



► Market systems development for a just transition: What does it really mean for donors and practitioners?



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Key messages

- Market systems development (MSD) projects must recognize the importance of supporting a just transition to ensure a smooth shift towards environmentally sustainable economies that do not cause widespread adverse social and economic impacts, especially for vulnerable and marginalized groups, and instead maximize opportunities for inclusive growth and decent work.
- Applying the MSD approach can make significant contributions to just transition initiatives by building the resilience of micro, small and medium enterprises (MSMEs), reducing environmental impacts at sector-level, delivering green growth, and advancing decent work and social inclusion.
- The MSD approach is already being implemented to promote specific aspects of just transition. However, this is not driven by intentional commitment, and there is a lack of guidance to support donors and practitioners in effectively applying the approach.
- To scale up and be intentional in applying the MSD approach for realizing a just transition, donors and implementers should consider: developing clear policy commitments, designing strategies to bridge interdisciplinary divides among staff with climate and private sector development backgrounds, enhancing staff capacity, and piloting new approaches.

This paper explores the potential contributions that MSD programming can make towards a just transition in developing countries.

This brief is primarily aimed at funders and practitioners supporting programmes on MSD and/or climate change, with an interest in understanding how the MSD approach can contribute to a just transition. It provides suggestions for MSD funders and practitioners to start integrating just transition action in their programmes, and is divided into four sections:

- What is a just transition?
- Leveraging opportunities: Using the MSD approach to support a just transition
- Developing MSD programmes for a just transition
- Scaling-up the use of the MSD approach to support a just transition

This paper was produced as a collaboration between the ILO Systems Change Initiative and ILO Priority Action Programme on Just Transitions Towards Environmentally Sustainable Economies and Societies (AP/JT). It was prepared through a combination of desk research, interviews and discussions with MSD funders and practitioners.¹



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1. What is a just transition?

► Just transition involves maximizing the social and economic opportunities of climate and environmental action, including an enabling environment for sustainable enterprises, while minimizing and carefully managing challenges.²

Current models of production and consumption rely on fossil fuels and other technologies, which generate greenhouse gas (GHG) emissions. These models cause climate change as well as a range of other broader environmental impacts, such as unsustainable extraction of natural resources, pollution and biodiversity loss. These affect enterprises and workers, often disproportionately harming marginalized groups.

A transition to sustainable economies is essential. Central to this are the mitigation of climate change by reducing GHG emissions and increasing removals, as well as adaptation to climate change, particularly in countries and sectors which remain highly vulnerable to its impacts. Broader aspects of environmental sustainability, such as sustainable management of natural resources are also key components of this transition.

Globally, the transition to sustainable economies will involve economic restructuring, downsizing sectors and technologies which are carbon-intensive, and scaling up sectors and technologies which are environmentally sustainable and more resilient to climate change. This shift will generate social and economic opportunities on one hand as well as risks for enterprises and workers on the other.

Opportunities for positive impacts

- **Decent job creation and increased income** in sectors and enterprises which are more environmentally sustainable;
- **Economic empowerment of women and other marginalised groups**, by securing jobs in emerging green sectors;
- **Improvement in job quality**. For example, if worker safety is better in emerging green sectors; and
- **Benefits to poor and marginalized consumers**, such as reduction in energy poverty through access to locally generated renewable energy.

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² [Resolution concerning a just transition towards environmentally sustainable economies and societies for all](#). ILO. 2023.

Risks for negative impacts

- **Job losses and reduced incomes** caused by downsizing of environmentally unsustainable sectors;
- **Increase in inequalities for women and other marginalised groups.** For example, new job opportunities in green sectors may be taken up by men due to discriminatory recruitment processes; and
- **Growth of environmentally sustainable sectors with decent work deficits.** For example, growth in recycling SMEs which have poor worker safety.

Box 1. Understanding the risks in the transition

In Ghana, the ILO is working with the Ghanaian Tomato Transporters and Traders Association (GNTTTA) to help them shift from using single-use wooden crates to plastic ones.

Estimates indicate that this will reduce product losses from 20 per cent to 2 per cent during transportation. On the surface, shifting to plastic crates will enhance food security for a key Ghanaian staple, reduce methane gases from lost product, and preserve trees that capture and retain carbon. Plastic crates last at least five years, and can be melted and remoulded into new crates, providing a business and environmental case for adoption.

For farmers, a move to plastic crates will also standardise the crate size, enhancing trust between farmers and buyers at the farm gate as farmers feel that the variable size of wooden crates leads to buyers cheating them on the weight of the crates. While this intervention could build trust at the point of sale for many of the 90,000 tomato farmers, jobs for the 100+ workers currently engaged in building the crates will become redundant.

The [ILO Guidelines for a just transition towards environmentally sustainable economies and societies for all](#) provide a policy framework and an operational tool for addressing climate and environmental change in a way that advances social justice and promotes decent job creation. Guiding principles include social consensus for just transition goals and channels, with attention to context and gender dimensions – rather than applying a one-size-fits-all approach.

A just transition will not happen by accident, but through design and intent. National just transition initiatives will involve coordinated and multi-sectoral analysis, planning and action by government ministries, workers' and employers' organisations, and broader civil society actors. Just transition strategies are government policy documents setting out strategic goals for a just transition within a country. They may

be designed and labelled as dedicated just transition strategies, such as the [Framework for a Just Transition in South Africa](#). Elements of just transition strategic planning may also be included in nationally determined contributions (NDCs) or other climate policies, such as in several [Indonesian climate policy documents](#). These may also be developed at national or subnational level, focussing on a single or multiple sectors and complemented by thematic policy instruments, such as those in the fields of enterprise development, skills, social protection among others.

A just transition in developing countries

A just transition is important for all countries at all stages of development. Nevertheless, the specific challenges and opportunities will vary depending on country circumstances and priorities. The needs, opportunities and risks associated with a just transition in developing countries differ quite considerably from those in wealthier countries.

Income poverty is particularly acute among marginalized groups such as women, minority ethnic groups, and indigenous peoples with unequal access to economic opportunities. In this context, transitions which lead to job losses from certain sectors may have a greater social impact with those affected facing significant barriers to finding alternative income and employment.

Many developing countries are also likely to face adaptation needs. Although countries differ greatly in their climate risk profiles and adaptation needs, governments typically have few resources to fund adaptation. Similarly, communities affected by climate change in these countries may also be less equipped to adapt effectively, often due to lack of access to finance, skills and information on adaptive action.

Data from 2021 shows that GHG emissions³ in high income countries were approximately four times higher per capita than those in lower- and lower-middle income countries.⁴ Given developing countries' low emissions, both historic and current, their mitigation responsibility should also be relatively lower. At the same time, however, if large numbers of developing countries grow within 'high carbon' models of production and consumption, this will significantly increase GHG emissions, which could accelerate climate change and associated damage.

This highlights the need to support developing countries to move away from currently established growth models towards 'low carbon' opportunities for economic development. Likewise, these economic development opportunities should promote sustainable management of natural resources, prevent biodiversity loss, and minimize pollution. Multinational enterprises are increasingly making commitments to achieve emission reduction targets.⁵ This positive step increases the pressure on suppliers in developing countries to reduce

³ Greenhouse gas emissions included in this estimate were carbon dioxide, methane and nitrous oxide from all sources, including land-use change.

⁴ Data sheet on 'CO₂ and Greenhouse Gas Emissions'. Ritchie, H., Rosado, P., Roser, M. 2023. Data adapted from Jones et al. 2024. See: <https://ourworldindata.org/grapher/total-ghg-emissions>.

⁵ For example, the Science Based Targets Initiative reported that 1097 companies and financial institutions had set science-based targets for corporate greenhouse gas emissions reductions in 2022, an 87% increase from 2021.

► Figure 1. A just transition to sustainable economies and societies in developing countries

Current trajectory

- Wide-spread poverty and large populations of vulnerable groups are adversely affected by climate change.
- Current models of production and consumption cause climate change.
- Growth in these models will further accelerate climate change.

Transition to environmentally sustainable economies

- Potential for trade-offs and a need to be intentional in limiting negative social and economic impacts, such as job losses, increased inequalities and decent work deficits.
- Changes to common ways of working introduced to reduce the environmental impacts of a sector may not necessarily help build resilience to climate and environmental shocks.



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their GHG emissions as they are included in buyers' corporate GHG accounting.⁶

The political and governance contexts differ greatly between developing countries, particularly in terms of:

- Resources and capacity for effective policy formulation and implementation;
- Democracy, decentralization and representation of workers, employers and marginalized groups in political processes; and
- Understanding and acceptance of the just transition paradigm.⁷

As a result, the potential capacity for national level, government-led just transition planning and action also varies significantly.

Figure 1 above summarises some key considerations for a just transition in developing countries. This involves changing the current trajectory, characterised by unsustainable consumption and production growth, towards a just transition, which leads to environmentally sustainable economies and societies for all.

2. Leveraging opportunities: Using the MSD approach to support a just transition

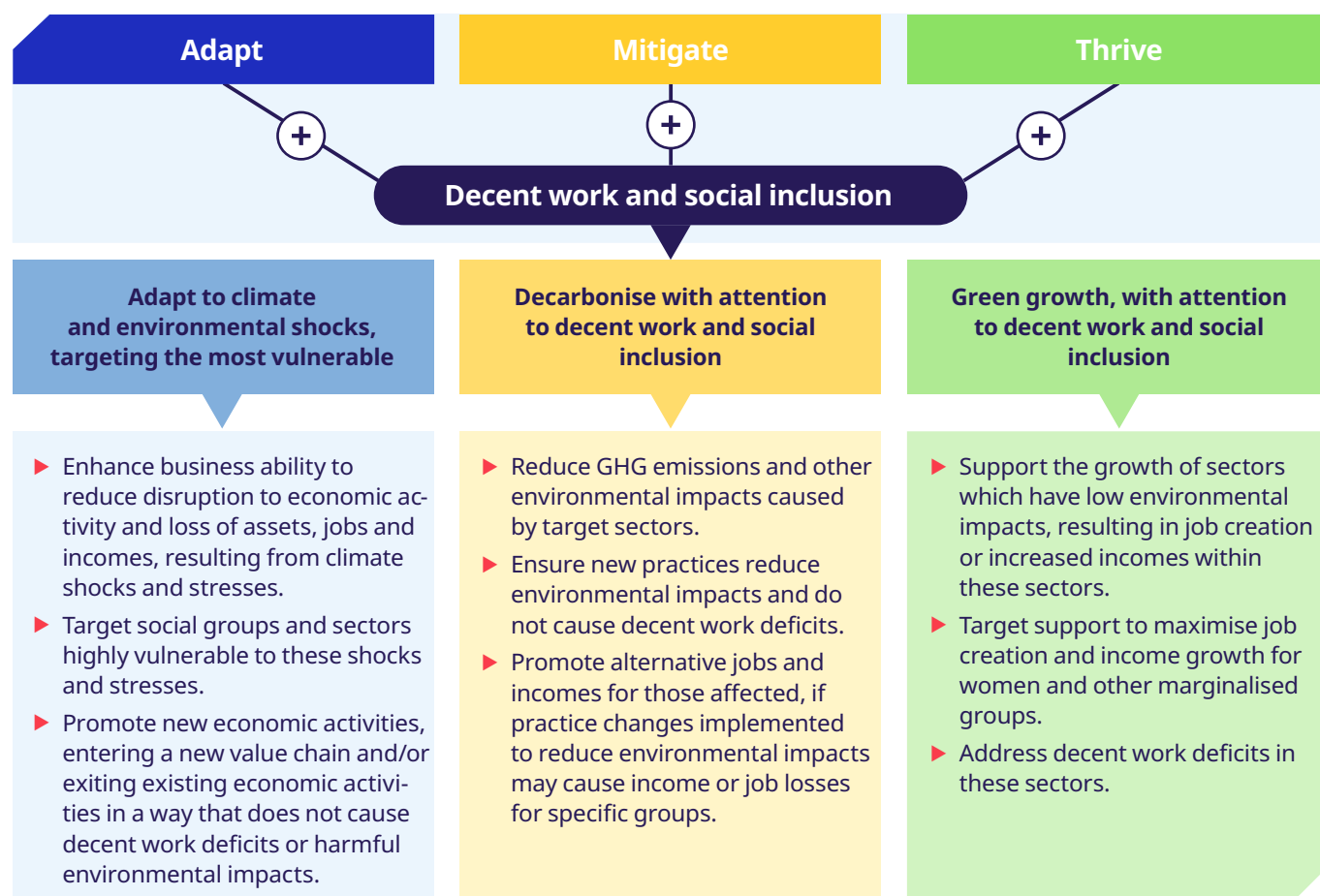
What are the just transition channels that the MSD approach can contribute to?

As the previous section highlighted, the aim for a just transition is to achieve complex objectives, which often combine environmental, economic and social elements. Figure 2 below presents a way to illustrate different channels through which MSD programmes can contribute to just transition, keeping in mind that programmes can contribute through more than just one channel.

6 This includes scope 3 emissions, which are all indirect emissions that occur in the value chain of the reporting company, except emissions from the generation of purchased energy.

7 [Exploring Just Transition in the Global South](#). Atteridge, A. S. et al. Climate Strategies. 2022.

► Figure 2. Three just transition channels that MSD programmes can contribute towards



These just transition channels are neither exhaustive nor mutually exclusive. For example, an intervention may improve climate adaptation, while also reducing environmental impacts and decent work deficits. Similarly, a programme may support growth of a sector which already has low environmental impacts and aim to further reduce these impacts.

However, working through these just transition channels should always address relevant social aspects, such as decent work dimensions and ensure that the most vulnerable and marginalised groups are not left behind. The example below illustrates how this may look in practice, demonstrating how an MSD programme aimed to reduce environmental impacts

Box 2. Greening that benefits worker safety and health

The Energy Efficiency in Artisanal Brick Kilns in Latin America (EELA) project was funded by Swiss Development Cooperation (SDC) and implemented by Swisscontact from 2010 to 2017. One component of the project aimed to address environmental issues caused by informal, family-run brick kilns operating in San Jeronimo, Peru, while also reducing occupational safety and health risks faced by workers.

Prior to the project, production methods were both inefficient and generated high levels of GHG emissions. Such methods reduced already low profits and kept families operating the kilns in poverty. These methods also produced toxic fumes, which caused many workers to develop chronic respiratory diseases.

The project promoted the use of energy efficient brickmaking technologies, including purchasing basic technology such as fans to boost combustion, and eventually even acquiring advanced, industrial-level equipment worth thousands of dollars for some. EELA also partnered with local financial institutions to fund equipment purchases and suppliers to improve local access to these technologies.

As a result, during the project's second phase alone, Peruvian brick kilns saved close to USD 1.5 million in combustible material expenses and reduced GHG emissions by more than 100,000 tons of CO₂e, and improved producer incomes and occupational safety and health.

of a sector while also addressing occupational safety and health risks faced by workers.

How can the MSD approach contribute to different just transition channels?

The existence of enabling market systems is critical to achieving a just transition. If the necessary 'Supporting functions' and 'Rules' are not present or functioning effectively, this may severely constrain their achievement. For the 'thrive' channel, projects aiming to create decent jobs in an emerging green sector can be driven by strong domestic market opportunities. However, if no workers have the required skills to carry out key roles, and no financial service providers are willing to lend to enterprises, growth will be heavily constrained. Furthermore, weak regulatory frameworks around occupational safety and health may mean that workers are exposed to unacceptable risks.

The MSD approach strives to build various supporting functions and rules which enable value chain actors to adopt beneficial changes. Examples of this include:

Supporting functions

- Financial services to support value chain actors adopt technology or practice changes to green their operations or scale up green products/service provision;

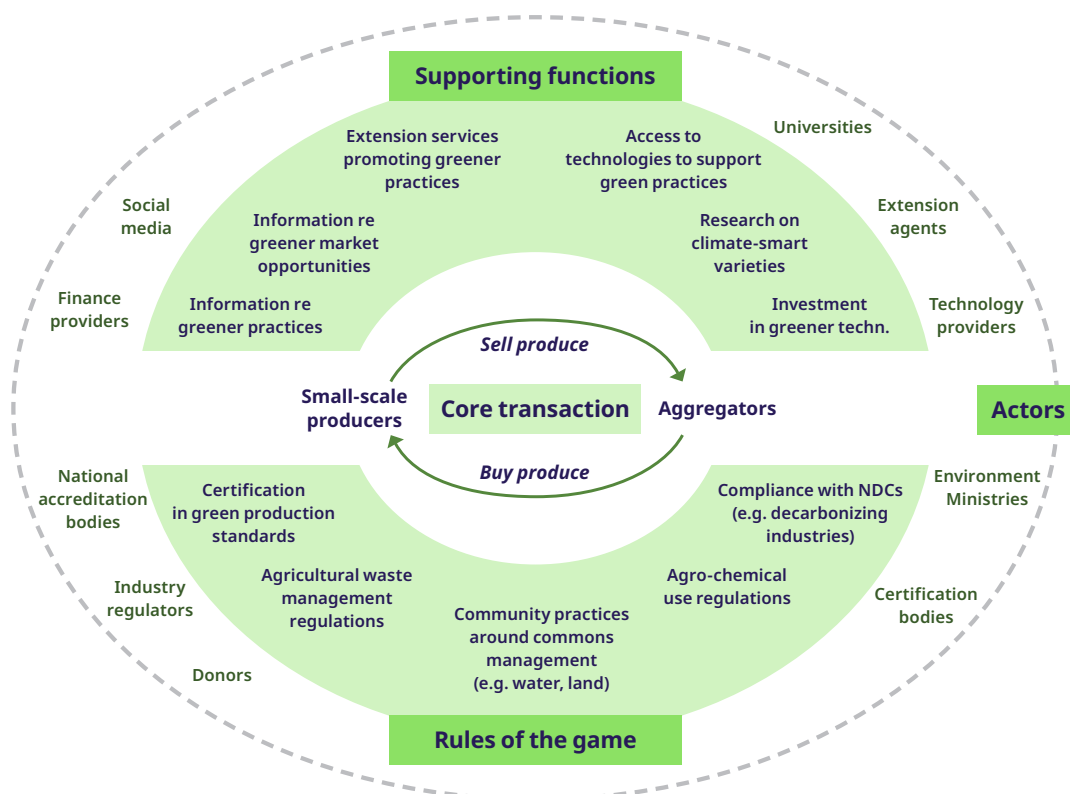
- Information provision on relevant policies (e.g., regulations), inputs and resources (e.g., finance and training) and best practices (e.g., technological innovations);
- Mechanisms to skill, upskill and reskill workers to carry out roles that enable growth of green sectors; and
- Foster effective coordination and collaboration between actors to plan and implement actions, which maximise opportunities and minimise risks.

Rules

- Legal and regulatory frameworks which protect the environment from harmful business practices;
- Labour laws, regulatory frameworks and incentive schemes for emerging green sectors;
- Voluntary sustainability standards, systems for effective implementation, and promoting uptake;
- Traceability standards and systems; and
- Policies and processes governing management of shared natural resources.

When supporting functions and rules align, market systems incentivise and catalyse beneficial changes among value chain actors. Figure 3 below presents a market systems 'doughnut', which shows the different components working together to enable the adoption of green practices, technologies and market access for maize producers.

► Figure 3. Illustrative MSD doughnut for greening maize producers. Reproduced from García Parra (2023)



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To catalyse change among market actors, MSD programmes play a ‘facilitation’ role, rather than aiming to become a temporary part of the market system. This approach involves:

- Sharing research, information and advice on opportunities and potential incentives for project partners to adopt new ways of working;

- Providing technical assistance to develop strategies and processes, or build capacity of market actors;
- Fostering linkages and coordination among different market actors; and
- Co-investing with a partner, for instance, through grants or cost-sharing.

Box 3. Using market facilitation to contribute to smallholder resilience

PRISMA is a partnership between the Governments of Indonesia and Australia to develop agricultural market systems for the benefit of smallholder farmers in Indonesia. In the rice sector, PRISMA collaborates with the private sector to promote high-yielding rice seed varieties that can withstand climate shocks and stresses, increase productivity and profitability for farmers, and reduce GHG emissions per tonne of rice produced.

Intervention

PRISMA provided support to private sector partners to develop, market and sell new High Yielding Varieties (HYV), promote farmer demand, establish viable markets, and ensure adequate supply. Intervention included cost-sharing on field testing (to produce proof-of-concepts), and promotion and dissemination activities, including market expansion strategies. This would provide access to inputs that farmers would not otherwise have had.

Through this, PRISMA supported five rice seed producers to promote HYV in East and Central Java. This increased seed production and promoted adoption and learning among farmers through demonstration plots, field staff and agronomists. Awareness and learning among farmers also stimulated demand for new varieties, and expanded markets for the seed companies.

Results

Within four years, more than 90,000 farming households adopted HYV rice seeds that are more resilient to drought conditions.

Typically, paddy rice cultivation generates high GHG emissions and these are aggravated by increased use of fertilisers containing nitrogen, such as urea. However, after cultivating the new varieties, farmers used less urea, leading to lower emissions per tonne of rice produced by 40 per cent (as reported in the PRISMA impact assessment).

Two rice varieties, Mapan and Suppadi, also increased smallholder farmers’ productivity by 1 to 2.8 tonnes per hectare under irrigated and rainfed conditions, resulting in a 31 per cent increase in incomes per household.

How can the MSD approach help achieve a just transition?

Capacity for targeting: Sectors and groups

Achieving a just transition includes targeting specific social and demographic groups who have been affected by a transition to sustainable economies, such as workers who lost jobs due to sectoral downsizing, and women, indigenous people, or groups particularly vulnerable to the impacts from climate change.

Unlike macro-level approaches to private sector development, the MSD approach focuses on sector selection, market systems analysis, intervention design and monitoring to maximize impact for specific groups.

The same is true of sectoral targeting. Although national just transition strategies aim to generate change across multiple sectors, realising a just transition requires dedicated planning and action to be carried out at sectoral level. The MSD approach is designed to target specific sectors, and MSD interventions are sector-specific. This creates opportunities for MSD programmes to position their work under the just transition strategy for a given sector, promoting alignment and synergies with higher-level initiatives.

Achieving sustainability and scale

Sustainable change is crucial to achieving a just transition. Short-term support strategies which are later withdrawn may make the transition more volatile and un-manageable in the long run.

For example, a project wanted to support the adoption of shade trees⁸ by cocoa farmers to accelerate climate adaptation. It funded a firm to grow seedlings and distribute them for free over a three-year period. During this time, the few local nurseries who normally sold seedlings to farmers found that their sales dropped dramatically, because farmers now expect seedlings for free. As a result, they decided to stop producing seedlings. After project completion, farmers no longer had an avenue to buy seedlings locally. Application of the MSD approach in this case looks different and could involve partnering with local market actors to scale-up production and distribution of seedlings to producers. This ensures that inputs to support adaptive practices are available in the long-term.

8 Canopy provided by shade trees grown alongside cocoa can help protect cocoa plants from heat stress, heavy winds and intensive rainfall, among other benefits.

One of the core tenets of the MSD approach is to achieve inclusive results at scale. Here, it intends to accelerate a just transition by using different strategies to identify business incentives to leverage private sector, expertise, resources and innovative capacity for large-scale change. The MSD approach also promotes ‘copying’ and ‘crowding in’ to facilitate the adoption of innovations across the market system.

Driven by incentives

To accelerate progress toward a just transition, value chain actors will need to adopt new technologies and practices such as a new drought resistant seed for farmers or more fuel-efficient boilers for factories. To make these changes, enterprises will need some form of incentive, which could open them up to a new market, reduce costs or reduce business vulnerability to adverse weather events while at the same time delivering toward employment or jobs outcomes. As the MSD approach focusses on identifying and strengthening incentives, it is well suited for accelerating these practice changes.

Where do we stand now and what more can we do?

The MSD approach is already being used to promote certain aspects of just transition. Here, we provide a summary of the current landscape, identify opportunities for expanding this work, and present donor insights on the potential contribution of the MSD approach towards achieving a just transition.

Box 4. What is the difference between MSD for just transition and greening programmes?

Employment- and income-focused MSD projects with just transition objectives may have a lot of overlap with those that have greening objectives. However, they can have distinct differences too. Among others, MSD projects with just transition objectives:

- Place a consistent focus on the more vulnerable groups, ensuring that existing social inequalities are not exacerbated by adaptation or mitigation actions.
- Take work decency deficits into full consideration as part of deciding which adaptation or mitigation actions to advance.
- Plan additional activities (or intervention) to support those most at risk of losing employment or income from adaptation or mitigation actions taken.

Current landscape

Where has the MSD approach achieved just transition goals?

- Programmes which promote climate adaptation to seem to be relatively common, particularly in the agriculture sector.⁹
- MSD programmes aiming to reduce pollution and biodiversity loss caused by excessive and inappropriate pesticide and fertilizer use seem to be relatively common and, at times, involve facilitating organic certification for farmers. These interventions also have the social benefit of reducing occupational safety and health risks from agrochemicals.
- Improving resource efficiency is a relatively common objective in many MSD programmes, spanning across the agriculture, manufacturing and construction sectors. This has been driven by the cost reductions and profit increases that it can generate.
- There is no clear indication on the number of MSD programmes supporting growth of sectors with low environmental impacts. However, there are programmes which aim to support sectors such as renewable energy and recycling, which may broadly fit within this classification. In some cases, these programmes also aim to ensure job quality and social inclusion.

Where has the MSD approach not achieved just transition goals?

- Mapping of the current landscape during the course of this brief did not identify projects with an explicit aim to apply the MSD approach to create jobs for groups affected by a transition to sustainable economies. This may be attributed to the possibility that many of these workers may not be easy to identify by their previous employment and may have merged into the broader ‘unemployed’ group.
- Few projects have an explicit objective of reducing GHG emissions or increasing removals. Some of these programmes - such as the EELA programme - have the twin objectives of reducing decent work deficits and creating environmental impacts.
- No MSD programmes were identified for which emissions reduction was third-party verified against a carbon programme standard,¹⁰ and where carbon revenues were generated for value chain actors.

Although the MSD approach has been used to promote several objectives – broadly aligned to a just transition – this has not been a result of intentional commitment to support it. Instead, it has been driven by separate initiatives by donors and practitioners to promote approaches to build resilience, green growth, decent work and social inclusion within

⁹ For example, Feed the Future’s ‘[Market Systems Resilience: State of the Field Map](#)’ highlights several such projects.

¹⁰ Verification against a carbon project standard refers to the process of assessing and confirming whether a GHG emission reduction project meets the requirements of a specific standard, such as the Verified Carbon Standard (VCS) or Gold Standard.



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market systems. While technical guidance may support MSD practitioners to implement projects to achieve these objectives, there is no dedicated guidance on designing and implementing MSD projects with a just transition objective.

Donor perspectives on MSD programming for a just transition

This research synthesised donor perspectives on MSD programming for a just transition from interviews with MSD funders and practitioners and through a workshop to discuss initial research findings. Their perspectives on the MSD approach's potential to contribute to a just transition are summarized below.

Overall, donors reported a growing commitment to achieving a just transition. This was stronger among climate units in headquarters, and more variable in country-offices.

Although the overarching vision of the just transition paradigm is clear, donors reported that further clarity is needed on how to translate high level ambition into concrete strategies and programming across different just transition intervention areas. Funding to such initiatives, so far, has been clustered within the energy sector, with a focus primarily on high-level national processes for just transition planning.

Further, donors expressed an interest in exploring how the MSD approach may be used to support a just transition. This is driven by the increased prioritization of resilience, mitigation and green growth goals by governments, more funding allocated to such goals, and the established position of the MSD approach in inclusive private sector development.

The research did not identify donors who intentionally and explicitly aim to fund MSD programmes supporting a just transition. The reasons for this, among others, include:

- Although many donors incorporate just transition thinking in their climate change policies, there is no clear policy commitment to integrate the just transition paradigm into their MSD work. This is because new approaches often take time and require a strong evidence base to be included into policies and strategies.
- National just transition initiatives are characterized by large-scale, multi-sectoral planning, with implementation carried out by government, civil society and private sector actors. Donors seek more clarity on how MSD programming in specific sectors/sub-sectors fits together with national level just transition policy processes and the interventions of diverse actors.
- There is no clear guidance on the steps, processes and tools for MSD project management with just transition goals, especially during the early design stage. A lack of clarity on how to navigate this process is a barrier to the development and scale-up of MSD work to achieve a just transition.
- The lack of strong interdisciplinary teams with technical expertise in both economic and social development and environmental management is a key concern for donors, calling for more effective collaboration between and within teams.

3. Developing MSD programmes for a just transition

Most MSD donors and implementers recognize the overarching ambition of a just transition. However, they often struggle with conceptualizing how the MSD approach can realize this ambition.

This section outlines key considerations for funders and implementers to help them fund programmes that use MSD approach to support a just transition. In particular it unpacks

► Figure 4. Key considerations for funders and implementers using the MSD approach to contribute towards a just transition



the programme development phase, as this is where many of the biggest challenges lie. Figure 4 summarises three key processes where donors and practitioners can adopt and incorporate just transition principles more deliberately.

1. Setting funding priorities

Donors need to clearly define the just transition priorities that they plan to support through an MSD programme. This process may occur when funders develop country cooperation strategies, strategic planning documents or when developing calls for proposals. At this stage, a key consideration for donors is the national landscape for just transition strategic planning. Donors should review any such strategic planning that has taken place in country and consider how their funding will coordinate with, or contribute to, these initiatives.

In some cases, the government¹¹ and key stakeholders develop a dedicated just transition strategy, or other policies which provide a roadmap for a just transition in a given sector. Here, donors may:

- Consider aligning funding priorities to such strategies. Is the strategy formulation acceptable?¹² Are the goals in the strategy specific enough for MSD programmes to support?
- Consider aligning project priorities with just transition strategies. Which specific goals can MSD programmes support, and where can the MSD approach add most value? Are government and other donors supporting specific goals? If yes, and where are the gaps?

However, some goals articulated in just transition strategy documents may not be specific enough for MSD programmes to support as illustrated below.¹³

This strategy in Table 1 puts forward broad, long-range outcomes for the agriculture sector. It describes how further analysis and collective decision-making by 'national and provincial agricultural departments and stakeholders in the agricultural value chain' will develop more specific strategies. In such cases, donors may choose to wait for them to develop or consider supporting relevant stakeholders in developing just transition strategies at either national or subnational level, before identifying objectives that an MSD project can support.

Many developing countries do not have a dedicated just transition strategy or have limited just transition considerations in other climate policy documents. In such cases, donors should consider aligning their funding to other relevant policies. In countries where such policies are also limited, donors may consider providing open remits to MSD implementers to identify and formulate just transition goals to support programme design.

2. Programme design

Target group selection

Target groups are normally defined before or during sector selection, based on donor priorities or an assessment of the vulnerability, needs and capacities of different groups. For MSD programming, this may include assessments to identify groups which are:

- Vulnerable to job/income losses as a result of economic restructuring;
- Vulnerable to adverse impacts of climate change; and
- Not adequately integrated to access new opportunities in the green economy.

► Table 1. Excerpt from South Africa's national-level just transition strategy.¹³

Long range outcomes	Short term decisions and actions required	Responsibility
► Climate impacts minimised as far as possible through innovations that sustain production. ► Where livelihoods harmed by climate change, the affected working people find alternatives	► Improved understanding of climate trends by region and impacts on farmworkers and communities in historic labour-sending regions, enabling identification of affected communities, understanding of likely timeframes for impacts, and on basis development of effective strategies for a just transition. ► Establishment of effective and coordinated structures to drive the just transition and climate adaptation in agriculture.	► DFFE to improve monitoring and information on climate trends by region. ► On that basis, DFFE to work with national and provincial agricultural departments and with stakeholders in the agricultural value chain to identify impacted workers and communities, and develop strategies, with agencies to drive them.

¹¹ It is important to note that it is certainly not feasible for MSD programmes to be leading national just transition initiatives. These are large-scale, multi-sector, inter-ministerial policy planning exercises. The MSD approach is not well-matched for this purpose.

¹² If major issues are identified with the formulation of a just transition strategy, donors may decide against aligning with them.

¹³ [A Framework for a Just Transition in South Africa. Presidential Climate Commission](#). The Presidential Climate Commission. 2022.

Sector selection

Sector selection follows the same process as that of any 'conventional' employment-focussed MSD projects. This involves defining the selection criteria, such as opportunity, feasibility and relevance.¹⁴ This is followed by assessing sectors against these criteria and selecting the best performers. It is crucial that these criteria closely reflect the target groups and priorities selected in the previous step.

For example, if a project's target group is women vulnerable to job/income losses due to downsizing of the coal sector, one criterion for comparing sectors may be 'potential employment of women in decent jobs within the sector.'

The criteria may also place greater emphasis on environmental impacts, which are not always well represented in sector selection processes.¹⁵ Just transition MSD projects may also call for greater attention to identifying 'new' or 'emerging' sectors in the green economy, or identifying 'alternative' sectors to the ones that currently employ the target group.

Formulating goals

Often, donors specify high-level just transition objectives that MSD programme should contribute to. In cases where they do not, MSD programmes will need to formulate these objectives. This process is driven by the overall logic of maximising opportunities for positive impact and minimising negative impact across environmental, economic and social dimensions. This involves considering key questions such as:

- Based on target group needs and challenges, which impacts are most important?
- Given the understanding of market systems and project capacity, how feasible is it to achieve each impact?
- Will there be any interactions between different impacts if achieved?
- Will there be any negative impacts?

There may be trade-offs between different goals, which will require careful consideration and dialogue with key stakeholders to reach decisions supported by social consensus.

Market systems analysis

During market systems analyses, projects should evaluate current market system performance differently. In a 'conventional' employment-focused approach, this could involve assessing the number of jobs and incomes of different workers throughout the value chain. However, in a just transition MSD project, this would typically involve assessing performance against a wider array of environmental, economic and social impact dimensions. This broader assessment will help programmes 'do no harm' and identify opportunities to maximise performance across the full range of potential just transition goals.

Developing a systemic change vision and designing interventions to achieve it

While the process to develop a systemic change vision and design interventions is similar, MSD programmes with multiple just transition goals should ensure that the systemic change vision to achieve one set of goals does not conflict with the change vision to achieve another. Here, it is particularly important to assess the incentives actors have to make changes and focus on leveraging those which are most effective. For example, value chain actors may not be interested in reducing GHG emissions out of commitment to national mitigation efforts. However, if the practices to achieve mitigation also reduce costs or generate carbon revenues, then there is a clear incentive to adopt them.

3. Programme appraisal

When appraising proposals for MSD projects which contribute towards a just transition, there are a number of new considerations. Firstly, it will be necessary to appraise how well the project is coordinated with the just transition policy architecture at national and subnational levels. At a minimum, programmes should ensure that they do not have significant conflicts between their goals and those outlined in the just transition policies. It may also include an assessment of the extent to which the MSD programme will contribute towards these policy objectives. Secondly, donors will need to ensure that appraisal processes can effectively compare and assess economic, social and environmental dimensional impacts.

4. Scaling-up the use of the MSD approach to support a just transition

What can MSD donors do?

Beyond directly funding MSD programmes with just transition goals, donors can:

- Develop policy commitments to achieving just transition across private sector programming.
- Build staff awareness and buy-in on a just transition.
- Build internal capacities to apply the MSD approach to contribute towards a just transition.
- Develop strategies for breaking down silos between staff from climate and private sector development disciplines.
- Fund pilot projects to test new approaches.
- Fund the development of tools to support practitioners at different stages of project cycle and promote guidance on how to use them.
- Support initiatives on skills development and capacity building of MSD practitioners to promote a just transition.

¹⁴ See the [ILO Guide on Value Chain Development for Decent Work](#) for a detailed explanation on selection criteria and their application.

¹⁵ For guidance on how to achieve this, see [ILO Guidelines for Value Chain Selection: Integrating economic, environmental, social and institutional criteria.](#)

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What can MSD implementers do?

- Develop an organisational policy commitment to achieve a just transition in MSD programming.
- Build staff awareness and buy-in on a just transition.
- Develop internal capacities to undertake integrated environmental, social and economic analysis and planning. Where needed, create partnerships with organisations to fill capacity gaps.
- Develop strategies for breaking down silos between staff from different disciplines.
- Develop guidance and tools for carrying out new processes in the project cycle, pilot and refine them.



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