



# The Role of the G7 in Ensuring a Just and Sustainable Recovery: Building a Roadmap for Business Unusual

G7 Policy CoLAB - Policy Action Brief 2021

## OVERVIEW

Under the UK presidency, the G7 is set to convene in June 2021 in the aftermath of a global economy shrinking 4.3% in 2020 and at a central juncture for revitalising multilateralism. As the G7 plus four guest nations - Australia, India, South Africa, and South Korea - account for nearly 60% of the 2,000 most influential businesses globally for the planet's sustainable future (the WBA "[SDG2000](#)"), a crucial measure of success will be the ability of G7 to rally governments, business leaders, capital flows, and markets behind a sustainable and just recovery. Similarly, action and commitments must be bridged with other multilateral fora like never before including the G20, UN High-level Political Forum, and COP26.

This outcome document reflects the inputs of more than three dozen global experts representing financial institutions, think tanks, philanthropic organisations, UN agencies, civil society, and business associations that assembled virtually on 6 May for a WBA Policy Collective Learning and Action Lab (Policy CoLab). Specifically, the group explored action points to catalyse leadership and accountability from all stakeholders, and specifically business and governments that can put the international community on track to build forward stronger in line for a Decade of Action for the Sustainable Development Goals (SDGs).

### Recommendations for the G7:

- A. Ensure sustainable finance is embedded as a cross-cutting issue on par with other global challenges like climate change;
- B. Advance the case for business-led transformation for a sustainable recovery that integrates a true systems approach;
- C. Adopt a full value-chain approach that covers lives, livelihoods and nature as well as enabling a just transition to net zero; and
- D. Transcend traditional silos among stakeholder groups through inclusive global governance.

### Questions emerging from the discussion:

- Is there sufficient political will for building new multilateral global mechanisms that can address crosscutting sustainability issues such as the economy and nature?
- How can stakeholders best provide affirmative support to business leaders supporting systems-level transformation?

## RECOMMENDATIONS

### *A. Ensure sustainable finance is embedded as a cross-cutting issue on par with other global challenges like climate change*

The G7 has endorsed sustainable finance and impact investing in previous meetings and communiqués, but there is need for a wide-ranging shift from being a niche topic to one applied throughout all sectors. Transforming international financial flows and capital markets is a necessary component of systems change and it should be elevated to the top tier of policy considerations. The agenda should be taken forward by Finance Ministers in cooperation with Foreign and Development Ministers.

To back a green recovery, net zero, and a just transition G7 finance ministers should ensure private finance is aligned with Paris Agreement and Agenda 2030. This can be addressed in one form through institutionalisation. For example, the G7 should form a task force that can carry forward the Paris Agreement and SDGs-aligned finance agenda under future G7 presidencies, including Germany's presidency in 2022 and beyond. Similarly, there is need to elevate focus on sustainable finance at conferences of state parties to the UNFCCC, including COP26. Other options are to complement impact investing efforts with impact accounting and multinational blended finance initiatives.

To build resiliency for future crises, sustainable finance also needs to be more strongly applied to the human and social dimensions of business practices. This also demands effectively aligning finance and investment, along with business leadership, on building sustainable food systems inclusive of fiscal, health, nature, and climate issues.

### *B. Advance the case for business-led transformation for a sustainable recovery that integrates a true systems approach*

The G7 should be an opportunity for market signaling and action that can create measurable impact for a sustainable recovery. Abandoning incrementalism for transformative change at the systems level is key to address sluggish progress on the SDGs and climate alike that was repeatedly documented prior to COVID-19 pandemic. This relies on the assumption that the global economic system has reached a tipping point where there should no longer be a difference between “green” and “brown” economies. Rather all sectors need to undertake a profound systems-level shift which must include transparency, accountability, and leadership from the private sector.

In many cases influential businesses understand the *why* on systems-level transformation, but often struggle with operationalising the *how*. This is the result of two key challenges. First, the inherent constraints of a business model that was conceptualised generations ago that did not include the environment or society. Second, the need to shift mindsets and the scope of ambition well-beyond the short-term and in line with the Decade of Action.

Governments can help address these bottlenecks through building requisite policy enabling frameworks. In parallel, a wide variety of dynamic knowledge platforms, dashboards, metrics, and benchmarks (including free and publicly available benchmarks such as those from the World Benchmarking Alliance) emerging from civil society, technical experts, and think tanks can advance accountability by defining what precisely a systems-level transformation means for the business community.

***C. Adopt a full value-chain approach that covers lives, livelihoods and nature as well as enabling a just transition to net zero***

The G7 should take steps to rapidly adopt a full value-chain approach that begins with acknowledgement of universal human rights, international law, and the need to combat inequalities. Specifically, this includes prioritising gender equality, decent work, health, and nature. Prioritisation of “macro-critical resilience” which refers to underlying factors that play a role in determining how big or productive economies can be – such as health or climate security – should be purposefully embedded in decision making.

Recent developments in the U.S., where the largest proportion of SDG2000 companies are headquartered, are encouraging. For example, the Federal Reserve became a member of the Network for Greening the Financial System; the Securities & Exchange Commission is examining potential mandatory reporting for certain businesses on their entire carbon and climate risk-related footprint across their portfolio; and an executive order on carbon and climate risk disclosure is on track to be implemented.

Moreover, as priorities for sustainable recovery between producer and exporter countries on the one hand and a consumer and importer counties on the other may differ, there is need to reconcile these perspectives and carefully consider tradeoffs and compromises.

***D. Transcend traditional silos among stakeholder groups through inclusive global governance***

Above all, people are the protagonists for advancing the change necessary for the planet’s just and sustainable future at forums like the G7, G20, UN and others. Together, stakeholders of all backgrounds can work to address these issues by nudging and campaigning for the transformations; monitoring required transformations; and learning and sharing about the ingredients for change. In practice, this involves strategic, inclusive, and creative outreach to government Sherpa Offices, businesses, as well as likeminded allies and their organizations, among other institutions.

Genuine civic space for civil society and globally representative pipelines for consultations with global communities – including those that have been or that are routinely marginalized – are crucial to ensure engagement with multilateral bodies are genuine rather than box-checking exercises. One possibility is the creation of a southern center of excellence on sustainable and circular entrepreneurship and/or launching a new international collaborative multistakeholder initiative to accelerate impact on shared sustainable development priorities. The media is also fundamental to hold all actors to account as well as to authentically assess progress on commitments and actions for business unusual. Nevertheless, the media and independent journalists have faced repeated threats, including even in some G7 contexts. Stakeholders should also acknowledge that there is no

silver bullet for impact on these complex issues. Rather change is best accomplished through innovation; change agents and norm entrepreneurs; policies and institutions; as well as behavioral change.