

## **Reflection and Action Points from Investment Leaders and Development Leaders in Joint Action – Building Back Better**

**A compilation of messages emerging from the GISD digital conference hosted by Sida and UN-DESA, June 3<sup>rd</sup> 2020**

### **Overarching messages**

The Covid-19 pandemic has revealed inequalities and increased poverty. Going forward, sustainable development financing must even more clearly contribute to poverty reduction and reduced inequality.

We need determined and rapid action for a faster transition towards an inclusive and sustainable future. The Covid-19 crisis is a reminder that there is no time to waste. We need to act fast, now, with principles and in a transparent way.

The Global Goals can be regarded as the world's business plan and should guide us in the recovery from the Covid-19 crisis.

We need to embed investors in the recovery plan. Investors expressed their commitment and readiness to be part of the solution going forward. This is our best opportunity.

Investments in sustainability are good investments. We need to heed the call to action from the Conference and work hard to build back better for a more sustainable and inclusive world.

### **On the role of investors and partnerships**

- There is broad common interest and desire to cooperate in partnerships between different actors from different sectors in the current crisis. From financial sector, government, development actors to development financial institutions and civil society.
- We can all engage in and learn from this new cooperation to stimulate investment for Building back better – inclusively and sustainably. We can do so in different ways, depending on our own perspectives.
- Multilateral finance institutions such as the World Bank, IMF, AfDB and IFC are reaching out and opening up for even more collaboration with private investors, private sector and in particular Global Investors for Sustainable Development Alliance (GISD) together with Development Financial Institutions.
- We need to find ways to scale up investments in lower income countries, fragile and conflict contexts and work in partnerships for debt relief in cooperation with countries needing it.
- Pension funds and asset managers are managing future pensions and savings and also for future generations. They need to be aligned with sustainable development and savers need to be able to hold managers of pension funds and mutual funds accountable. Long-term orientation makes pension funds a perfect match with development actors, with our goals for development as we work for the sustainable and future generations.

## **On the stakeholder perspective**

- Covid-19 is one of clearest examples that without helping people and planet there is no possibility of having a healthy economy. In the 2030 Agenda this is reflected in: People, planet, prosperity.
- There is a strong interest among investors towards taking on the perspective of stakeholder value, including not only shareholders but societies, employees, environment, as well as the equality and gender-equality perspectives.
- Corporate governance is a useful tool to stimulate companies to adjust to the Global Goals. The following are examples of fruitful areas of work:
  - Gender-equality and Women Empowerment Principles
  - Social protection and initiatives for retaining jobs
  - Transparency of emissions (TCFD for example)
  - Investments directed towards renewable energy
  - Aligning with the Paris agreement on climate change
  - Eliminating subsidies in the fossil sector
- Investors together with civil society can play a key role in a gender-responsive recovery which is good for individual women but also businesses and societies. Increasing women's bargaining power and employment can drive economic development.
- Women Empowerment Principles are principles to gather around and where business has a unique possibility to work for better gender equality.
- Besides investments, investors can push for sustainability and inclusivity through corporate governance and by raising demands towards companies and governments. One joint action is that 15 members of SISD have made a group commitment to support TCFD, with the purpose to promote transparency of emissions by companies.

## **On the need for long term sustainable investments**

- Long-term sustainable financing needs to be scaled up dramatically. When building back we need to push investors, companies and all private sector to align with the Global Goals and the Paris Agreement and to be transparent in the operations and investments. Civil society can be a partner, supporting, helping and guiding investors to achieve investments that benefit all stakeholders.
- Private investments and Official Development Assistance (ODA) can complement and reinforce each other. ODA can for example support the building of robust institutions in low-income countries, which is key to a fruitful investment and business environment. Private investors can support the same development, through their different means.
- There is a surge for Social bonds and Covid-19 bonds in the crisis – this is a real breakthrough for investments with a social purpose and meaning. The market is understanding that our money has to have positive social impact and to help build a better future.
- Internal incentive structures within companies should be designed so that they support rather than undermine sustainable development.
- Indices, benchmarks as well as rating institutes should be oriented toward the Global Goals and sustainability.
- Corporate boards should be incentivized to focus more on long term-performance.

- Investors need to engage with companies in crisis management, giving space to companies to implement new plans. Companies receiving government support should avoid paying dividends to shareholders and bonuses to management and CEOs.
- Huge investments are needed in digitalization to bridge the gap between those who are connected and those who are not. Digital devices are tools for transformation. Digital platforms represent the future for the young generation.

### **On reporting and transparency**

- Investors now express interest to demonstrate and disclose how they make an impact with their investments.
- There is great potential in asking for more transparency, accounting and reporting on externalities and to develop pricing mechanism for those, including CO<sub>2</sub>-emissions.

### **On systemic level**

- There is a great need to address the systemic fragilities in the economic and financial areas, including the sovereign debt problem.
- We need to have globally agreed and enforceable norms of responsible lending and borrowing. We need a new architecture for sovereign debt management, including a possible Sovereign Debt Forum. Private and public sectors have to come together to find a lasting solution.
- Governments need to focus on job creation, and especially better, safer, more secure jobs. There is a need to create new jobs in the green economy, nature based solutions and for fresh investments in clean energy. The crisis presents an opportunity to work with transparency and apply new methods for this.
- On the sustainable tax agenda: No bail outs in so called tax havens should be allowed. There is a great need for country-by-country reporting on tax payments.

### **On climate**

- Countries need to set a meaningful price on carbon and to remove subsidies to fossil fuels.
- There is information asymmetry in the climate agenda - firms lack information about climate impact. They need information about climate impacts to make informed decisions. When making strategic decisions we need to have a perspective of worst case scenarios and consequences of climate change beyond current business cycles.
- We must work together at international scale. For example, the EU has developed a bold action plan for financing sustainable growth and to re-orient capital to sustainable investments.

### **On GISD**

- GISD is well placed to contribute to a sustainable and equitable economic recovery. GISD has a role in mobilizing funds for recovery and should do so fast, at scale and with creative solutions. There are enormous investment needs in energy, sustainable infrastructure and clean water and sanitation.
- The World Economic Forum 2020 risk report indicates environmental and social risks as the major risks, both in terms of impact and likelihood. In this field, GISD should be leading by example, to urge the broader business sector to incorporate sustainability

into the core business models. Further, for GISD one task is to carry out direct investments where they are most needed, to establish scalable innovative financing. There is a need for common standards across the world that define explicitly what sustainable development is.

- There are plenty of good examples of how investors can shift to long-term sustainable investments. There is a need to make these examples part of regular market practice and supply. GISD can support the scaling, development and market standardisation of the sustainable investment examples.
- GISD Alliance members need to accelerate their work and raise the bar. They also need to challenge the governments. Urgent actions are needed.
- GISD and the European Union will cooperate on sustainable finance. This is an example of the kind of institutional partnerships with great potential.
- Many have stated a willingness to partner with GISD, e.g. the World Bank to achieve sustainable investments and UN Women on gender equality, as well as Civil society for inclusive development.