



International
Labour
Organization

► Unlocking more and better jobs

Integrating sustainable
enterprises for a just transition
in Nationally Determined
Contributions





▶ Key takeaways

Nationally Determined Contributions (NDCs) are commitments by countries to address climate change and meet the goals of the Paris Agreement. NDCs can also serve as national investment plans and national development plans, often having economy-wide implications. Integrating the principles of a just transition in NDCs is a key enabler of climate ambition and a vehicle of sustainable development.

The development of sustainable enterprises is essential for countries to achieve their NDCs, drive a just transition, and maximize decent work opportunities. Sustainable enterprises of diverse types and sizes serve as engines of economic growth and innovation, are key to creating more and better jobs, and are fundamental to advancing the transition toward sustainable and inclusive economies.

This note provides guidance on integrating sustainable enterprises for a just transition in NDCs. It is intended for specialists promoting sustainable enterprises, as well as representatives of governments and workers' and employers' organizations engaged in the NDC processes of their countries.



A **just transition** promotes environmentally sustainable economies in a way that is inclusive, by creating decent work opportunities, reducing inequality and by leaving no one behind. It 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.

What are the **key threats**
to enterprises and their workers
from climate change
and related
measures?



▶ Key threats

▶ **Climate impacts threaten businesses dependent on nature**

Such impacts create risks across sectors for many enterprises that directly or indirectly depend on nature for delivering goods and services.

▶ **Extreme weather events have significant social and economic costs**

They can damage business assets, disrupt operations and supply chains, cause job losses, reduce productivity, and endanger the health and safety of both workers and employers.

▶ **An uneven transition poses distinct challenges**

These can range from financing shortfalls and shifting compliance demands for enterprises to gaps in social protection for workers. Challenges can intensify if social dialogue is absent and the informal economy is not considered in climate policies.

▶ **The risk of energy insecurity**

Limited access to affordable, reliable and sustainable electricity, exacerbated by climate shocks and high transition costs, creates financial and operational risks for enterprises of all types and sizes.

▶ **Diverse threats across the enterprise spectrum**

Across the enterprise spectrum, micro, small and medium enterprises (MSMEs), economic units in the informal economy, cooperatives and other social and solidarity economy (SSE) entities, and large enterprises face diverse risks from climate change and related policies.

What potential **opportunities** can countries harness by focusing on sustainable enterprises for a just transition in their NDCs?



▶ Opportunities

- ▶ **Delivering economic growth with social, environmental and employment gains**
 - through sustainable enterprises, as existing sectors transform and low-emission sectors take shape.
- ▶ **Achieving economic diversification with new business opportunities**
 - while enhancing productivity, innovation and competitiveness.
- ▶ **Realising climate mitigation and adaptation goals with green and resilient businesses**
 - as sustainable enterprises of diverse types and sizes decarbonize, adapt to climate risks, grow in new markets, protect workers, and create decent jobs.
- ▶ **Supporting innovation and technology transfer**
 - as sustainable enterprises adopt and localize environmentally friendly technologies, boost efficiency, reduce costs, expand market access, and develop innovative business models.
- ▶ **Supply and value chains strengthening**
 - as businesses build resilience, reduce emissions, uphold responsible business practices, and support decent work across all tiers of production.
- ▶ **Leaving no businesses and their workers behind**
 - as a just transition through sustainable enterprise development empowers those facing socio-economic vulnerabilities, fosters inclusion in a resilient low-carbon economy, and supports the formalization of the informal economy.
- ▶ **Catalysing financial investments for a just transition**
 - from public and private sources and financial institutions to support the environmental and social foundations of the transition and enable sustainable enterprises, from MSMEs and cooperatives to large firms, to reduce emissions, enhance resilience, undertake enterprise-level transitions, and create decent jobs.

The background features a large green gear at the top, with various green leaves and plants scattered throughout. A red triangle is on the left side. The text is overlaid on a semi-transparent green shape.

What to keep in mind when integrating sustainable enterprises in NDCs?

- **Ensuring effective social dialogue when formulating the NDC** – fundamental to understanding the perspectives and concerns of real-economy actors, particularly workers' and employers' organizations.
- **Anchoring a just transition in the NDC** – establishing strong linkages between climate objectives and a just transition would be essential to address the social and employment dimensions of climate action.
- **Positioning diverse sustainable enterprises as drivers of climate action and decent work** – explicitly highlighting the role of sustainable enterprises of varied types and sizes, including MSMEs and cooperatives and other SSE entities, in delivering environmental, social and employment gains.
- **Embedding an enabling environment for sustainable enterprises** – clearly incorporating an enabling environment in NDCs that can offer policy certainty and a clear commitment towards enterprise development across areas such as providing business development services, offering incentives or subsidies, enacting regulatory or policy reforms, among others.
- **Focusing on developing and strengthening supply and value chains** – outlining pathways in NDCs to build new goods or commodity-based supply and value chains and enhance the resilience of existing ones.

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- ▶ **Promoting responsible business conduct** – embedding decent and productive work considerations in enterprises’ climate and environmental actions and due diligence measures. The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration), the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct provide guidance to enterprises relevant in the context of just transition.
 - ▶ **Integrating financing for sustainable enterprise development and just transition objectives into NDCs** – explicitly linking climate and just transition goals with financing strategies that mobilize public and private finance and facilitate access to capital for enterprises of all types and sizes.
 - ▶ **Leveraging carbon markets for sustainable enterprises and decent work** – incorporating commitments in NDCs that support enterprises of all types and sizes to participate in carbon markets to realise a just transition.
 - ▶ **Committing to implementing the NDC with the participation of world of work actors** – ensuring a whole-of-government and whole-of-society approach that engages workers’ and employers’ organizations, relevant ministries, financial institutions, and enterprise support agencies to advance a just transition for all.

1. What are Nationally Determined Contributions?

Nationally Determined Contributions (NDCs) are climate pledges or climate plans self-defined by countries under the Paris Agreement.¹ They outline each country's commitments and plans towards reducing emissions to achieve the global goal of limiting warming to 1.5°C, as well as adapting to climate impacts, along with identifying pathways for ensuring adequate financial support for these efforts. NDCs must be updated every five years with progressively higher ambitions, reflecting each country's capacities. They represent politically-supported plans, often endorsed at the highest levels of government.²

Collectively, NDCs determine whether the world can meet the long-term goals of the Paris Agreement, that is the peaking global greenhouse gas (GHG) emissions as soon as possible, followed by rapid reductions guided by the best available science. NDCs can also serve to identify adaptation priorities, which are an increasing concern, especially for developing countries. Since the adoption of the Paris Agreement in 2015, countries have made meaningful progress and important commitments. However, commitments by countries in their NDCs have so far fallen short, with the world on course for a temperature increase of 2.6-3.1°C over the course of this century.³ Countries have been developing their third round of NDCs (often referred to as NDC 3.0), which are due in 2025 and present an important opportunity to enhance ambition by closing the emissions gap.

► 1.1. How do NDCs intersect with sustainable development and a just transition?

While NDCs are national climate change mitigation and adaptation plans, they can also serve as “national investment plans and national development plans”.⁴ They often have economy-wide implications and present an opportunity to drive a transformative shift toward sustainable development that boldly addresses the social and employment dimensions of climate action. Besides, NDCs can stimulate economic growth, promote economic diversification, and align financial flows, while unlocking the potential of sustainable enterprises and decent work - catalysing more and better jobs.

Integrating the principles of a just transition in NDCs serves as a key enabler of climate ambition and a vehicle of sustainable development.⁵ A just transition promotes environmentally sustainable economies in a way that is inclusive, by creating decent work opportunities, reducing inequality and by leaving no one behind. It 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.⁶ Besides, a just transition supports policy coherence at all levels and across different fields, fostering an integrated approach

1 For more information, see: [Nationally Determined Contributions \(NDCs\)](#)

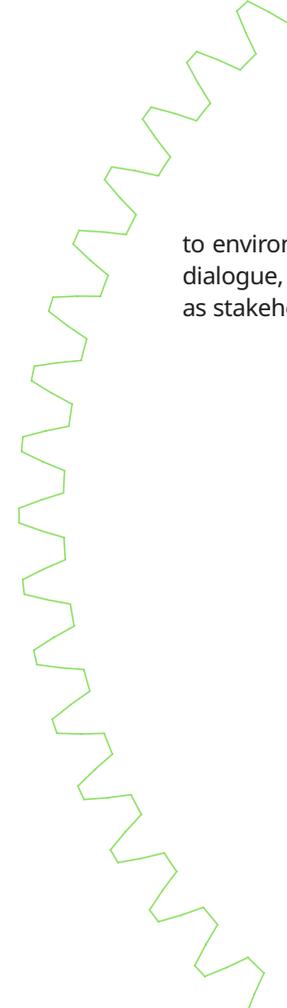
2 For more information, see: [What are NDCs and how do they drive climate action?](#)

3 UNEP. 2024. [Emissions Gap Report 2024](#).

4 For more information, see: [All About the NDCs](#)

5 ILO. 2024. [Leveraging NDCs as a vehicle of a just transition in ambitious climate action](#).

6 International Labour Conference. 2023. [Resolution concerning a just transition towards environmentally sustainable economies and societies for all](#).



to environmental, social and economic dimensions. Crucially, it is grounded in effective social dialogue, with the active participation of real economy actors - workers and employers, as well as stakeholder engagement, thereby supporting broad-based ownership of NDCs.

The ILO's key role in climate policy making

The ILO has been spearheading efforts to integrate the social and employment dimensions of climate and environmental change in climate policy processes across international, regional and national levels.

The NDCs present an important entry point for promoting sustainable enterprises and creating decent work to advance a just transition, drawing upon the 2015 ILO [Guidelines for a just transition towards environmentally sustainable economies and societies for all](#). In this regard, the ILO Guidelines provide a comprehensive framework comprising policies in nine key areas: macroeconomic and growth policies; industrial and sectoral policies; enterprise policies; skills development; occupational safety and health; social protection; active labour market policies; rights; and social dialogue and tripartism. The 2023 [Resolution](#) by the International Labour Conference endorsed the ILO Guidelines as the central reference for policymaking and a basis for action on just transition. It also calls for fostering policy coherence at all levels and across different fields, as well as putting in place adequate financing provisions for a just transition.

To address a just transition in NDCs, the [ILO seeks to assist countries](#) in developing their national climate plans that: i) are grounded in national priorities; ii) address social and employment impacts of climate change and climate measures; iii) offer actionable entry points; iv) are based on social dialogue and stakeholder engagement and; v) pay attention to the needs of vulnerable groups.

The ILO works with its tripartite constituents representing governments and employers' and workers' organizations from its 187 Member States, to address decent work and social justice in climate action.

Key role

2. Why are sustainable enterprises essential to the success of NDCs?

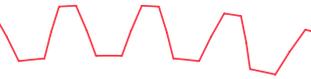
At the cross-section of climate-related social, economic and environmental impacts, as well as policy measures, are enterprises operating in diverse sectors, such as manufacturing, agriculture, energy, transportation, mining, among others. These enterprises can be private or public, vary in size and type from micro, small and medium enterprises (MSMEs) and cooperatives and other social and solidarity economy (SSE) entities to large multinational corporations. Furthermore, while diverse enterprises operate in the formal economy, the majority of economic units, especially in developing countries, are informal. For the most part, such informal enterprises tend to be micro enterprises (including own-account workers) and small enterprises.⁷

⁷ ILO. 2021. [Enterprise Formalization: An Introduction](#). Thematic Brief 1/2021.

Although enterprises of all types and sizes play a vital role in the social and economic landscape of countries, they:

- ▶ face significant challenges and disruptions from climate and environmental change and related policies and measures, yet
- ▶ are fundamental actors in advancing a just transition, building resilient low-carbon economies, creating decent work, and serving as drivers for more and better jobs.

The way NDCs are envisioned and designed has major implications for enterprises, as these climate plans often span multiple sectors and are *economy-wide* in scope. This is even more relevant since enterprises drive technological and organizational change as well as develop innovative products and solutions essential to achieving climate, social and economic objectives. At the same time, enterprises continue to face significant challenges such as high upfront costs, limited financing, skill gaps, lack of access to affordable technologies, among others. As a key policy framework, NDCs can support the development of sustainable enterprises, especially if foreseen investments include provisions to stimulate a favourable business environment - helping to achieve a just transition for all and in ensuring that climate action is viable for businesses and people-centred.



▶ 2.1. What are the key threats to enterprises and their workers from climate change and related measures?

Climate impacts pose several threats to enterprises of all types and sizes, as well as to their workers. Additionally, some climate measures may introduce challenges that risk negatively affecting businesses. These threats can undermine productivity and competitiveness, limit the ability of enterprises to grow and create decent jobs, and ultimately impact the broader economy.

▶ Climate impacts threaten businesses dependent on nature

Many enterprises rely on a stable and healthy environment to produce and deliver goods and services, such as direct dependence in sectors like agriculture, mining or ecotourism, and indirect reliance in food and beverage manufacturing, textiles or construction. Ecosystem services like crop pollination or air purification also affect the quantity and quality of inputs.⁸ As climate impacts intensify and resource scarcity grows, enterprises of all types and sizes face increasing risks.

▶ Extreme weather events have significant social and economic costs

The frequency and severity of extreme weather events such as droughts, floods, heatwaves, and wildfires directly impact enterprises, workers, and the broader economy. While such events particularly affect developing countries, they also have severe impacts in developed countries.⁹ Estimates suggest that between 2014 and 2023, climate-related extreme weather events cost the global economy over USD 2 trillion and affected around 1.6 billion people.¹⁰ Besides, the ILO estimates that 2.41 billion workers are exposed to excessive heat globally, which results in approximately 22.85 million non-fatal injuries and 18,970 deaths annually.¹¹ Extreme weather events can threaten business assets, disrupt operations and supply chains, lead to job loss, negatively impact productivity, and endanger the health and safety of workers and employers.

8 ILO. 2022. [Greening Enterprises: Transforming processes and workplaces.](#)

9 Adil, L., et al. 2025. [Climate Risk Index 2025.](#) Germanwatch.

10 Oxera. 2024. [The economic cost of extreme weather events. Prepared for the International Chamber of Commerce.](#)

11 ILO. 2024. [Heat at work: Implications for safety and health.](#)

➤ An uneven transition poses distinct challenges

Climate or environmental policies and regulations can pose significant challenges for enterprises of all types and sizes, as well as for their workers. These measures may drive sector-wide and supply chain transformations, requiring substantial investments in decarbonization or adaptation from enterprises, despite facing persistent financing gaps. Enterprises may also face shortages of a skilled workforce, while workers can face training and social protection gaps, including in the event of job losses. Besides, as regulatory frameworks evolve rapidly, many enterprises may find it difficult to keep up with and navigate changing compliance requirements.¹²

More broadly, the absence of social dialogue in climate and environmental policy making risks overlooking the concerns of real-economy actors such as workers and employers' organizations, thereby undermining the ownership of such measures. Particularly regarding the informal economy, as workers and enterprises are often not part of dialogue processes, policies may fail to consider their unique constraints.

➤ The risk of energy insecurity

Particularly in many developing countries, limited access to reliable and affordable energy remains a major barrier for enterprises to operate and grow.¹³ This challenge can be exacerbated by extreme weather events that damage energy infrastructure. At the same time, efforts to decarbonize the energy sector are gaining momentum, creating significant business and employment opportunities. However, especially in several developing countries, policy gaps persist and the high capital costs of transitioning to sustainable electricity continue to hinder progress,¹⁴ creating obstacles for enterprises that may be seeking clean, affordable and reliable energy access.

➤ Diverse threats across the enterprise spectrum

Different types of enterprises may face distinct risks from climate change and related policies.

MSMEs are a key source of employment in most countries.¹⁵ Climate impacts can reduce productivity and asset values of MSMEs, disrupting operations and financial performance.¹⁶ In addition, climate policies, regulatory demands, and value chain pressures to meet the standards of larger firms may attempt to push them toward decarbonization and adaptation. However, associated costs remain a major barrier, and many MSMEs may lack the resources, technical know-how, access to credit, insurance, or investment, and the capacity to innovate or adapt. Amidst constraints, they may face difficult trade-offs between managing immediate climate risks and undertaking long-term business investments.¹⁷

Economic units in the informal economy, particularly prominent in developing countries, are often marked by decent work deficits. Climate change risks compounding such deficits, as informal enterprises and their workers have extremely limited capacity to cope with its impacts. In both urban and rural areas, climate shocks can severely disrupt livelihoods in the informal economy and exacerbate poverty.¹⁸ While recovery is often difficult, informal enterprises and workers typically lack protection under environmental or other laws, leaving them highly vulnerable to climate change.¹⁹

Cooperatives and other SSE entities often aim to meet the needs of disadvantaged groups and persons in vulnerable situations, who may already be more at risk to climate impacts. However, many

12 For example, see: ILO. 2022. [How MSMEs can contribute to and benefit from a just transition](#).

13 For example, see: UNCTAD. 2017. [Transformational Energy Access](#). Policy Brief No. 55.

14 World Bank. 2024. [The Critical Link: Empowering Utilities for the Energy Transition](#).

15 ILO. 2019. [Small Matters: Global evidence on the contribution to employment by the self-employed, micro-enterprises and SMEs](#).

16 World Bank. 2022. [Guidelines for Integrating Climate Change Mitigation and Adaptation in Public Credit Guarantee Schemes for Small and Medium Enterprises](#).

17 ILO. 2022. [How MSMEs can contribute to and benefit from a just transition](#).

18 For example, see: ILO. 2022. [A double transition: formalization and the shift to environmental sustainability with decent work](#); Sepadi, M.M. 2025. [Impact of Climate Change on Informal Street Vendors: A Systematic Review to Help South Africa and Other Nations \(2015–2024\)](#), Atmosphere 16(2): 179.

19 ILO. 2022. [How MSMEs can contribute to and benefit from a just transition](#).

such entities operate in climate-sensitive sectors like agriculture, and can face risks such as low yields, income loss, credit or insolvency risks, among others.²⁰ While many cooperatives and other SSE entities engage in climate action, they often face technical and financial constraints in adapting to climate change or transitioning to a resilient low-carbon economy.

Large enterprises, including multinational corporations, also face direct risks to their operations and workers from climate impacts, along with challenges in decarbonizing or adapting. They may also need to navigate varied climate regulations across jurisdictions, shifting investor priorities, growing environmental, social, and governance (ESG) expectations, changing consumer preferences, and reputational risks. Besides, in globalized supply chains, climate shocks at key production or extraction sites can impact local economies and across borders.²¹ The inter-connectedness between many large enterprises, MSMEs, and cooperatives and other SSE entities in supply chains adds another layer of complexity for diverse enterprises navigating a transition to a resilient low-carbon economy.

▶ 2.2. What potential opportunities can countries harness by focusing on sustainable enterprises for a just transition in their NDCs?

When formulating NDCs, focusing on advancing a just transition through sustainable enterprises provides countries with essential building blocks that can align with national priorities, while ensuring that climate action maximizes decent work opportunities, generating more and better jobs.

▶ Delivering economic growth with social, environmental and employment gains

Achieving the NDCs will require transforming many existing sectors and developing new low-emission sectors. This critically depends on the transformation of existing businesses and the emergence of new enterprises. Focusing on sustainable enterprises of diverse types and sizes in this context, can help drive economic growth alongside environmental gains, while also fostering social and employment benefits.

Although the transition to a low-carbon economy can pose some economic challenges, the opportunities are significant. For example, clean energy manufacturing accounted for around 5 per cent of China's GDP growth in 2023,²² underscoring its expanding role in the economy. Moreover, in several countries, investment in clean energy manufacturing has flourished, driven by supportive industrial policies and growing market demand, thereby also offering a strong business case. The development of sustainable enterprises in such emerging or transitioning sectors holds the potential to generate more jobs, improve working conditions, and raise living standards.

▶ Achieving economic diversification with new business opportunities

In the context of climate change, economic diversification is an important consideration for many countries, for instance in areas heavily reliant on high-emitting sectors.²³ It can unlock new business opportunities,

²⁰ For example, see: Deng, C. et al. 2025. [The impact of weather shocks on rural credit cooperatives](#). Finance Research Letters, 75

²¹ O'Neill, B., et al. 2022. [Key Risks Across Sectors and Regions](#). In: Climate Change 2022: Impacts, Adaptation and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. Cambridge University Press, Cambridge, UK and New York, NY, USA.

²² Cozzi, L. et al. 2024. [Clean energy is boosting economic growth](#). IEA.

²³ UNFCCC. 2016. [The concept of economic diversification in the context of response measures](#). Technical paper.

and through the development of sustainable enterprises of diverse types and sizes, support the growth of new sectors and broaden economic activities. A just transition can help manage these shifts inclusively, while contributing to long-term economic growth and the creation of decent jobs. In some countries, strategies such as developing new economic clusters, supporting MSMEs, and formalizing the informal economy are emerging as key pathways.²⁴ Additionally, focusing on sustainable enterprises development as part of economic diversification efforts can serve to enhance productivity, innovation and competitiveness of businesses.

► Realising climate mitigation and adaptation goals with green and resilient businesses

Enterprises of diverse types and sizes can have negative environmental impacts. SMEs, for example, account for 64 per cent of industrial pollution in Europe,²⁵ while economic units in the informal economy, many of which are resource-dependent and operate outside regulatory frameworks, also pose environmental risks.²⁶ At the same time, many enterprises are highly vulnerable to climate impacts and lack resilience (see section 2.1). Integrating sustainable enterprises development into NDCs can advance mitigation and adaptation goals, with employment gains. Enterprise decarbonization and greater resilience also offer a strong business case as this can enable access to new market opportunities, enhance productivity and innovation, and reduce climate-related risks.

To support mitigation goals, emissions can be reduced by growing sustainable enterprises in low-emission sectors and through enterprise decarbonization, such as greening operations, improving resource and energy efficiency, adopting circular economy practices, or implementing sustainable business models. For adaptation, the development of sustainable enterprises, including MSMEs and cooperatives and other SSE entities, can strengthen technical capacity and financial access needed by businesses to adapt, and support insurance coverage to cope with climate shocks. Emerging adaptation sectors like climate advisory services and ecosystem-based solutions, among others, can also present opportunities for developing sustainable enterprises, protecting workers, and creating employment.²⁷

Additionally, the formalization of informal enterprises holds the potential to promote better environmental practices, recognize the environmental services already being provided, while protecting a large segment of the workforce, particularly in developing countries. For example, cooperatives and other SSE entities can not only support formalization but also strengthen community engagement and promote enterprises aligned with sustainability principles and decent work.²⁸

For many large enterprises, environmental sustainability has become a key issue alongside economic performance,²⁹ with some also participating in carbon markets.³⁰ By adopting responsible business conduct practices,³¹ such enterprises can undertake mitigation and adaptation efforts while managing the social implications of such measures. For example, sustainable enterprises can support just transition efforts by upholding the respect for fundamental principles and rights at work, conducting human rights due diligence to address any negative impacts of the transition processes, and increasing decent employment opportunities.

24 For example, see: Presidential Climate Commission. 2022. [A Framework for a Just Transition in South Africa](#).

25 ILO. 2022. [Greening Enterprises: Transforming processes and workplaces](#).

26 ILO. 2022. [A double transition: formalization and the shift to environmental sustainability with decent work](#).

27 For example, see: ILO. 2018. [The employment impact of climate change adaptation](#). Input Document for the G20 Climate Sustainability Working Group.

28 For example, see: ILO. 2019. [Waste pickers' cooperatives and social and solidarity economy organizations](#); ILO. 2016. [A cooperative way for empowering indigenous peoples](#).

29 ILO. 2022. [Greening Enterprises: Transforming processes and workplaces](#).

30 For example, see: [EU Emissions Trading System](#)

31 For more information, see: [ILO Helpdesk: Business and a Just Transition](#)

➤ Supporting innovation and technology transfer

Innovation is essential for addressing climate change, with diverse enterprises advancing low-emission technologies, greener products, and improved waste management. It presents a strong business case by enhancing efficiency, lowering costs, and opening new markets. Innovation can also drive industrial development and economic diversification, while enhancing resilience, boosting competitiveness, and generating employment.³²

For many developing countries, technology transfer is critical for accessing and deploying environmentally friendly technologies. Sustainable enterprises can play a key role in adopting and localizing such technologies. Initiatives are increasingly connecting technology providers and users, including multinational companies and SMEs.³³ However, access to finance remains a significant barrier, particularly for MSMEs lacking the resources to invest in innovation.

Moreover, innovation in business forms and models, such as those adopted by SSE entities,³⁴ can also advance climate action while delivering social benefits.

➤ Supply and value chains strengthening

Amidst growing climate-related risks to global and domestic supply and value chains, sustainable enterprises are key to enhancing resilience, reducing emissions, and ensuring business continuity. For example, the Market Systems Development (MSD) approach can support MSMEs and cooperatives within value chains to address environmental and decent work challenges.³⁵ Besides, downstream companies can support suppliers, such as MSMEs, improve management practices, product quality, and compliance, while also providing investment, long-term contracts, and upfront capital to facilitate upgrades.³⁶ Large enterprises, by adopting responsible business practices, can also help build climate-resilient supply and value chains while addressing the social impacts of the transition on labour rights through robust due diligence.

➤ Leaving no businesses and their workers behind

To ensure that NDCs effectively address the needs of those already facing socio-economic vulnerabilities, such as women, indigenous and tribal peoples, and persons with disabilities, among others, it is essential to consider their specific challenges and leverage emerging opportunities. A just transition and the development of sustainable enterprises can enable diverse groups to engage in climate action, as both workers and employers. For instance, integrating women's entrepreneurship development (WED) into transition efforts can help overcome systemic socio-economic challenges and empower women as innovators in the green economy.³⁷

Furthermore, in many developing countries, vulnerable groups are often engaged in the informal economy. In this regard, supporting MSMEs and cooperatives and other SSE entities can significantly contribute to their resilience, economic empowerment, and formalization.³⁸ Responsible business conduct-related initiatives can also play a valuable role in supporting these efforts. In addition, data-driven policymaking, such as conducting studies on strategic sectors and profiling the key challenges and opportunities facing diverse enterprises, could guide effective interventions.

³² For example, see: Presidential Climate Commission. 2022. [A Framework for a Just Transition in South Africa](#).

³³ For example, see: [WIPO GREEN – The Marketplace for Sustainable Technology](#)

³⁴ For more information, see: [SSE: Environmental sustainability](#)

³⁵ ILO. 2024. [Market systems development for a just transition: What does it really mean for donors and practitioners](#).

³⁶ ILO. 2022. [How MSMEs can contribute to and benefit from a just transition](#).

³⁷ For example, see: ILO. 2024. [Fostering women's entrepreneurship development and gender equality for a just transition in Egypt](#).

³⁸ For example, see: ILO. 2022. [Indigenous Peoples and a Just Transition for All](#); ILO. 2019. [Waste pickers' cooperatives and social and solidarity economy organizations](#); ILO. 2016. [A cooperative way for empowering indigenous peoples](#).

► Catalysing financial investments for a just transition

Targeted financial investment in sustainable enterprises development is critical for a just transition and creating decent work. From MSMEs and cooperatives to large firms, enterprises need access to finance and insurance to adopt sustainable practices, decarbonize, build resilience, or implement enterprise-level transitions – ranging from skills development to innovation. However, limited access to finance remains a major barrier, particularly for initiatives with high upfront costs or perceived risks, slowing progress toward a resilient low-carbon economy.

While public finance is essential for areas such as social protection, retraining and recovery, private finance is particularly important for scaling up action. NDCs could accompany their climate commitments with comprehensive financing strategies that explicitly focus on just transition and sustainable enterprises development. Besides, evidence shows that countries with more active climate policies tend to attract higher levels of green greenfield Foreign Direct Investment (FDI).³⁹

Financial institutions ranging from development banks, commercial banks and microfinance institutions (MFIs), SSE financial institutions, private investors to insurance companies can play a key role.⁴⁰ By collaborating and risk-sharing, they can expand access to capital for enterprises of all types and sizes, including MSMEs and cooperatives and other SSE entities. Insurance is particularly instrumental in reducing perceived risks, which helps unlock credit, and for supporting climate adaptation. Banks and investors can deploy capital using green, social and sustainability-linked products and instruments, thereby encouraging socially and environmentally responsible business practices.

3. What is the state of play regarding sustainable enterprises in NDCs?

A mapping undertaken by the ILO⁴¹ of NDCs (submitted by 12 July 2024) reveals that 72 out of 193 countries (39 per cent) include explicit references to just transition in their NDCs, indicating that this issue has started to gain some attention in national climate planning. However, dedicated sections on just transition remain rare, with only 6 per cent of the NDCs including them. Nevertheless, majority of NDCs (68 per cent) include references to employment-related terms, which indicates the growing recognition of linkages between climate action and jobs.

Importantly, the ILO mapping finds considerable references to enterprise policy elements, which may include support measures for businesses, such as an enabling environment for sustainable enterprise development, productivity growth and innovation, support to MSMEs, responsible business conduct-related initiatives, entrepreneurship, and supply and value chains. Worldwide, 56 per cent of countries reference enterprise policy elements in their NDCs. High-income and lower-middle-income countries lead in this regard, at 65 per cent and 64 per cent, respectively. On a regional level, Europe and Central Asia have the highest rate of enterprise policy-related elements in their NDCs at 69 per cent, followed by Africa at 60 per cent. This indicates a degree of acknowledgment regarding the importance of a supportive policy environment and measures that enable enterprises to contribute to the transition toward low-carbon economies. Nonetheless, it also highlights the need for further attention to this policy area due to its significance in promoting economic growth, sustainable development, and decent work.

39 Pienknagura, S. 2024. [Climate Policies as a Catalyst for Green FDI](#). IMF Working Paper

40 For example, see: ILO and UNEP-FI. 2023. [Just Transition Finance - Pathways for banking and insurance](#).

41 ILO. 2024. [Mapping Just Transition in NDCs](#).



4. What to keep in mind when integrating sustainable enterprises in NDCs?

▶ Process shapes the form

In the formulation or implementation of NDCs, social dialogue is fundamental to understanding the perspectives and concerns of real-economy actors, particularly workers' and employers' organizations. Ensuring effective social dialogue in this process helps anchor the concept of a "just transition" in real-world challenges and opportunities, including with regard to the promotion of sustainable enterprises. The participation of workers' and employers' organizations, and ministries of labour, as well as coordination with other relevant ministries and stakeholder engagement, fosters broad ownership of climate action, contributing to all the three pillars of sustainable development – across social, economic and environmental dimensions.

▶ Anchoring a just transition in the NDC

Establishing strong linkages between climate objectives and a just transition in the NDC would be essential to address the social and employment dimensions of climate action. This also reinforces commitments to sustainable enterprise development and the creation of decent work opportunities, ensuring that climate policies are grounded in socio-economic realities and support sustainable development. To ensure a holistic approach, the nine policy areas outlined in the ILO Guidelines could be explicitly articulated.

Example: [South Africa](#) (2021)

"In South Africa, a just transition is core to shifting our development pathway to increased sustainability, fostering climate resilient and low greenhouse gas emissions development, while providing a better life for all."

Example: [Brazil](#) (2024)

"From the Brazilian domestic point of view, the National Policy on Climate Change, under review, will unprecedently incorporate the concepts of just transition and climate justice into its legal framework. Without prejudice to other definitions enshrined in the Brazilian legal system, Brazil considers as "just" the transition to a socio-economic development model with low greenhouse gas emissions and resilience to climate change, in the context of sustainable development and efforts to eradicate poverty."

Example

▶ Positioning diverse sustainable enterprises as drivers of climate action and decent work

For the NDC, explicitly highlighting the role of sustainable enterprises of different shapes and sizes, including MSMEs and cooperatives and other SSE entities for employment gains would be critical. The NDC could also emphasise the associated challenges and opportunities for decent job creation, particularly for informal workers, women, persons with disabilities, indigenous and tribal peoples, among others already facing socio-economic vulnerabilities. A focus on sustainable enterprises promotion, regarding both mitigation and adaptation measures can also be linked to specific sectors.

Example: [South Africa](#) (2021)

“South Africa will seek to develop small, medium and micro-enterprises, including energy service companies, to implement innovative technologies and create sustainable employment.”

Example: [Republic of Moldova](#) (2020)

“Promote SMEs collaboration with other businesses or public entities to form partnerships and cooperatives at sector or region levels, pool resources and funding to self-insure against economic and weather-related shocks.”

Example: [Uganda](#) (2022)

“Even though 65% of new jobs being created are in urban centres, urban areas have not been effective at inducing formal wage growth and job creation due to the large informal sector. Uganda has a dual economy with the informal sector contributing a significant share to the GDP (51%). The private sector is dominated by micro, small and medium enterprises, which employ about 2.5 million people. The size and strength of the informal economy creates a lot of competition, which constrains the size of the formal enterprises”.

Example: [Zimbabwe](#) (2025)

With a focus on the tourism sector, an adaptation priority output is: *“Establishment and or support of Eco-tourism enterprises”.*

Example

▶ Embedding an enabling environment for sustainable enterprises

An enabling environment refers to a combination of conditions that influence an enterprise's ability to start up, grow and generate decent jobs. While NDCs are primarily climate plans, they also serve as national investment and development plans, and their implementation can have unintended negative effects on enterprises of various types and sizes. However, if they promote an enabling environment for sustainable enterprises, NDCs can offer policy certainty and a clear commitment across a range of areas such as supporting enterprise-related programmes, providing business development services, leveraging public procurement, offering incentives or subsidies, enacting regulatory or policy reforms, among others. An enabling environment has the potential to enhance economic prospects, particularly for MSMEs and SSE entities, address decent work deficits, support productivity gains, and promote the formalization of economic units in the informal economy, while ensuring that economic activities remain environmentally

sustainable. Promoting an enabling environment can also entail linking industrial policies or other structural transformation plans detailed in an NDC with sustainable enterprise development and decent work generation objectives. In addition, NDCs could also include commitments to provide technical support and equip enterprises of all types and sizes to navigate the transition.

Example: [Oman](#) (2023)

“The low-carbon business landscape will be cultivated, with the private sector assuming a leading role and being empowered to foster equitable economic growth. This empowerment aims to create a competitive and enabling environment for the private sector, promoting the development of free, socially responsible, and environmentally sustainable industries”.

Example: [Republic of Moldova](#) (2020)

“Promote regulatory and fiscal incentives that can stimulate risk reduction among private sector actors. Government to consider incentives and compliance measures to motivate SMEs to undertake investment in climate resilience and business development”.

Example: [Brazil](#) (2024)

The NDC of Brazil identifies the Ecological Transformation Plan (ETP) under the aegis of “NDC as an investment platform”. It notes: *“As an investment plan for Brazil’s sustainable development, the Ecological Transformation Plan (ETP) will restructure the national economic dynamic to promote sustainable development, based on technological innovation and the rational use of natural resources. Supporting the implementation of the Climate Plan, the ETP will respond to mitigation and adaptation needs in the face of the climate crisis while repositioning the Brazilian economy in a new cycle of low carbon economic growth. The Plan will increase economic productivity by generating decent work, promoting climate justice and reducing regional, gender and racial inequalities”.*

Example

Focusing on developing and strengthening supply and value chains

NDCs can outline pathways to develop new goods or commodity-based supply and value chains that strengthen local economies and act as multipliers for decent work opportunities. At the same time, strengthening existing supply and value chains is equally important, given the threats posed by climate impacts and transition measures, with implications for enterprises and employment.

Example: [Sri Lanka](#) (2021)

“GHG reduction in the agriculture sector is to be achieved by implementing several key strategies. One such move is to diversify crop production away from water-intensive rice farming to more export oriented high-value crops. Another is to improve value addition and better integrate small-holder farmers into modern agricultural value-chains reducing crop wastage.”

Example: [Brazil](#) (2024)

The NDC outlines National Mitigation Objectives that were “defined as the basis for establishing the most relevant lines of action for reducing greenhouse gas emissions,

Example

to which public and private investments and efforts should preferably be directed". Among others, this includes:

- ▶ *Expand sustainable biofuel production, promote technological innovation and develop bioenergy-related value chains.*
- ▶ *Promoting circularity through the sustainable and efficient use of natural resources throughout production chains.*

Under the Ecological Transformation Plan, the NDC also notes: *"The country will make use of its environmental and sustainability comparative advantages to promote technological densification of supply chains, as well as to expand and modernize the national production structure."*

▶ Promoting responsible business conduct (RBC)

Promoting responsible business conduct within NDCs helps align climate actions with business practices that support the creation of decent work. The key international instruments on RBC namely, the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration), the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct are relevant in this context. Given the critical role businesses play in implementing climate actions, promoting RBC helps reduce the risk of social and environmental harm, while fostering decent work, social inclusion and economic resilience. It also contributes to building inclusive and sustainable trade and investment frameworks, as well as value and supply chains that support a just transition and promote decent work. However, it has not featured prominently in most NDCs, although some have started aligning RBC-related initiatives with climate goals.

Example: [Jordan \(2021\)](#)

"Strengthen the role of private sector in allocating their Corporate Social Responsibility (CSR) to support green infrastructure measures related to ecosystems and biodiversity adaptation activities".

▶ Integrating financing for sustainable enterprise development and just transition objectives into NDCs

Significant financial gaps persist in achieving a just transition and in realizing both mitigation and adaptation goals. NDCs, which can also serve as national investment plans, provide an important policy platform to align climate and just transition objectives, including sustainable enterprises development, with financing flows. Embedding enterprise support measures within NDCs could help countries signal investment priorities, enhance policy transparency for domestic and international investors, and better guide the allocation of public budgets and private capital. To effectively attract the necessary resources, financing strategies could draw on a mix of public and private, domestic and international sources. A wide range of actors such as development banks, commercial banks, investors, and the insurance sector can contribute by leveraging their complementary mandates and strengths to facilitate access to capital for enterprises, including MSMEs and cooperatives and SSE entities. Financial institutions can also support the formalisation of economic units in the informal economy. In addition, when guided by robust due diligence processes and supported by innovative financial instruments, investments can promote enterprise practices that advance both environmental and social objectives.

Example: [Oman](#) (2023)

“There will be a focus on enhancing financial depth in the capital market and ensuring sustainable funding through innovative models to kickstart productive enterprises, particularly small and medium-sized enterprises (SMEs). Oman’s strategically advantageous geographic location offers a prime opportunity to facilitate investment collaborations between Omani private enterprises and the international business community, attracting high-quality foreign direct investments in green technologies and aiding Oman in becoming a net zero by 2050. These global partnerships will broaden economic diversification and boost Oman’s GDP through increased export contributions.”

Example: [Brazil](#) (2024)

The NDC, under the Ecological Transformation Plan identifies several instruments regarding public and private finance, which include:

- ▶ Sustainable Sovereign Bonds
- ▶ Climate Fund created by Law No. 12,114/2009
- ▶ Brazil’s Foreign Private Capital Mobilization and Currency Hedging Program (Eco Invest Brasil Program)
- ▶ Brazilian Sustainable Taxonomy
- ▶ Tax reform (initiated in 2023)
- ▶ Brazil Platform for Climate Investments and Ecological Transformation (BIP)
- ▶ Brazilian Emissions Trading System (SBCE)

▶ Leveraging carbon markets for sustainable enterprises and decent work

As carbon markets are increasingly considered by many countries as a means to reduce or offset emissions, particularly in high-emitting sectors, and generate revenues for governments and participating entities, it is vital that they also promote a just transition for all. On one hand, smaller enterprises, even if not directly involved in carbon markets, may face indirect impacts such as increased costs passed on by larger firms, rising prices for raw materials and energy, and added compliance pressures. On the other hand, participation in carbon markets can create opportunities for enterprises, including MSMEs and cooperatives and other SSE entities, to generate new revenue streams and support the creation of decent work. NDCs could include commitments to support the participation of diverse types of enterprises in carbon markets to realise social objectives alongside environmental gains.

Example: [Viet Nam](#) (2022)

“Strengthen the capacity of enterprises in accessing and participating in implementing crediting programs, projects and developing the carbon market.”

Example: [Brazil](#) (2024)

“Brazilian Emissions Trading System (SBCE): the regulation of the carbon market is aimed at reducing greenhouse gas emissions and promoting low-carbon technological innovations, in order to provide new business opportunities and support the implementation of the National Policy on Climate Change and of international agreements signed by Brazil.”

➤ From substance to implementation

The integration of a just transition, particularly with a focus on sustainable enterprises development, is critical for any NDC. Nonetheless, effective implementation of the NDC will require the active engagement of multiple ministries, including the ministry of labour, and those responsible for MSMEs, as well as government agencies that provide business development services or those that promote cooperatives. The meaningful involvement of workers' and employers' organizations will be fundamental. In this regard, NDCs, even at the formulation stage, should highlight the importance of a whole-of-government and whole-of-society approach, while explicitly recognizing the vital role played by workers' and employers' organizations as real-economy actors. In addition, linking NDC investment planning with just transition measures and sustainable enterprise promotion ensures that strategies are backed by the necessary financial resources to enable implementation. This requires early and sustained engagement with capital providers to seek alignment of financing flows with real-economy transition needs.

Key resources

- ▶ [Guidelines for a just transition towards environmentally sustainable economies and societies for all](#)
- ▶ [Resolution concerning a just transition towards environmentally sustainable economies and societies for all](#)
- ▶ [ILO's offer on strengthening NDCs for a just transition and decent work](#)
- ▶ [The MNE Declaration and a just transition to environmentally sustainable economies and societies](#)
- ▶ [Making a Just Transition toward environmental sustainability a reality for SMEs](#)
- ▶ [Just Transition Finance - Pathways for banking and insurance](#)
- ▶ [Just Transition Finance Tool for banking and investing activities](#)
- ▶ [Social and Solidarity Economy: Environmental sustainability](#)
- ▶ [ILO Helpdesk: Business and a Just Transition](#)
- ▶ [A double transition: formalization and the shift to environmental sustainability with decent work](#)
- ▶ [Greening Enterprises: Transforming processes and workplaces](#)
- ▶ [Carbon markets and their implications for a just transition for all](#)
- ▶ [Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy \(MNE Declaration\)](#)
- ▶ [UN Guiding Principles on Business and Human Rights](#)
- ▶ [OECD Guidelines for Multinational Enterprises on Responsible Business Conduct](#)

Advancing social justice, promoting decent work

The International Labour Organization is the United Nations agency for the world of work. We bring together governments, employers and workers to drive a human-centred approach to the future of work through employment creation, rights at work, social protection and social dialogue.



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During the preparation of this work, the designer utilized Adobe Firefly to generate abstract images and illustrations. The designer carefully reviewed the content as necessary, assuming full responsibility for the content.



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