In addition to risk assessments and financial structuring, the services offered through this function must entail:

- **Conceptualisation:** Engaging with project sponsors and communities to refine project ideas into actionable plans, including facilitating ideation sessions and supporting preliminary feasibility assessments to solidify the project concept.
- **Technical assistance:** Providing guidance across numerous technical facets of projects. This extends from feasibility studies to in-depth technology evaluations, ensuring that projects are not only innovative but also grounded in practical viability.
- **Capacity building:** This can be done by organising tailored training sessions, workshops and seminars geared towards equipping stakeholders with the latest knowledge and skills essential for navigating the just transition landscape. Furthermore, an emphasis on peer-to-peer learning fosters a collaborative environment where project teams can share experiences and adopt proven methodologies.
- **Regulatory and compliance guidance:** Here, projects can be assisted in understanding and complying with regulatory frameworks, ensuring the timely acquisition of necessary permits and leveraging policy incentives.
- **Stakeholder engagement:** Engaging all relevant parties, from local communities and government agencies to NGOs and private entities, ensures that projects align with the objectives and concerns of all relevant stakeholders. Connections can be established between diverse actors in the financial ecosystem to help project sponsors manage and execute stakeholder interactions.
- **Environmental and social impact assessments:** This not only ensures adherence to global sustainability standards but also fosters the growth of projects that are woven into the social fabric of their communities.
- **Implementation:** Supporting project sponsors during project implementation, including performance tracking, technical assistance, and problem-solving.

The project preparation and development functions should be structured as a holistic framework designed to guide just transition projects from ideas to tangible, impactful realities.

Box 3: **Bottom-up project origination and development through the Community Just Transition Fund and the Partnership Implementation Model**

The Community Just Transition Fund currently being established by a group of civil society organisations will be a community-advised small-grants facility. The Fund will engage in participative grant-making to provide small grants for experimental and catalytic community-owned projects that promote the just transition and climate resilience and are run by local people in South Africa.

Projects that will be supported by the Fund include those that fall broadly within the Just Transition Open Agenda, are situated in air pollution priority areas which are affected by fossil fuel closure, and hotspots for climate impacts – starting with the Mpumalanga Highveld, Vaal Triangle, South Durban, and the Limpopo Waterberg – and those that build social and ecological resilience, demonstrate the power and potential of a post-carbon society, and benefit local people. The projects the Fund will support are not intended to generate returns on investment, although some projects may mature into SMMEs or be scaled into income-generating projects in due course.

The Community Just Transition Fund will build a portfolio of real and visible projects that demonstrate the power and potential of new energy systems and climate (social and ecological) resilience approaches to local economic development. The idea is not necessarily to support large projects at scale but rather to support a strategic and diverse selection of projects, monitor their progress, and present to bigger financing institutions that can roll out at scale if appropriate. Special priority will be given to projects run by women and those who have suffered from the effects of the fossil fuel economy.

It is expected that one of the first (but not only) grantees of the Fund with be a community just transition hub, established by the same network of organisations, that will provide governance and institutional support to several local community just transition centres in directly affected areas, building on the existing capacity of community-based organisations operating in those areas.

Building on consultation done as part of the Just Transition Open Agenda and the emerging concept of the just transition centres, initial themes for a diverse portfolio of projects to be supported – through the community just transition hubs and centres, or directly to other community-based organisations – could include:

- Projects that pilot models for socially and community-owned renewable energy.

- Projects that involve reconstructing and retrofitting settlements for sustainability and resilience, including climate-proof homes, waste management, wastewater treatment, stormwater, as well as green and cool spaces.

- Agro-ecology projects that grow food and take care of soil, health and nutrition, water etc.

- Projects that restore the land in post-mining landscapes and mine rehabilitation, as well as watercourses and catchments.

- Projects that monitor the health impacts of air and other pollution from fossil fuels, and support those impacted with treatment interventions.

groundWork, Centre for Environmental Rights, Earthlife Africa, the Environmental Justice Fund, and community partners that include the South Durban Community Environmental Alliance, Vukani Environmental Justice Movement and the Vaal Environmental Justice Alliance

See for example: https://groundwork.org.za/the-urban-movement-incubator-energy-democracy-project/

- Community care work such as providing food and care for older people, creches and early childhood development and aftercare centres with the multiple benefits of children's development and enabling women to take up paid work in the low-carbon economy.

- Projects that enable small-scale electric and alternative forms of public transport.

- People's museums, art and other projects that support the psychosocial aspects of the transition.

Short-term steps are underway to establish the Fund.

The PCC's PIM offers another example of a process for bottom-up project origination. The aim is to develop a common agenda for collective impact in regions that will be highly affected by the transition. This model seeks to coordinate and align various stakeholders such as community organisations, local businesses, civil society, local governments, and other relevant stakeholders to agree on a common agenda for the particular community or region.

Through forums, these stakeholders determine a shared vision, measurable success metrics, activities, and continuous communication, with the ultimate goal of developing community or regional just transition projects that build on the partners' respective capabilities.

A list of projects, including livelihood projects, is then developed from these engagements. The stakeholders develop a decision analysis framework consisting of technical, financial and economic, environmental, social, and regulatory criteria that are weighted using feedback from the forums. The list of projects is assessed using this framework, and the most relevant ones are identified and introduced to the JTFM process. This ensures integration of the different interventions being conceptualised by stakeholders with greater impact and scaling of projects.

Function 6: Facilitating collaboration, reflecting, and redirecting

Recognising the diverse actors in the financial ecosystem, this function serves as a facilitator (and over time, as a prospective coordinator) to initiate collaborations between public entities and corporate stakeholders. The objective is to bridge the gap by aligning untapped financial resources with suitable beneficiaries and fostering an environment of shared learning derived from collective successes and challenges. It will be critical to reflect on lessons from early initiatives and nascent functions and to reflect, adjust, and develop an institutional structure or ecosystem to ensure a coherent and supportive capability for the JTFM.

Just transition financing mechanisms to support project scaling

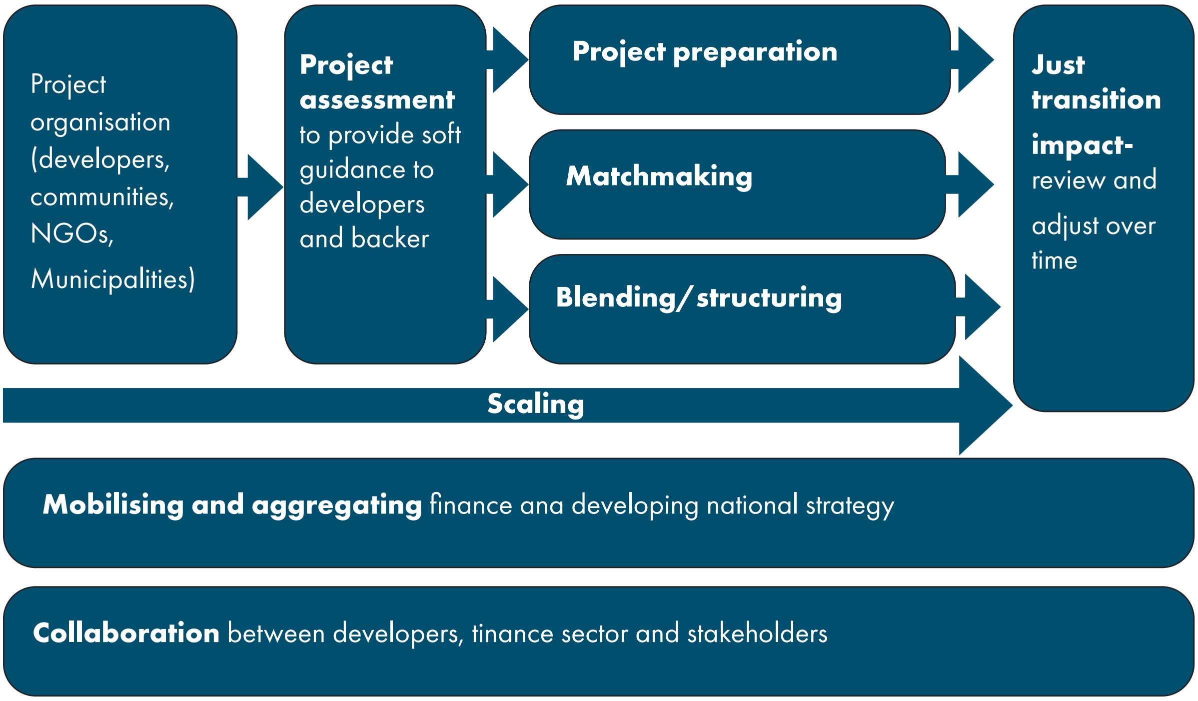


Figure 3. Financing mechanisms to support the scaling of just transition projects

Which institutions are already performing these functions?

The proposed functions of the JTFM overlap with the mandate of various existing national and sub-national entities in the just transition ecosystem, including the PCC. The mandate of the PCC is to guide South Africa towards a just, climate-resilient and low-carbon economy. It also plays a crucial role in stakeholder engagements, research, and mobilisation of resources to support implementation.

Several other institutions perform some of these functions, such as DFIs, research institutions, NGOs, government departments (including structures in the Presidency), provinces, and municipalities. These institutions play a vital role in supporting projects and programmes that foster sustainable economic development, job creation, infrastructure development, and environmental sustainability.

The DBSA, a DFI, is dedicated to advancing infrastructure development across the African continent and performs several of the key functions outlined in the discussion above, such as project preparation and building partnerships. By using a programmatic approach, the DBSA seeks to address developmental challenges at a scalable level, with a focus on sectors such as energy, water, transport, and information and communication technologies. The DBSA plays a catalytic role by leveraging its financial resources and capabilities to attract other funders, expedite financial closures on projects, and initiate innovation. Collaboration is central to their strategy; they form partnerships with local and international development institutions to mutually reinforce and benefit their development goals. Another relevant programme of the DBSA is the establishment of D-Labs: community centres to provide SMME support, which is executed in partnership with local enterprises to address local needs.

The Industrial Development Corporation (IDC) plays a key role in catalysing and executing South Africa's industrial development policies. Focused on economic growth, promotion of new industrial sectors, and enhancing South Africa's competitiveness through industrial development, the IDC identifies sectoral development opportunities. Their mandate encompasses funding high-impact ventures and leading the creation and evolution of new industries. This is facilitated through diverse financing channels, such as equity investments, loans, and borrowing from various financial bodies. Beyond the domestic landscape, the IDC invests in an array of sectors across Africa. As such, this institution has extensive experience in identifying and funding high-impact ventures, as well as broad influence and investment reach across various sectors that can offer invaluable insights into just transition financing practices.

The National Empowerment Fund (NEF) works to deliver innovative economic transformation solutions to ensure an economically inclusive South Africa. Its commitment to promoting black economic participation is evident through its financial and non-financial backing to black-empowered businesses, with support channelled via five funds . Additionally, NEF solutions extend to non-financial services such as pre- and post-investment support, turnarounds, restructures and socio-economic development, and asset management.

The National Business Initiative (NBI) brings together its members to focus on the Sustainable Development Goals, envisioning a sustainable and inclusive socio-economic transformation for South Africa. As an independent business movement of nearly 100 South African and multi-national member companies, the NBI emphasises business participation in the development agenda. They highlight the necessity for cross-sectoral partnerships – encompassing the public and private sectors, civil society, and diverse economic sectors. With a focus on fostering collaboration at various levels, the NBI has significant experience in providing strategic support to their corporate members in all aspects of sustainability, and more recently, in developing transitional roadmaps for their climate response and long-term climate resilience.

Finally, the JET-IP PMU is tasked with overseeing and actualising South Africa's JET-IP. The JET-IP was launched in November 2022, giving historic effect to the Just Energy Transition Partnership. The JET Implementation Plan for 2023 provides a roadmap for South Africa's transition to a low-carbon economy, aligning with its decarbonisation commitments under the Nationally Determined Contribution in terms of the Paris Agreement. This transition promises enhanced economic growth, job creation in sectors like renewable energy and electric vehicles, heightened energy security with the introduction of sustainable energy sources, and positioning South Africa as a key player in the future green economy. The plan also envisions a substantial economic boost, aiming for more than R1tn of new investments into the nation's economy.

The tasks of the PMU include overseeing the implementation of the JET-IP, which includes developing project plans, managing budgets, and monitoring progress. It is also tasked with building the capacity for South Africa to support the implementation of the JET-IP and mobilising funding from international and local sources, including public finance. Both the PCC and the PMU perform functions related to a JTFM. The PCC focuses on awareness, stakeholder engagement, and policy advice, whereas the JET-IP PMU concentrates on implementation aspects, including financial resource allocation, and implementing a matchmaking mechanism in the form of the JET Funding Platform.

The JET-IP PMU has made specific suggestions on the need for a financial mechanism for the just transition within the context of and the need to mobilise the JET-IP grant pledges, blended with and leveraging wider pools of money, including the private sector. (See also Box 1: Aligning the PMU Funding Platform and functions of a JTFM).

These entities play pivotal roles in steering South

Africa's just transition pathway, especially in terms of coordination, capacity building and mobilising finance, and an emerging role in matchmaking in the PMU Funding Platform, albeit focused on a narrower set of activities and themes. Moreover, the skills and networks these entities have cultivated are invaluable to the just transition financial ecosystem. It is essential that these assets are not dissipated post-JET-IP. As such, a dedicated financing facility for the just transition could provide sustained momentum, ensuring that South Africa stays on course to realise the country's just transition objectives, offering a robust, long-term institutional framework. The Funding Platform also provides a critical avenue for lessons and insights from the JET-IP matchmaking, which can evolve into the more expansive matchmaking role needed for all just transition activities. Table 1 outlines the attributes and functions that are insufficiently covered by existing entities.

Table 1: Key functional gaps in existing institutions

Function	Description
Matchmaking	Most of these entities do not have a primary function dedicated to matching available funding with specific just transition projects. While they may guide and oversee the transition landscape, they do not systematically connect financiers with project developers or ensure that financing aligns with the highest impact projects. It is envisaged that the PMU-FP will play this role in the initial period and on a "soft" basis for a subset of transition projects from which a more permanent matchmaking function can evolve.
Project assessment and guidance	A dedicated just transition financing facility would ideally incorporate a standardised assessment framework to categorise and prioritise projects based on their alignment with just transition objectives. Such a mechanism provides clarity to investors and facilitates tracking of investments. The existing entities lack a comprehensive, standardised approach to just project classification.
Behavioural change	A dedicated facility would be better positioned to induce behavioural change within the financial ecosystem. By actively promoting early engagements in project design, broadening financial access for marginalised groups and facilitating collaborative interactions, it can reshape how projects are ideated, funded, and executed.
Long-term continuity and focus	Existing entities like the JET-IP PMU have a broad mandate, and its focus might evolve over time based on political, economic or environmental shifts. A dedicated financing facility, however, would ensure sustained attention to just transition financing needs, independent of other overarching mandates

Given the gaps identified in the current financial ecosystem, the challenges in overcoming these barriers, and the need for coordinated efforts to mobilise just transition finance, the PCC recommends the establishment of a JTFM. This mechanism is envisaged to not only complement existing initiatives but also bridge critical gaps, streamline processes, and enhance the effectiveness of just transition funding strategies.

In proposing the JTFM, the PCC has examined various institutional options that can support its functions in the broader financial ecosystem. Key considerations include the speed to market, suitable institutional arrangements that would enhance public trust and acceptability, as well as the supporting infrastructures that would enable the JTFM to catalyse a coordinated mobilisation of just transition finance. These analyses (centralised vs decentralised options) are detailed in subsequent sections of this report and aim to identify the most viable hosting entity or structure that aligns with the requirements of just transition financing, be it unitary (centralised) or 'virtual' (decentralised and collaborative across institutions in the ecosystem). A dispersed and collaborative approach could also evolve into a functional entity as institutions learn and respond to the emerging demands of the just transition over time.

Drawing lessons from past green finance initiatives, such as the IDC's Low-Emissions Development guarantee, the SUNREF program, and the IFC's First Facility, the JTFM aims to overcome common challenges that have hindered the success of these models. Key learnings highlight the importance of scalability, reducing bureaucratic hurdles, providing robust project preparation support, and adopting a proactive stance in project sourcing. These insights are instrumental in shaping the JTFM's approach, ensuring it avoids past pitfalls and is better equipped to facilitate a just and equitable transition to a net-zero and climate-resilient economy.

Initially, the function of the JTFM will be centred around the PMU Funding Platform, undertaking matchmaking – identifying and aligning suitable projects with appropriate funding or resources – and project assessment and guidance, which entails identifying projects that align with the principles of the JTF, as well as project preparation, ensuring that projects are viable, sustainable, and in alignment with broader just transition goals. Beyond this, capacity building will become a focal area, where the mechanism will invest in equipping stakeholders with the skills, knowledge, and resources required for the transition. Finally, finance mobilisation and aggregation, as well as blending and structuring, will be evolving functions of the JTFM. This involves crafting and optimising financial models and strategies that ensure the feasibility and sustainability of projects while maximising their socio-economic and environmental impact. These functions already exist in a dispersed manner across existing entities, which will need to address internal and external silos to work in an aligned manner.

Centralised versus decentralised institutions: lessons for a JTFM

The financing mechanisms examined in the PCC's initial draft report provided valuable case studies for the development of South Africa's JTFM (see the draft report for a full literature review of just transition/social justice financing mechanisms across the globe). Each of these mechanisms, while designed to fit unique socio-political and economic contexts, embodies distinct institutional structures and operational strategies. The spectrum of design options includes both centralised and decentralised institutional arrangements. Centralised institutions are established by national government, with planning and decision-making concentrated within a few entities. The key strengths and weaknesses of centralised mechanisms are:

Centralised versus decentralised institutions: lessons for a JTFM

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Centralised institutional strengths:

- A high degree of coordination that allows unified, broader-scale action;
- Political support that enables integration with dedicated entities that can ensure policy alignment; and
- The ability to use public funding mechanisms for just transition financing, making it easier to direct resources to priority areas.

Centralised institutional shortcomings:

- A key weakness is that this approach is layered in bureaucratic regulations that make it slow to adapt, with cumbersome administrative features;
- Just transition initiatives may not account for local conditions, which may alienate and disempower local communities, undermining acceptance of the just transition and its objectives; and
- Increased risk of central corruption that can lead to the misallocation of funds.

Decentralised models entail decision-making that is distributed across multiple levels and entities. These facilities have the following strengths and weaknesses:

Decentralised institutional strengths:

- Local autonomy enables decision-making at local levels that can lead to solutions more aligned with community needs;
- Responsiveness: This structure is potentially more agile in responding to local conditions and crises;
- Innovation encourages experimentation and localised solutions; and
- Community participation facilitates increased citizen involvement in governance, leading to policies that can be more legitimate and accepted in the eyes of the public.

Decentralised institutional shortcomings:

- Limitation in terms of the complexity of establishing an independent institution;
- Ensuring effective governance and accountability can be challenging;
- Securing adequate funding may also be challenging; and
- Difficulty in orchestrating unified action on national or international issues.

Box 4: Stakeholder views on the JTFM's institutional arrangement

The PCC's engagements with the JET-IP PMU, the Infrastructure Fund, National Treasury, and the DBSA highlighted the following institutional considerations:

- Consensus on the urgency of establishing the JTFM and finding the most pragmatic way forward;
- The need to avoid duplication and ensure alignment with existing entities, specifically the JET-IP PMU in the short term;
- Emphasis on collaboration with existing financial channels, both onshore and offshore, to mobilise funding and not rely on fiscal funding alone;
- Consideration of the complexity of PFMA reporting requirements and their implications for the intended functions of the JTFM;
- The objectives of the JTFM should define its institutional structure; and
- Establishing the JTFM within an existing PFMA entity emerged as a pragmatic way forward. While there are disadvantages to associating the JTFM with its "parent/host" organisation, advantages entail operational ease, speed to market, and benefitting from financial and governance structures that are already PFMA compliant.

To fully leverage the potential benefits and mitigate potential pitfalls in the design of a just transition finance facility for South Africa, a deep understanding of the specific strengths and limitations associated with centralised and decentralised institutions is needed. Given the urgency of mobilising just transition financing, the PCC considers a hybrid model built around a central institution, which signals strong political commitment that facilitates partnerships and cross-sectoral collaboration, as the optimal approach in the medium term. It is important to acknowledge the complexities associated with setting up new, independent institutions. Effective governance, robust financial management, transparency, public accountability, and alignment with national policies are challenges that require careful consideration and strategic planning. At the same time, the objectives of the just transition should be accepted by society at large for any initiative to be successful. As such, the JTFM could pioneer a governance model which combines the advantages of both centralised and decentralised structures, while circumventing their drawbacks, by leveraging functions and capabilities in existing entities in a collaborative, cohesive, and reflective manner.

Institutional and legal options for the JTFM

Building on the insights garnered from international models, this section explores the legal considerations for establishing a JTFM in the South African context. Akin to the international models examined in the input reports, the PCC envisages that the JTFM will play a key role in the mobilisation and allocation of just transition financing.

In addition to these analyses, the PCC has placed a great emphasis on collaborative efforts that include dialogues and alignment with entities such as the JET-IP PMU, Infrastructure Fund, National Treasury, and DBSA (for an overview of key takeaways from these dialogues, see Box 4). The key functions of the JTFM will be assessment and matchmaking. For this to succeed, the JTFM will also need to assist project sponsors in project preparation and provide relevant risk assessment to potential funders. These functions should be the key inputs in the institutional design of the JTFM.

Design considerations

Considering the recommended functions and responsibilities of the JTFM, we identified key criteria to consider in determining its institutional arrangements. We divided these considerations into two sets of criteria, namely functional and institutional.

Functional criteria relate to the capacity for effective planning and advice, as well as capital mobilisation and allocation. These criteria include:

- Planning and advice: The facility should be resourceful and capable enough to guide potential funders and projects related to just transition investments.
- Mobilisation: The mechanism should be able to mobilise both domestic and international capital for just transition initiatives.
- Allocation: Funds should be allocated according to policy-aligned priorities.
- Technical assistance: Support should be provided to local governments, enterprises, NPOs, and communities.
- Reporting: A system should exist for transparent reporting to funders, governments, and communities.

At the institutional level, factors like the speed of establishing the structure, its longevity, political inclusiveness, simplicity, and robust governance mechanisms are vital. Institutional criteria include:

- **Speed to market:** The facility should be established quickly to provide certainty to funders.
- **Longevity:** It should be designed to last for the duration of the transition.
- **Political economy:** There should be a voice and representation for all stakeholders.
- **Simplicity of structure:** The facility should be easy to manage.
- **Governance:** Robust governance mechanisms should be in place, especially for transparency in handling public funds.
- **Accessibility:** The process for potential beneficiaries to access funds should be streamlined.

The PCC applied these criteria to the different institutional forms of a JTFM, which needs to be created within legal and regulatory constraints. For this reason, we considered three legal structures, namely a public-sector entity, a jointly owned entity, and a private entity. We particularly focused on public entities, which can be created in terms of two pieces of legislation ¬– the Public Finance Management Act (PFMA) and the Public Service Act (PSA). Schedule 2 PFMA entities are intended to generate profits and declare dividends. These entities have significant autonomy as they operate in a competitive market and are run in accordance with general business principles. In terms of section 66(3)(a) of the PFMA, Schedule 2 public entities may also borrow money through the accounting authority of that entity, which means they also have requisite borrowing powers. PSA entities allow for the creation of two types of entities within the public administration in terms of sections 7A and 7B. We will focus on government components in this report.

There are also Schedule 3 entities – government business enterprises – that generate income but may be substantially self-funded or substantially government-funded. As a result, they have less autonomy than Schedule 2 public entities, even though they are still run in accordance with general business principles. These entities also have limited borrowing powers.

The remaining public entities are classified as Schedule 3A and 3C entities. These entities are normally extensions of a public entity with the mandate to fulfil a specific economic or social responsibility of government. They rely on government funding and public money, either through a transfer from the Revenue Fund or statutory money. As such, these entities have the least autonomy.

Evaluating public sector entities against criteria

Four types of entities were considered in our evaluation of Schedule 2 entities, a DFI, project special purpose vehicles (SPV), lending banks, and a fund. Our assessment looked at existing entities, such as the DBSA, Trans Caledon Tunnel Authority (TCTA), Land and Agricultural Bank, IDC, and Independent Development Trust (IDT).

In terms of Schedule 2 entities, the DBSA scored the highest overall, indicating that it might be better equipped to handle the complexities of just transition financing. The TCTA's unique strength lies in capital mobilisation, while the IDT scores high on alignment with policy priorities and the IDC on planning and advice. Yet, they are less equipped in terms of providing technical assistance and capital mobilisation. The choice of entity for a just transition financing facility should consider not just these scores but also the specific needs and focus areas of the facility.

All these entities would have to adhere to the governance, operational standards, and reporting requirements outlined in the PFMA, ensuring financial sustainability, transparency, and accountability. The advantages and disadvantages of Schedule 2 entities are summarised below:

Table 2: Advantages and disadvantages of Schedule 2 entities

Advantages	Disadvantages
Financial sustainability, with mechanisms in place to maintain operations	Bureaucratic challenges associated with PFMA regulations
Defined governance under the PFMA facilitates clear governance structures	Attraction of private capital Defined governance under the PFMA facilitates clear governance structures
Operational autonomy	Operational rigidity that undermines flexibility
Public accountability mechanisms to stakeholders	

In terms of Schedule 3 entities, we explored the following models: funds, aid schemes, and development agencies. The models we looked at were the Road Accident Fund (RAF), the National Student Financial Aid Scheme (NSFAS), and the National Youth Development Agency (NYDA).

The NYDA model appears to be the strongest in several domains, particularly in planning and advice, capital mobilisation, and technical assistance. In contrast, the NSFAS and RAF, while possessing strengths in planning, score lower in several areas such as mobilisation and reporting to funders. However, none of these entities scored as high as the DBSA and similar Schedule 2 entities. We summarise the advantages and disadvantages of Schedule 3 entities below:

Table 3: Advantages and disadvantages of Schedule 3 entities

Advantages	Disadvantages
Enables a holistic approach	Complex governance structures
The built-in operational mandate allows not only fund management but also project execution	High operational costs
Significant potential for strategic partnerships	Administrative delays due to their large structures

Our analysis of PSA entities focused on government components. Conceptually, government components are ring-fenced entities within the administration of a government department that have particular roles and functions. We examined the Municipal Infrastructure Support Agency (MISA), the Gauteng Infrastructure Financing Agency (GIFA), and the Government Technical Advisory Centre (GTAC). Here, the GTAC emerges as the strongest all-rounder, with consistently high scores across all domains. The GIFA displays commendable abilities in certain areas but has specific domains that need improvement. The others scored well in planning, but lower in several other areas such as the mobilisation of capital and reporting to funders.

Table 4: Advantages and disadvantages of PSA entities

Advantages	Disadvantages
Allows for a specialised focus	A narrow focus could undermine integration with broader objectives
Enables operational flexibility	Bureaucratic overlaps with other departments
Consists of technical expertise	Ensuring transparency and accountability can be challenging

Establishing the JTFM within an existing entity

Four types of entities were considered in our Given the long lead time to set up a new entity, a more rapid and practical way forward may be to anchor an emerging set of functions, evolving into a dedicated just transition financing facility within an existing structure. In this evaluation, we assess three potential options for housing the facility – a government department, GTAC, or the DBSA. Each option has advantages and considerations in terms of organisational capacity, expertise, and alignment with the facility's objectives. We consider how this will work in this section, looking at government departments, the DBSA, and the GTAC.

Within a government department

While this is possible in theory, several practical problems emerged in our analysis. First, these departments are subject to the full PFMA requirements; in particular, the rollover of unspent monies is subject to significant regulatory oversight. Second, the bureaucratic nature and operational rigidity of government departments could create significant roadblocks for the facility. Specifically, lengthy approval processes could delay the timely allocation and disbursement of funds, while limited operational flexibility could hinder the facility's capacity to adapt swiftly to new opportunities or challenges. Both factors combined could compromise the effectiveness and responsiveness of the JTFM.

Within the GTAC

Establishing the JTFM within the GTAC offers several advantages, most notably the GTAC's proven track record in efficiently administering the Jobs Fund, which is designed for job creation projects. This existing operational framework could be adapted to accommodate the JTFM, accelerating its launch and potentially easing stakeholder concerns given the GTAC's credibility. Moreover, the GTAC's familiarity with managing multi-stakeholder engagements makes it a fitting host for the JTFM, which will undoubtedly involve a diverse range of participants from various sectors.

Despite these advantages, the GTAC's focus on job creation does not necessarily extend to the wide array of sectors and projects that a just transition involves, such as social ownership of renewable energy or workforce re-skilling. This might necessitate the development of new expertise or partnerships that could initially slow down the JTFM's operations. Additionally, aligning the mandates and objectives of the GTAC with those of the JTFM may require strategic shifts in stakeholder communications and management, possibly leading to friction or operational delays. Therefore, while the GTAC has substantial infrastructure and experience that could benefit the JTFM, some potential limitations and challenges would need to be thoughtfully addressed.

Within the DBSA

The DBSA could serve as a candidate for hosting the JTFM, owing to its extensive experience in managing substantial initiatives such as the Green Fund and the Infrastructure Fund. The Green Fund focuses on environmental projects and complements South Africa's transition towards a green economy. Its well-established procedures for investment assessment, along with a variety of financial instruments such as grants and equity, make it particularly relevant for a facility aimed at the just transition. Additionally, the Infrastructure Fund leverages both public and private sector expertise to finance and facilitate various infrastructure projects, thereby strengthening investor confidence and alignment with government objectives.

This translates into significant advantages such as the DBSA's proven track record to manage major facilities as well as bridging funding gaps for large-scale projects through the introduction of innovative financial instruments. Yet, this option also has some drawbacks relating to institutional capacity, resource limitations, and potentially complex reporting requirements.

In summary, housing the JTFM within an existing entity brings several considerations to the fore:

- **Flexibility and bureaucracy:** Housing within a government department may introduce unwieldy bureaucratic constraints that could hamper swift fund disbursement;
- **Existing models:** GTAC's model with the Jobs Fund showcases an effective mechanism for fund distribution, suggesting potential scalability for just transition initiatives;
- **Alignment with objectives:** The DBSA's Green Fund and Infrastructure Fund, as well as the GTAC's Jobs Fund present structures that resonate closely with just transition objectives. Their experience in managing such funds, coupled with an alignment of goals, makes them potentially strong candidates;
- **Diverse financial instruments:** The range of financial tools utilised by existing funds (grants, loans, equity) could be instrumental in catering to the varied needs of just transition projects; and
- **Strategic collaboration:** The existing facilities' emphasis on forging partnerships could amplify the reach and impact of the just transition facility.

Joint DBSA and IDC structure

Considering the unique strengths of both the DBSA and IDC, the PCC also considered a joint structure in which these entities could collaborate as potential hosts for the JTFM. With its distinct advantage in commercial and small-scale business financing, the IDC could play a more pronounced role in this partnership, bringing its expertise to the fore and complementing the DBSA's strengths. Their experience and understanding of the commercial landscape will ensure that the JTFM addresses commercial viability in the transition. Meanwhile, the DBSA has demonstrated its ability to manage the intricacies of large-scale infrastructure projects. This is evident in their track record of bridging funding disparities and innovating financial instruments. By integrating the JTFM within a combined DBSA/IDC framework, it could be possible to not only tap into both entities' experience in fund management and partnership cultivation but also leverage their abilities to attract both domestic and international investments. Such a synergy would not only harness the strengths of both institutions but also expedite the establishment of the JTFM, addressing the pressing need for its swift implementation.

Considerations for a public-private partnership

Establishing the mechanism within a public-private partnership (PPP) framework offers the advantage of combining private-sector efficiency with public-sector oversight. Such partnerships could be agile and cost-effective, leveraging the specialised expertise and financial resources of private entities while being guided by government regulation and public funding requirements. The collaborative nature of PPPs allows for shared responsibilities, lowering the taxpayer burden and often leading to better outcomes, such as enhanced infrastructure and healthcare services.

The Health Foundation serves as a real-world example, highlighting the importance of strong governance, transparent financial management and alignment with strategic objectives for the success of PPPs.

A PPP structure also brings its own challenges, chiefly concerning conflicts of interest and accountability. Private entities involved in the partnership might prioritise commercial interests over public welfare, creating ethical and operational dilemmas. Furthermore, PPPs are not typically subjected to the same level of scrutiny and transparency as fully public entities, which might cause concerns about accountability. To mitigate these risks, a robust governance structure, like that of the Health Foundation, would need to be put in place. This would include transparent financial reporting, ethical operations, and regular evaluations to ensure quality control and bolster stakeholder trust.

Summary of institutional options

Our analysis has explored multiple options for a longer-term end-state institutional structure of the JTFM, each with its own set of advantages and challenges. At the heart of the facility are two core functions: matchmaking between just transition projects and appropriate funding sources, as well as tagging to ensure these projects align with broader sustainability goals. Existing DFIs could offer an expedient route to set up the facility, leveraging their expertise in fund management and capital mobilisation. Establishing a new entity, while compelling in its design features, may present challenges in terms of time to market and governance.

The ultimate choice of structure should prioritise the JTFM's primary functions and be agile enough to adapt as the facility matures. As some functional areas have emerging structures, a process for longer-term institutionalisation must build on and evolve out of these functions over time. The objective is to achieve a balanced solution that combines functional efficacy, strong governance, and operational agility to realise a robust and effective JTFM. It is crucial to note that the PCC is not recommending any particular institution at this stage; rather, the final decision should be based on a deeper analysis of all available options and informed by further stakeholder consultations and inputs.

Critical functions beyond a JTFM to support the successful financing of just transition activities, as identified by stakeholders

In consulting stakeholders for this report, critical areas of action were flagged as necessary to create an ecosystem for the successful financing of the just transition in South Africa. Stakeholders criticised the lack of justice in the current financial system, lack of information and knowledge of government expenditure and alignment with the just transition, lack of information on financing opportunities, and challenges to developing bottom-up projects. Interventions to address these stakeholder inputs are included in the draft recommendations and Table 5.

Financial ecosystem change for a just transition

The current financial ecosystem needs to adapt to accommodate just transition financing. As Lowitt (2021) points out, there is a great need to accept the investment logic that a just transition portfolio in the South African context is vital for reducing climate, environmental, economic, governance, and political risks. This portfolio should be viewed as a mitigation strategy against the risk of stranded assets, higher social protection costs, increased social strife, and political instability. In what follows, the PCC considers some of the vital changes required in the financial ecosystem to address the needs of the just transition (Lowitt et al., 2023; Naidoo, 2021):

Shift in investment logic: Financial stakeholders need to view just transition portfolios not only as a social or environmental responsibility but also as a strategic imperative to reduce multifaceted risks. These portfolios should be distinct from those directed towards purely decarbonisation efforts. By delineating "climate finance" and "just transition finance," stakeholders can set clearer objectives and implement more effective strategies.

Integration of just transition indicators: Differentiating just transition projects from other environmental and social initiatives is crucial. The PCC sees a just transition project as a multi-dimensional initiative that combines climate action with targeted support to vulnerable workers and communities as well as marginalised groups to share equitably in the benefits and burdens of transitioning to a low-carbon economy.

Adopting formal just transition frameworks with clear metrics can guide investments in decarbonisation while ensuring social equity. This approach encourages investors and project sponsors to consider strategies that benefit the majority and mitigate risks to vulnerable populations.

Advocate and establish the need for just transition objectives within existing climate finance channels. To gain momentum in mobilising and allocating just transition finance, it will be crucial to carve a space for this type of finance within the existing climate finance ecosystem. This will require a robust framework that can adequately manage a mix of loans, grants, and government guarantees, ensuring that domestic fiscal resources are either preserved or expanded. A part of this process is to harness the full potential of grants and other financial flows, channelling them in a catalytic way to support just transition initiatives.

Additionally, it is imperative to maintain active and strategic engagements with IFIs; these engagements should focus on determining the appropriate quality, quantity, and nature of just transition funding. A pivotal step in this regard is tapping into offshore funding, primarily to support the country's DFIs with a clear just transition objective. Alongside these macro-level strategies, innovation at the granular level is crucial. The financial ecosystem needs to continuously evolve, experimenting with innovative financial instruments, approaches, and mechanisms. Garnering support from multilateral development banks and other relevant institutions for proof-of-concept projects can pave the way for a financial space that is orientated to just transition finance, ensuring that both economic and social objectives are met.

Collaboration and early engagement: Stakeholders need to shift from isolated decision-making to a collaborative model where they engage early in project design. This includes giving access to traditionally marginalised groups like women, youth, and SMMEs.

- **Inclusive financing tools:** Innovation in financial instruments should be geared towards inclusive engagement. These tools need to facilitate risk spreading across multiple investors and should accommodate complex multi-project initiatives;
- **Time sensitivity and risk assessment:**

The ecosystem needs to acknowledge the time-sensitive nature of just transition risk. Traditional due diligence and risk assessment processes must be able to deal with the complexity of multi-project initiatives, necessitating a move towards portfolio-based assessments; and

- **Interdependent portfolio management:** Many just transition projects are interlinked. The finance ecosystem must therefore develop mechanisms that pool investments and spread risk, initiating foundational projects and then building upon them.

South Africa's experience with initiatives like the Renewable Energy Independent Power Producer Programme provides some precedent for these kinds of changes, but a more systemic approach is required. To achieve the transformation needed, a dynamic blend of evolving behaviours, innovative financial instruments, and adaptive structures is required. Only through such holistic changes can the financial ecosystem facilitate a just and sustainable transition for all.

- **Incentivising stakeholder participation:** While it's important to identify, manage, and spread risks associated with just transition projects, equal attention must be given to creating incentive structures that can attract a broad range of stakeholders. These can include:
- **Tax benefits** to companies that invest in just transition projects, which can be linked to the just transition tag discussed later in the report.
- **Community shares** for local community-based projects can provide residents with both a financial stake and a voice in project development.
- **Profit-sharing agreements** for projects that generate revenue can also incentivise participation.
- **Preferential market access** to projects that align with just transition goals. Preferential access can pertain to public procurement contracts, for instance, thereby incentivising more organisations to align their business models with just transition principles.
- **Performance-based incentives** that are directly tied to meeting certain KPIs related to spatial justice, environmental sustainability, and social inclusivity.

The PCC recognises that systemic change in the financial ecosystem will evolve over time. As such, drawing on international examples of just transition finance initiatives, we are of the view that establishing short-term action plans can pave the way for longer-term systemic changes, as outlined in the preceding sections. The PCC can support this change by convening private and public sector financial actors to consider and address the barriers and blockages to a responsive financial sector for the just transition.

The table below examines the problem areas that lead to low and fragmented levels of funding for just transition projects and programmes and proposes critical interventions to be undertaken over the next 18 months to 2 years. The intention is to reflect and redirect interventions following this initial period, which is aligned with the mid-term review of the JETP.

Table 5: Just Transition Financing Mechanism functions and finance interventions (2024–2026)

Problem area	Proposed interventions
Embedding justice into the overall transition Problem: finance sector unresponsive to calls for contributing to a just transition; risk of fragmentation of financing initiatives; Just Transition finance seen only as a niche, not comprehensive transformation.	The PCC will establish and convene a private finance implementation taskforce to socialise just transition concepts and priorities, provide advice and support to private finance champions, and co-create a process for orienting the financial sector to be more responsive to the just transition. In response to stakeholder demands for structured processes to ensure procedural justice, the PCC will develop and publish a stakeholder engagement charter. New and additional funds from international partners are required to meet just transition needs across the spectrum of required investments, including community- and worker-led initiatives. Partners also need to explore and deliver innovative and creative approaches to grant financing to ensure that grant support can be effectively utilised to support, de-risk, and scale just transition projects and programmes; that is, both the quantity and quality of finance are critical.
Mainstreaming the just transition in public finance Problem: Just Transition not mainstreamed into government business and lack of information on government expenditure aligned with just transition	National Treasury should: i. Undertake a fiscal review to analyse existing programmes and public funding towards the just transition; ii. Evaluate the potential for the re-orientation of existing grants and spending towards addressing just transition needs; iii. Develop a climate budget tagging framework for public expenditure; iv. Harmonise and integrate just transition aspects into the Green Finance Taxonomy; and v. Identify the potential and role of public finance in de-risking just transition projects and develop incentives and mechanisms in support of a just transition.
Project conception, origination, identification, and feasibility support Problem: early-stage and small-scale projects unable to attract funding; communities unable to access funding or face high transaction costs; lack of grassroots transition projects	The PCC endorses bottom-up community and labour-led initiatives to conceptualise, develop, and originate feasible projects. This could be achieved through the Community Just Transition Fund and the Partnership Implementation Model, which are key vehicles for catalytic community-owned and locally-led projects that could scale through JTFM matchmaking, project preparation, aggregation, and blending/structuring mechanisms.

Validating and testing a unified project assessment tool Problem: lack of data on proposed projects/ programmes and definitional issues of just transition criteria and tagging	The PCC and the JET-IP PMU will convene an expert group to collate findings from current research and to test and validate a unified project assessment framework. After testing, refinement, and collective learning, the framework will be finalised for application country-wide, ensuring a mainstream, robust, and coherent assessment mechanism.
Matchmaking and project preparation Problem: lack of matchmaking and project preparation support, incomplete deployment data on just transition investments	The JET-IP PMU Funding Platform will be implemented to provide critical matchmaking and project preparation services, as the first step in the implementation of a more permanent and institutionalised matchmaking and project preparation mechanism. The evolving mechanism will build on the experience of the PMU Funding Platform with matchmaking, project preparation support, and project assessment. Furthermore, this mechanism will develop a more expansive approach that also incorporates national and non-energy sector needs, with final design and location decisions made based on those experiences and learnings. Target efforts towards SMME support and development: SMMEs are critical to the existing value chains in areas that will be impacted by the transition. Thus, support mechanisms and capital provision are necessary to i) enable their transition to new diversified economic value chains and ii) stimulate growth and increase job opportunities.
Mobilising and aggregating funding Problem: lack of mobilisation and aggregation of funding, especially for projects outside of the JETP/ JET-IP (non-energy, non-Mpumalanga, e.g. climate resilience/adaptation, resilient infrastructure and sectors, sustainable agriculture and tourism, non-energy economic diversification)	A strategy for mobilising increased funding and aggregating will be developed based on evidence from the PCC-convened private sector taskforce, international outcomes such as the New Collective Quantified Goal, JETP disbursement, and the data collection and project assessment framework. While there are limitations to the project pipeline, the scale of need will rapidly exhaust funding under the JETP. As a result, other sources and areas (especially those outside of mitigation) will remain under-funded and under-represented. Therefore, it will be important to track whether domestic and international public finance is flowing to sectors and needs beyond energy value chains and JET-IP themes for a comprehensive just transition. Innovative and creative approaches to grant financing are required to ensure that grant support can be effectively utilised to support, de-risk, and scale just transition projects and programmes.

Blending and structuring Problem: insufficient know-how for blending and structuring projects/programmes for successful implementation	DFIs will collaborate to identify structuring and blending barriers to the pipeline of projects that come to the PMU-Funding Platform and DFIs. A process will be implemented within existing entities such as IDC, DBSA, and the NEF to review and collaboratively develop their existing JTFM functions.
Facilitating collaboration Problem: lack of coordination and collaboration leads to gaps in support for impacted workers, communities, and municipalities	From a decentralised set of collaborative processes, an emerging JTFM will initiate a co-design process with stakeholders to define appropriate institutional and governance structures that are fit for purpose and accepted at the level of implementation (community, municipality, provincial, and national). The PCC will play a monitoring and consolidation role over the next 18 months to 2 years, sharing lessons and discussing learnings from the PMU-FP pilots, PIM teams, JET-IP governance structures/councils, existing projects, project tagging, and assessment data. As part of the review and redirect process, a decision will be made on the need for further coordination and more formal/institutionalised structures within a JTFM.
Learning by doing, reflecting, redirecting Problem: new and innovative approaches require reflection, learning, and change	Existing development finance entities will undergo a process of internal alignment and transformation, as their capabilities in these crucial areas remain siloed and fragmented, both between and within organisations. To build on experiences in the Community JT Fund, PIM, PMU-FP, work undertaken by DFIs and private sector developers, and ongoing research, a critical reflection process will be initiated to ensure that learning is incorporated into the final design. Institutional arrangements will be developed to address functions such as matchmaking, mobilising, blending, and structuring based on reflections.

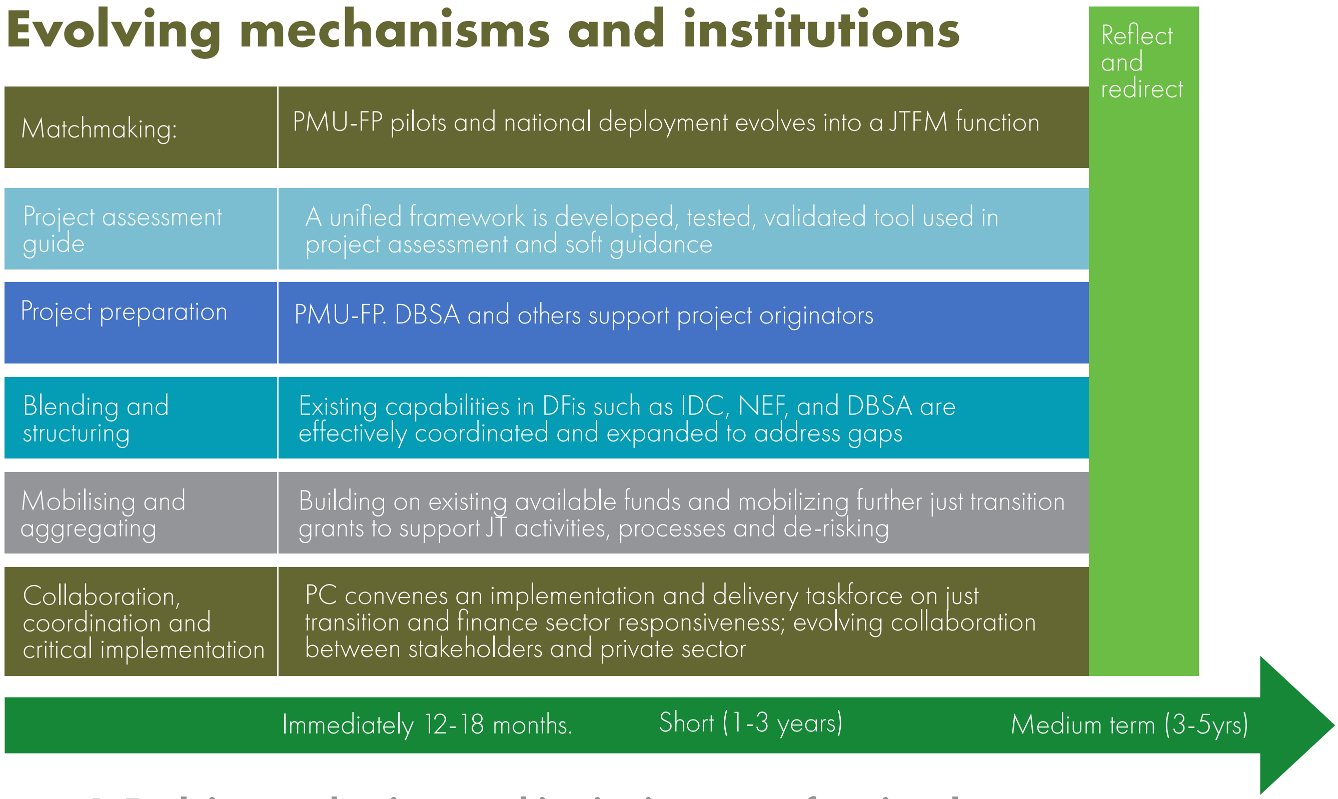

Figure 4. Evolving mechanisms and institutions cross-functional areas

Recommendations

Sustained and scaled financing of just transition activities faces both broad financial ecosystem- and project-level-specific barriers in South Africa. A JTFM can address some of these barriers to enhance financing of the just transition by providing a cohesive set of interventions and mechanisms (i.e., capabilities and functions) that can support and scale projects. As noted by stakeholders, while one entity cannot singlehandedly plan, coordinate, fund, and support all just transition projects and programmes, and achieving net zero and climate-resilient futures will require a whole-of-government and whole-of-society systemic approach, there are specific functional areas that are inadequately or not addressed in the South African context.

A JTFM, as an evolving set of collaborative functions and learning processes, can address some of the specific barriers identified in the financial ecosystem, given the immediate and pressing needs in areas where the transition is already negatively impacting workers and communities (see the PCC review on Komati for example) or where new inclusive economic opportunities would otherwise be missed. A JTFM must therefore address these functional gaps collaboratively, remaining flexible enough to evolve over time, and reflecting and redirecting as needed, to ultimately address existing and emerging gaps and respond to the needs of the most vulnerable.

Therefore, the PCC recommends the following as a way forward:

- **The implementation of the JET-IP PMU Funding Platform** to provide critical matchmaking and project preparation services is the first step in the implementation of a more permanent and institutionalised matchmaking and project preparation mechanism. In particular, an evolved mechanism will build on the pilots and experience of the PMU Funding Platform in addressing immediate and urgent gaps related to matchmaking, project preparation support, and project assessment in the financial ecosystem. This will enable the development of a more expansive approach that also incorporates nationwide and non-energy sector needs, with final design and location decisions made based on those experiences and learnings.

- **Target efforts towards SMME support and development**. SMMEs are critical to the existing value chains in areas that will be impacted by the transition. Thus, support mechanisms and capital provision are necessary to i) enable their transition to new diversified economic value chains and ii) stimulate growth and increase job opportunities.

As the JTFM is implemented through a process of learning and institutional development, the JET Funding Platform must explore avenues through which SMME support and development can be achieved by use of the grants and concessional finance commitments in the JETP package.

- **Implementation of a process within existing DFIs such as IDC, DBSA, and the NEF to develop their existing JTFM functions.** Building on and evolving out of the Funding Platform, existing, well-governed, and accredited entities (such as the IDC, DBSA, and NEF) with capacity in areas such as project preparation and development, as well as SMME and municipal support, and experience in blending and structuring finance, will engage in a process to develop a cohesive strategy to take up and enhance JTFM functions in the longer term.

Existing development finance entities must also **undergo a process of internal alignment and transformation, as their capabilities in these crucial areas remain siloed** and fragmented, both between and within organisations. This will ensure that these entities embody the principles of the national JTF and are fit for providing comprehensive JTFM functionality in a way that responds to the new and emerging demands for finance and financing modalities for a just transition, including procedural justice.

- Critical actions for a decentralised and evolving JTFM to undertake include:

- **Developing a strategy for mobilising increased funding** and aggregating based on evidence from the PCC private sector taskforce, international outcomes such as the New Collective Quantified Goal, JETP disbursement, and the data collection and project assessment framework;
- **Collaborating to identify structuring and blending barriers facing the pipeline of projects that come to the PMU-Funding Platform, and to the entities themselves**, through the matchmaking processes; and
- **Instituting a review process after 18–24 months** (aligned with the mid-way review of the JETP) to establish a robust evidence-based framework for financing based on evidence and application, formalise institutional structures, and identify new and emerging functional gaps and how they can be addressed.
- As a more centralised entity emerges, such a mechanism will be firmly grounded in the principles of inclusivity and transparency, with accountability and oversight mechanisms. A co-design process with stakeholders will define appropriate institutional and governance structures that are fit for purpose and accepted at the level of implementation (community, municipality, provincial, and national).

As JTFM functionalities are developed within the current financial architecture, the PCC will facilitate a wider conversation on the role of the finance sector in this just transition.

The PCC will convene a private finance implementation taskforce to socialise just transition concepts and priorities, provide advice and support to private finance champions, and shift the financial sector to be more responsive to the just transition. Amongst other issues, the taskforce will address private sector fragmentation, assess how to crowd in existing (e.g., CSI) funds, incorporate just transition projects into overall transition plans (especially in high-emitting sectors/entities), and improve allocations from the private sector in support of a just transition. This could be the first step in a longer process to develop a national just transition financing strategy, responding to stakeholder inputs on the need for one. The partners in this private finance implementation taskforce will include the JET-IP PMU, the Banking Association of South Africa, the Association for Savings and Investment South Africa, and the National Treasury.

- In response to stakeholder calls for organised processes to ensure procedural justice, the PCC will also develop and publish a stakeholder engagement charter.
- The PCC and JET-IP PMU will convene an expert group to analyse findings from current research and to test and validate a consolidated project assessment framework. The JET Funding Platform's matchmaking function will apply the framework for testing, validation, and data collection in the short term. In the medium term, the expert group will evaluate and refine the assessment framework based on evidence and finalise it for national use.

Recognising the challenges in developing projects on the ground that contribute to people's needs, support alternative economic futures in areas with spatially concentrated or sector-specific risks, and the benefits of inclusive, locally-led economic diversification, the PCC:

- Supports bottom-up community and labour-led initiatives to conceptualise, develop, and originate feasible projects. Examples include the Community Just Transition Fund and the Partnership Implementation Model, which can be vehicles for catalytic community-owned and locally-led projects, that could be scaled up through JTFM matchmaking, project preparation, aggregation, and blending / structuring mechanisms.
- Encourages international partners to make new and additional funds available for just transition needs across the spectrum of required investments, including community- and worker-led initiatives. Partners also need to explore and deliver innovative and creative approaches to grant financing to ensure that grant support can be effectively utilised to support, de-risk, and scale just transition projects and programmes; that is, both the quantity and quality of finance are critical.
- Acknowledges the critical role of public finance, despite the current fiscal constraints. Thus, the National Treasury should:

i. Undertake a fiscal review to analyse existing programmes and public funding towards the just transition;

ii. Evaluate the potential for the re-orientation of existing grants and spending towards addressing just transition needs;

iii. Develop a climate budget tagging framework for public expenditure; and

iv. Harmonise and integrate just transition aspects into the Green Finance Taxonomy.

- Gives consideration to assessing the potential and role of public finance in de-risking just transition projects and developing incentives and mechanisms in support of a just transition.

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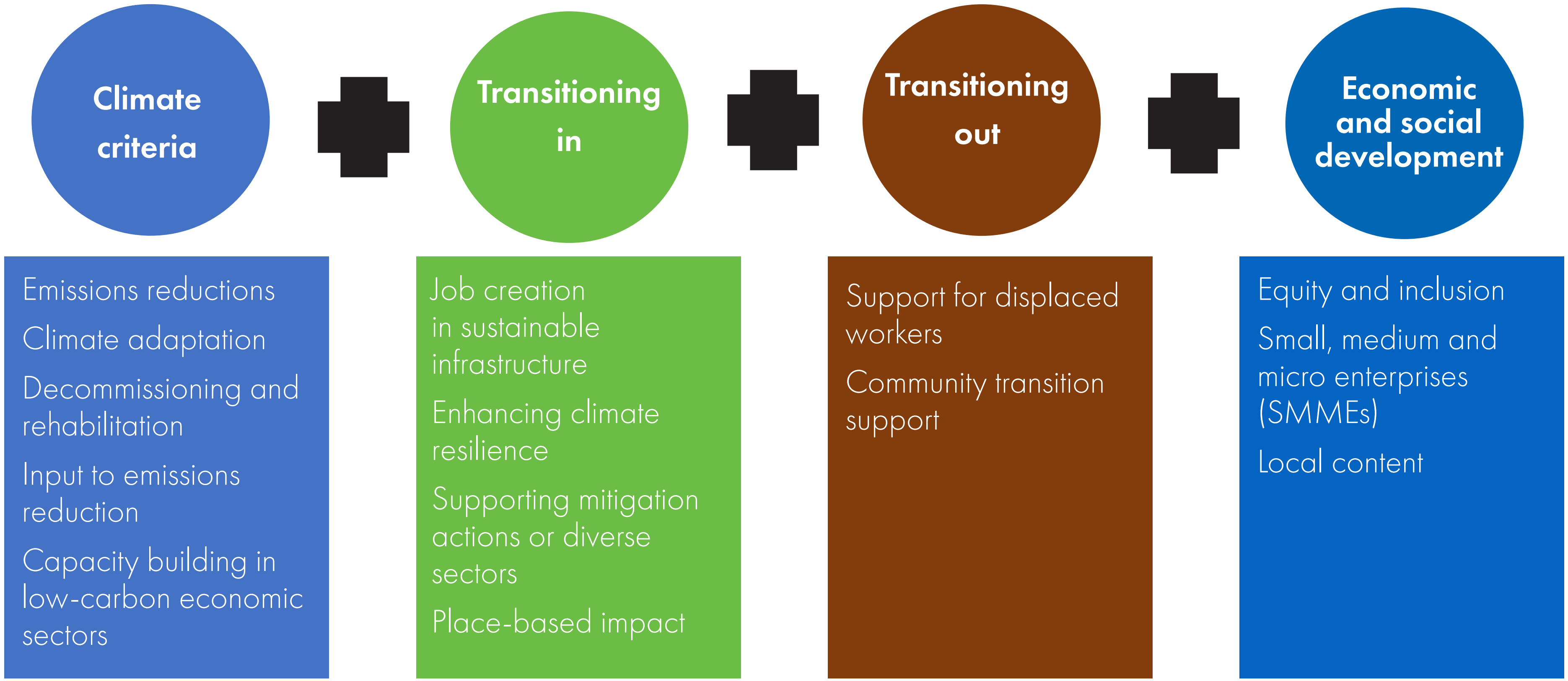
APPENDIX A: PCC PROJECT ASSESSMENT CONCEPTUAL FRAMEWORK



APPENDIX B: DETAILED UNIFIED FRAMEWORK

Unified project assessment framework		
		Activities
Category 1	Climate and environmental restoration criteria	Emission reductions or input to emission reductions
		Climate adaptation
		Decommissioning and rehabilitation
		Environmental restoration (Pollution prevention, sustainable use of water and marine resources, sustainable resource use and circularity, ecosystem protection and restoration)
		Capacity building in low-carbon and climate-resilient economic sectors
Category 2 Transitioning in criteria	Job creation in sustainable infrastructure	RE, EEDSM, sustainable transport, and green construction
	Enhancing climate resilience	Adaptation in infrastructure
	Supporting mitigation actions or diverse sectors	
	Place-based impact	
Category 3 Transitioning out criteria	Support for displaced workers	Skills development support and human resource development
		Job placement
		Relocation support
		Financial support
	Community transition support	Infrastructure investment
		Improved access to services or basic needs
		Economic diversification, job creation, and livelihood opportunities
		Improved community spaces, organisations, and services
Category 4 Economic and social development	Equity and inclusion	Community participation
		Representation of workers, communities, or other vulnerable groups in the management structures of enterprises
		Equitable benefits and opportunities: youth, gender, and people with disabilities
		Monitoring, evaluation, and transparency
		Affordability
		Accountability
		Ownership of productive assets, intellectual property, or shareholding in an entity by workers, communities, or other vulnerable groups
	Support the strengthening and development of existing and new supply chains	Local content
		SMMEs

APPENDIX C: DETAILED COMPARISON OF TAGGING FRAMEWORKS

PCC tagging framework			TIPS tagging framework (socio-economic entry)		
Category 1	Climate criteria	Emission reductions	Two socio-economic improvement objectives and at least two qualifying socio-economic improvement activities	Support employment and livelihood opportunities	Minimum of four standardised indicators from the qualifying list of SEI indicators
		Climate adaptation		Improve access to services	
		Decommissioning and rehabilitation		Support the strengthening and development of existing and new supply chains	
		Input to emission reductions		Improve community spaces, Organisations, and services	
		Capacity building in low-carbon economic sectors	Minimum of one green objective and qualifying activity	Climate change mitigation	One standardised indicator from the qualifying list of green indicators (for objective and activity
Category 2 **Transitioning in criteria**	Job creation in sustainable infrastructure	RE, EEDSM, sustainable transport, and green construction		Adaptation	
	Enhancing climate resilience	Adaptation in infrastructure		Pollution prevention	
	Supporting mitigation actions or diverse sectors			Sustainable use of water and marine resource	
	Place-based impact			Sustainable resource use and circularity	
Category 3 **Transitioning out criteria**	Support for displaced workers	Skills development support and human resource development		Ecosystem protection and restoration	
		Job placement	Just Transition plus Above plus one of the following	Ownership of productive assets, intellectual property, or shareholding in an entity by workers, Communities, or other vulnerable groups.	
		Relocation support		Representation of workers, communities, or other vulnerable groups in the management structures of enterprises.	
		Financial support		Novel means identified in the community engagement process. This could include new business models, new SPV, or the like.	
Category 4 **Economic and social development**	Community transition support	Infrastructure investment			
		Access to basic needs			
		Economic diversification and job creation			
	Equity and inclusion	Community participation			
		Representation			
		Equitable benefits and opportunities: youth, gender, and people with disabilities			
		Monitoring, evaluation, and transparency			
		Affordability			
		Accountability			
		Environmental restoration			
	Support the strengthening and development of existing and new supply chains	Local content			
		SMMEs			

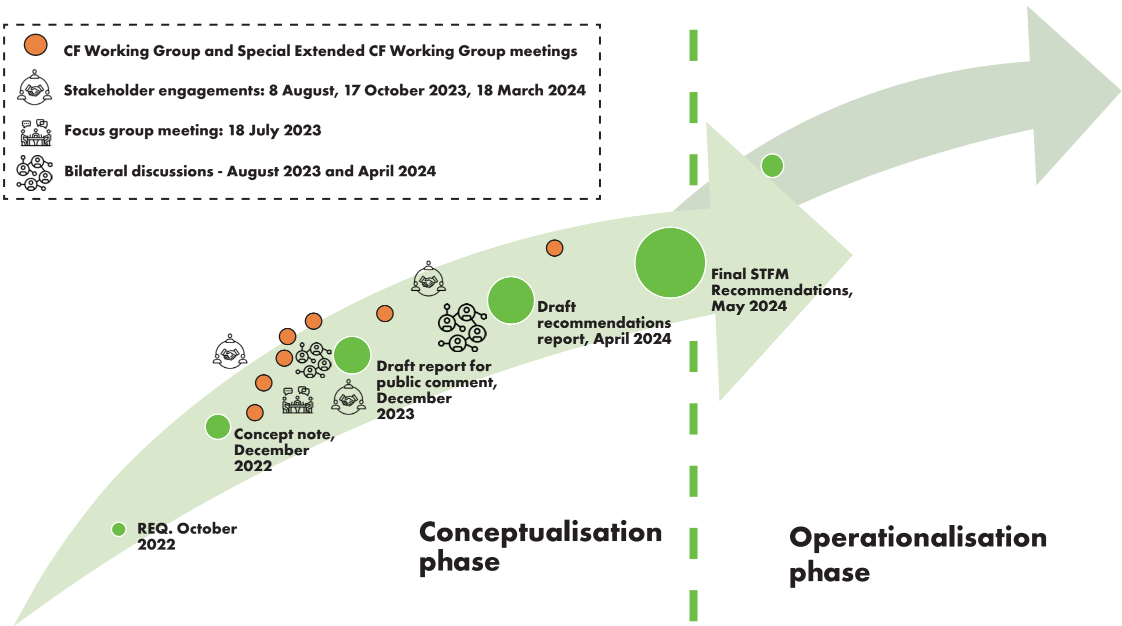
APPENDIX D: STAKEHOLDER PERSPECTIVES REPORT ON SOUTH AFRICA'S JUST TRANSITION FINANCE MECHANISM

Introduction

The PPC, under its mandate to coordinate and advise on a just transition in South Africa, has led a conceptualisation process to design and develop a JTFM that addresses the scale and urgency of the just transition imperative. The process has run over two years and included in-depth research and analysis, in addition to a long consultative process within the PCC as well as with social partners through public and bilateral discussions. As a result, the PCC has drafted a Recommendations report on a JTFM.

This report is an accompaniment to the PCC's Recommendations report. It presents a synthesis of stakeholder perspectives that have been captured throughout the conceptualisation process, carefully considered, and integrated into the development of the final PCC recommendations.

The journey and stakeholder engagement process



The body of work was first initiated by the PCC through the release of a Request for Proposals in October 2022. It was envisaged that the work would result in, amongst other outputs, a "Recommendation for a Just Transition Finance Mechanism." The final recommendations report is the result of a two-year conceptualisation process, starting from an initial concept note for the JTFM and a later release of a draft report for public comment in December 2023.

The draft report released for public comment had been redrafted through several iterations, which followed numerous PCC Climate Finance Working Group meetings, a focus group discussion on the proposed just transition tagging/assessment framework (July 18, 2023, see here), three public consultations (August 8, October 17, 2023 and 18 March 2024), and several bilateral engagements with the JET-IP PMU and other institutions that are currently operating in the wider ecosystem of South Africa's development finance sector, private capital and financial markets, and social partners.

The final "Recommendations for a JTFM" report benefited greatly from the rich contributions, guidance, and leadership from the PCC Climate Finance Working Group and Special Extended Working Group, as well as from broader stakeholder perspectives over the full conceptualisation period. Throughout the engagement process, the PCC has taken account of the key messages and recommendations that stakeholders have articulated. These perspectives have had a direct influence on the PCC's recommendations for a JTFM. These inputs, whether written or verbal, have been carefully considered, analysed, and synthesised in this report.

The PCC extends a special note of thanks to those who took the time to peruse the draft report and provide invaluable written feedback on the JTFM for their continued engagement and willingness to provide further details, where needed, during bilateral discussions in April 2023. Any misinterpretations or errors in the report remain the authors' own.

Synthesis of stakeholder perspectives

The process of conceptualising the JTFM was grounded in extensive consultation with and guidance from the Climate Finance Working Group and broader social partners over a two-year period.

The following perspectives have been synthesised from internal PCC Working Group discussions and broader stakeholder comments received over the process of conceptualising the JTFM. These recommendations have been considered as inputs into the final recommendations on the JTFM drafted by the PCC for H.E. the President of South Africa and the Cabinet.

Stakeholder inputs were categorised and clustered by theme and topic. The clustering of stakeholder feedback allowed for the identification of frequently raised stakeholder perspectives and comments, as well as emerging areas of consensus or divergence within these thematic categories. The major themes and categories of comment on the draft report covered the problem statement/framing, the process followed, governance of a JTFM, the tagging/assessment framework, JTFM functions, and application of funding to specific projects and global examples.

One challenge was the separation of stakeholder views on overall just transition planning and processes, for example under the JET-IP, at Komati, or within government, from specific critiques of or commentary on the draft report and a JTFM. Many of the perspectives from social partners continue in a similar vein to those that they have expressed during the engagement process that was followed in developing a Critical Appraisal of the JET-IP. Many of the issues raised are not solely related to the JTFM but speak to more systemic issues that must be addressed if South Africa is to achieve a truly just transition.

Social partners highlighted issues concerning procedural justice and the need to codify how stakeholders are engaged in a meaningful, transparent, and inclusive manner. This frustration is not limited to the stakeholder engagement process under the JTFM. Indeed, the inputs on the JTFM in many cases reflected stakeholder sentiment towards other planning processes more broadly, as well as the government's approach to macroeconomic, fiscal, industrial, and energy policy. Nonetheless, the JTFM must, in its operationalisation, present clear guidance on how procedural justice will be integrated into its processes. **The development of a stakeholder engagement charter for the PCC is recommended** to outline how procedural justice will be integrated into these processes.

In terms of the allocation of finance, social partners concurred that there is an urgency to get projects off the ground, especially those that address the needs of the most vulnerable. Representatives of civil society continue to critique the existing financial architecture and its inability to respond to and fund critical projects that are seen as 'unbankable.' However, there is an acknowledgement that given the urgency, there is a need to proceed within the bounds of the existing financial ecosystem. **The implementation of the JET-IP PMU Funding Platform** will provide critical matchmaking and project preparation services, but these services will initially be available for a subset of just transition projects. The JTFM, while not duplicating efforts, must build on the efforts of the JET-IP PMU Funding Platform to service the full envelope of just transition projects.

Bilateral engagements during April 2024 were with the JET-IP PMU, TIPS, Life After Coal Campaign (LAC) and the Fair Finance Coalition Southern Africa (FFCSA), and COSATU.

In no particular order, thank you to the following for their written comments: COSATU, LAC and the FFCSA), Rabia Transitions, Penny Herbst, Future Farmers and Food Producers International, Freeport Saldanha Industrial Development Zone, PetroSA, Mike Muller and Seán Muller, and ICLEI Africa.

Representatives of civil society noted that whilst housing the JTFM within an existing institution could speed up funding of just transition projects, the institution's existing policies and programmes should fully embody the principles of the national JTF. It is also critical that the JTFM includes a strong community engagement framework to avoid the shortcomings of a top-down approach to funding projects. Current project implementations, such as that in Komati, highlight some of the critical just transition elements that need to be addressed, and the opportunity to consider what a localised solution might look like for a directly affected community.

Issues around the quality of finance received significant interest from all social partners. Consistent with the views of stakeholders on the JET-IP, all constituents continued to highlight the inadequacy of the grant funding that is currently available to fund the just transition and cautioned against further financing through loans, which presented unfavourable terms and would further increase the indebtedness of the country. In terms of the form in which it is provided, what it is earmarked for, its predictability, and the extent to which it is needs-based, it is critical for the ability of the JTFM to contribute to a truly systemic transition. These elements should be critically considered, as should safeguards against foreign and private finance risks.

Organised labour continued to be guarded against issues around the Just Transition, and there was a continued, strong call by constituents for a National Just Transition Strategy to accelerate the Just Transition. There is a need for policy changes to enable innovation in the domestic financial environment and increase overall climate finance flows into South Africa. A national strategy is required to mainstream development imperatives and just transition into the financial system as a whole and embed just transition principles and projects within all applicable spheres of government. Representatives of civil society further highlighted that collective responsibility, risk sharing, and the critical role of private finance in the Just Transition should be further explored and integrated into a national strategy.

Social partners strongly agreed that the JTFM must be grounded in the principles of the JTF and be grounded in transparency, inclusivity, and good governance.

It was agreed that the PCC should drive towards a set of implementation efforts with expediency, in the context of a rigorous, transparent system with necessary accountability, monitoring, and evaluation infrastructure in place. There are several critical functions that the JTFM must perform, especially given the lack of mechanisms available for just transition projects that fall outside of Mpumalanga and outside of the energy sector.

Key thought leaders on just transition finance and representatives of civil society noted that the JTFM should be flexible and agile and that early institutionalisation could limit the reach and responsiveness of the JTFM. The JTFM should be agile and based on a model of "learn by doing" to be responsive to needs. The heterogeneous list of projects and areas of need that are being considered under the just transition suggests that the JTFM will need several tools and mechanisms to respond to the diverse set of needs.

The Just Transition tagging framework and guidance must be simplified, fit for purpose, and further developed so that financiers and beneficiaries can be aligned on key indicators for change. There was a consensus amongst constituents that the development of any just transition criteria (tagging framework) required further meaningful engagement with social partners, and that supporting research and other resources needed to be made available before they could provide detailed inputs on its suitability. Further, there is a need to streamline the development of criteria since the existence of multiple frameworks for JT projects will lead to more confusion and fragmentation in the market and could have the unintended consequence of limiting rather than expediating just transition projects.

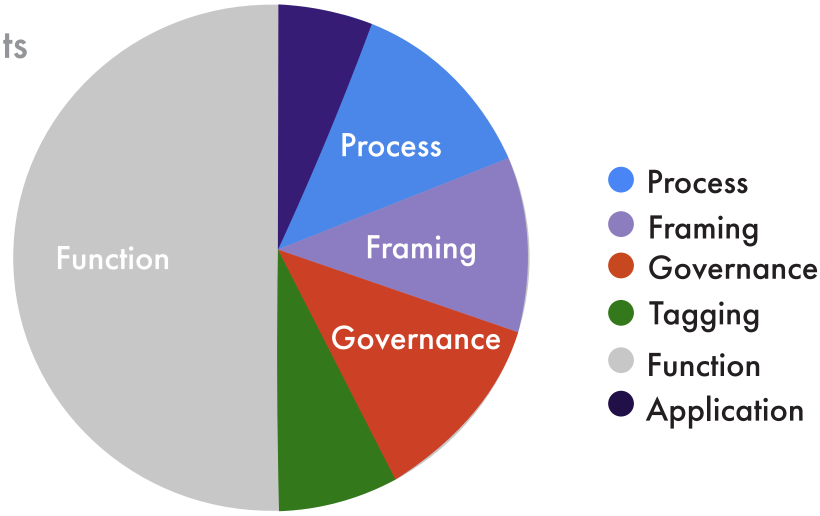
Similar to the stakeholder perspectives on the JET-IP, constituents noted the critical role of municipalities in ensuring that just transition projects are implemented. All social partners agreed that the JTFM should consider ensuring that the financing model empowers municipalities to participate in the low-carbon economy. Subnational governments should be engaged early on, capacitated, and included in financing the transition.

Overview of stakeholder comment categories

Over half of the comments received from stakeholders concerned the functions of the JTFM. This emphasised the consensus of stakeholders on the need for the JTFM and their interest in engaging on the complex and broad spectrum of work that the JTFM would need to cover in terms of its function.

The remaining comments were categorised into the framing and scope of the JTFM, the process of stakeholder engagement, governance of the JTFM, the proposed tagging framework, and the application of the JTFM.

Stakeholder comments by category



Emergent themes within each category

As noted above, there were several key areas of consensus amongst stakeholders as well as strong calls made by social partners over the two-year engagement and consultation period. These have been clustered below into key themes under each category:

1.Problem Statement and Framing of the JTFM:

- The lack of an existing national strategy for financing the Just Transition, and difficulty defining the problem statement for the JTFM
- Justice as a central component of the overall transition
- Unsuitability of the existing financial ecosystem
- Need for more quality funds

2. Stakeholder Engagement Process:

- Process of engagement
- Transparency and meaningful engagement
- Need for further codified engagement

3.Governance of the JTFM:

- Lack of background information and engagement on the proposed joint DBSA and IDC structure
- Shortfalls of existing institutions
- Broad and inclusive institutional scope (heterogeneous nature of just transition projects, civil society and sub-national government representation)

4.The proposed Just Transition Tagging Framework:

- A simplified, consolidated framework aligned with existing efforts
- Focused discussions to understand how the framework will be operationalised

5. Functions of the JTFM:

- Alignment with the principles of the JTF
- Systemic and programmatic approach
- Flexible and agile JTFM that responds to market failures

6. Applications of the JTFM:

- Targeted finance mechanisms for specific priority areas
- Need for clarification on the existence and utilisation of funds under the JTFM
- More relevant domestic examples and those from the African region

These key points are further described below.

Areas of stakeholder convergence and divergence by category

The problem statement and framing

Stakeholders agree and support the notion that finance plays a critical role in the just transition. There is also alignment amongst stakeholders that the transition is already underway, on the centrality of incorporating justice more effectively/comprehensively into the transition, and the need for quality finance and modalities that promote locally led, strategic, and transparent deployment of funds for projects for the benefit of all, especially the most vulnerable.

Social partners struggled to understand the problem statement and framing of the JTFM. It was raised by a number of social partners that this difficulty could be because of the lack of an existing national definition or strategy for financing the Just Transition.

From a public sector perspective, there is acknowledgement from the National Treasury that there is work to be done in undertaking a fiscal review to review and rethink existing programmes and public financing/funding. There is potential to re-orient current grants and existing spending to de-risk Just Transition projects, deploy climate tagging, and restructure incentives and mechanisms in support of the transition.

However, there is a tension that exists in waiting for more to be done in a formal public sector process that would ideally result in a national Just Transition finance strategy, owing to the time-sensitive nature of the transition. Constituents agreed that policy changes were required to enable innovation in the domestic financial environment and increase the proportion of climate finance flows compared to overall finance flows in South Africa.

In terms of scope, social partners raised concerns that the draft report of the JTFM seemed to be defining the just transition as a subset of the energy and overall transition that is already taking place, whereas the just transition is instead the central component or nature of the overall transition. Representatives of civil society felt strongly that the introduction of an approach to 'just transition finance' may lead to further fragmentation and reduced impact given the unsuitability of the existing financial ecosystem to respond to the just transition.

While there is agreement on the need for more just transition finance, there is a divergence of views amongst stakeholders on where the funds should come from and on what could be considered quality funding for just transition projects and programmes. COSATU strongly argue that domestic capital and financial markets should be the first to be leveraged to maximise local economic development. Others argue that there is an urgent need to get funding and resources from wealthier countries. There is, however, a major concern from all social partners that decision-makers will continue to agree to loans that are bound by onerous conditions or reporting and will further indebt future generations. Therefore, the problem statement of a JTFM must be clear on how the tension between grants versus loans and domestic versus international finance will be approached.

The stakeholder engagement process

The stakeholder inputs collectively highlight the need for transparency, meaningful engagement, and careful consideration of stakeholder concerns in the development of the JTFM and associated frameworks.

Social partners highlighted issues concerning procedural justice and the need to codify how stakeholders are engaged in a meaningful, transparent, and inclusive manner. Stakeholders raised concerns regarding how their inputs were being used and consolidated into the conceptualisation of the JTFM.

This frustration is not limited to the stakeholder engagement process under the JTFM. Indeed, the inputs on the JTFM in many cases reflected stakeholder sentiment towards just transition planning and processes more broadly, as well as the government's approach to macroeconomic, fiscal, industrial, and energy policy. Nonetheless, the JTFM must, in its operationalisation, present clear guidance on how procedural justice will be integrated into its processes.

To address the lack of consultation and ensure procedural justice, stakeholders stressed the importance of rigorous question and answer sessions, meaningful engagement, and advanced planning for direct engagement around the JTFM and Just Transition Tagging Framework.

It must be noted that COSATU expressed fundamental rejection and concerns about the development process of the JTFM, highlighting incoherence and lack of engagement with the National Treasury. COSATU further highlighted that "the JTFM therefore represents a blueprint to motivate IPG states to further burden our economy with ludicrous Dollar denominated loans. The JETIP, and what is being proposed in the JTFM, directly undermine South Africa's developmental trajectory and compromises Government's Constitutional commitments to our people." They proposed a public pathway for financing the Just Transition, emphasising meaningful engagement with Organized Labour. The public pathway should include, but not be limited to, information on a national strategy to accelerate the just transition, private sector investment flows for this transition, how public sector programmes will be funded, the role of different entities, and how equal opportunities will be provided overall.

Governance of the JTFM

Although the JTFM report that was released for public comment stated that no firm governance structure or approach had been decided on or was favoured by the PCC, stakeholders questioned the proposed anchoring of the JTFM within the DBSA and the IDC. While there was an understanding by stakeholders that housing the JTFM within an existing DFI or joint DFI structure would expedite the process, social partners noted that information on how this would be institutionalised and operationalised was lacking.

Social partners noted that existing institutions already had policies and programmes that may not fully embody the principles of the national JTF to which the JTFM is intended to respond. A further suggestion was made that DFI processes should be carefully interrogated and revised to ensure procedural justice and alignment with climate action and just transition principles.

The heterogeneous nature of just transition projects, as has been found in the seminal work by TIPS on Just Transition Project Tagging, as well as the number of finance channels that may need to be explored to match the project/programme needs, suggest that the JTFM would need to be institutionally broader than the proposed joint structure. Suggestions were made to consider a more inclusive institutional structure that incorporated other programmes and organisations.

The central role that sub-national government must play in the just transition was also noted by a number of social partners, in addition to a call for strengthened multi-level governance and the empowerment of municipalities within the JTFM governance structure. The use of sub-national structures would also provide a useful avenue for national departments to 'get closer' to the needs of communities.

Lastly, there was a call to establish a permanent Just Transition Finance Civil Society Forum by representatives of civil society to facilitate ongoing engagement and information sharing between the JTFM and civil society. It was suggested that there are two roles that civil society could and should play in the JTFM. The first and main motivation for being part of the governance structure is a due diligence role where civil society is included in shaping criteria and reviewing projects and programmes under the JTFM. The second is an advisory role to ensure that community visions and beneficiary needs/expectations are heard and incorporated appropriately.

The Just Transition Tagging Framework

Social partners called for a comprehensive overview of the climate and just transition finance landscape in South Africa, including an overview of how the green finance taxonomy, climate budget tagging, and just transition tagging frameworks are related and how they will work in unison. This holistic understanding will facilitate informed decision-making and effective coordination among stakeholders.

There was consensus among social partners on the significance that the proposed Tagging Framework could have in guiding the classification of projects essential for a just transition. Stakeholders, however, questioned how the Just Transition Tagging Framework differed from the ongoing work by TIPS on Just Transition Project Tagging and the ongoing Just Transition framework developments within the PMU. There was a call to simplify, synergise, and improve communication with stakeholders to avoid any further confusion and move to project implementation more swiftly. Constituents called for a unified framework that could provide guidance and enhance the alignment of financiers and beneficiaries on key indicators for change. In addition, stakeholders noted that a list of priority projects or programmatic impact areas would be incredibly useful in advancing the understanding of what needed to be prioritised.

Social partners stressed the necessity for further dedicated engagement, including rigorous question and answer sessions, to ensure clarity and alignment on the proposed Tagging framework given its importance in classifying and prioritising projects.

Functions of the JTFM

A systemic and inclusive approach aligned with national strategy and programmes

What has emerged through the stakeholder engagement process is a call for the JTFM to take a whole-of-society and systemic approach that is flexible (not institutionalised or defined by rigid processes in already existing entities) enough to mould and morph as needed to ultimately address existing and emerging gaps and respond to the needs of the most vulnerable. There is also a strong call for the JTFM to be firmly grounded in the principles of inclusivity and transparency, with accountability and oversight mechanisms described and put in place upfront. There are further calls for safeguards against currency risk exposure, debt dependency, and loss of sovereignty to be built into financing mechanisms.

Stakeholders felt there was a gap in the draft report of the JTFM regarding the roles of specific actors, especially the critical role that the private (finance) sector must play to achieve systemic, programmatic, and locally led change. On the other hand, other stakeholders also made clear the risks of leaving the energy transition to the private sector. COSATU, in particular, emphasised the importance of public pathways, including social and public ownership and alternative ownership modalities.

Throughout the process of conceptualisation, there has been a growing consensus amongst social partners as well as in the PCC that the JTFM must act as an aggregator where efforts and resources can be pooled and used more effectively and efficiently to provide a coordinated response to the specific financing needs of South Africa's Just Transition. Financing the transition will require an ecosystem approach that focuses on small community projects; social partners highlighted the need to ensure financial support for community involvement in just transition decision-making processes as well as funding for community-led projects.

Stakeholders provided support for various functions: including addressing fragmentation in climate change funding, mobilising additional capital, de-risking investments, ensuring equity, fostering long-term planning, and promoting sustainability. However, it was noted that a systemic approach would be needed to address these challenges. This would include the need for a national just transition finance strategy, alignment of the JTFM with this strategy, and ingraining just transition thinking into the financial ecosystem as a whole to avoid the JTFM becoming another niche mechanism.

The JTFM should be linked to, but not necessarily defined by, existing public sector programmes. Stakeholders expressed concern about inadequate consideration of linkages to existing public programmes and emphasised the need for clarity on how the JTFM differs from current programmes.

Concerns were also raised about a major gap in the draft report on the involvement of private finance and a further lack of clear guidance on private sector engagement, risks associated with private finance, and how the JTFM will help improve the transparency of private sector just transition project finance.

Flexible and responsive

Given that not enough information has been gathered about what a just transition project is and how just transition finance should be defined and eventually prioritised, there was a consensus amongst stakeholders that the way in which the JTFM is institutionalised will define its impact. Given this uncertainty, and to maximise impact, the JTFM should be inclusive, agile and based on a "learn by doing" model.

Key thought leaders in just transition finance also proposed that the heterogeneous list of projects and areas of need that are being considered under the just transition suggest that the JTFM will need to incorporate several tools and mechanisms to respond to the diverse set of needs. Nonetheless, given the level of impact required, the role of communities should be central to the JTFM.

Social partners also suggested additional support functions that would be useful to consider by the JTFM. These included providing an overview of climate and just transition finance flows, addressing policy and regulatory uncertainty, creating a platform for community-based organisations, and aligning with the National Treasury's work on climate budget tagging.

There are severe market failures that exist, in addition to failure to capture the developmental benefits of the Transition as it is already unfolding – these are the gaps that the JTFM needs to fill. There was consensus amongst social partners that the JTFM must function as an enabler of catalytic project and programme finance that crowds in private finance and facilitates the necessary and not only viable just transition projects, understanding the vast heterogeneity of these projects.

Stakeholders advocated for a strong focus on funding and supporting early-stage project preparation, particularly with municipalities, who are key to ensuring a just transition. Finance and resource flows to municipalities should empower them to actively participate in the roll-out of just transition projects and programmes.

Representatives expressed concerns about the role of the JTFM in project selection and financing functions, suggesting it should serve more as a resource or hub for connection and guidance rather than being directly involved in project preparation, selection, and ongoing due diligence. This role should be left to those with the teams and resources necessary to perform this function.

Applications of the JTFM

There was significant interest from stakeholders to present targeted finance mechanisms for their specific areas of interest; particularly by stakeholders that submitted project proposals to be considered for grant funding. There is a belief amongst stakeholders that there is already a fund or pool of finance that exists under the JTFM. This belief, as well as the link between the JET IP grant registry and the JTFM, needs further clarification for stakeholders going forward.

There were also questions from stakeholders around the use and comparability of international examples, such as Canada's Coal Transition Initiative and Infrastructure Fund and the European Union's Just Transition Mechanism. Stakeholders suggested that the comparability of these examples be clarified and reconsidered for more relevant examples from South Africa and more broadly from the African region.

Conclusion and the way forward

The process of conceptualising the JTFM has been within the context of uncertainty and concerns from social partners regarding systemic issues that must be addressed if South Africa is to achieve a truly just transition. Nonetheless, engagement and consultation within the PCC, as well as more broadly with social partners, has unearthed several critical areas that the JTFM must support to maximise impact, empower communities, and catalyse alternative, just economic futures. These critical areas must be grounded in the principles of the JTF.

A 'learning-by-doing', agile and evolving, inclusive and reflective approach to operationalising the JTFM has been used in drafting the PCC Recommendations for a JTFM. The PCC Recommendations, in recognising the challenges outlined by social partners in developing projects, endorse community- and labour-led initiatives. In addition, these recommendations call for additional quality funds, including through innovative and creative approaches to grant finance, as well as through a fiscal review and reorientation of existing public finances.

The PCC recommendations also acknowledge the need for urgent short-term action and the need to facilitate longer, procedurally just conversations on the role of the finance sector in the just transition.

PRESIDENTIAL
CLIMATE COMMISSION
TOWARDS A JUST TRANSITION

14a Jellico Avenue, NEDLAC House, Rosebank

PO Box 1775, Saxonwold, 2132

info@climatecommission.org.za

@ClimateCommission

@ClimateZA

Presidential Climate Commission

www.climatecommission.org.za