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The G-7 and the Post-2015 Process: Role and Deliverables

Executive Summary

At the upcoming G7 Summit held in Elmau, G7 members should seize the opportunity and push for a successful outcome of the major multilateral events of 2015 dealing with development finance (Addis Ababa), the post-2015 agenda for sustainable development (New York) and climate change (Paris). We identify opportunities for action at three different levels.

- **The G7 should introduce changes at home with a significant global impact:** (i) G7 leaders should commit themselves to formulate national, time-bound plans for implementation of the universal post-2015 agenda that are linked to existing national processes such as sustainable development policies and strategies; (ii) they should be frontrunners in tackling unsustainable consumption and production patterns and (iii) specify national contributions on how to limit global warming to 2°C.
- **The G7 should support sustainable development in low- and middle-income countries (LICs and MICs):** (i) The G7 should scale up support for national public health systems in LICs and help create a health contingency fund; (ii) reconfirm and specify commitments to contribute to global public finance, including

official development assistance (ODA) and climate finance and (iii) promote the transfer and development of technology for LICs and MICs.

- **At the global level the G7 should promote global rules for global commons:** (i) the G7 should implement reforms of the international financial architecture; (ii) advance the reform of the international tax system by promoting multilateral agreements to foster international cooperation among tax authorities and (iii) encourage an enabling international trade system for developing countries including a development friendly Transatlantic Trade and Investment Partnership (TTIP) and Trans-Pacific Partnership (TPP).

The post-2015 agenda for sustainable development reaffirms the universality of human rights and other core G7 values. While the current draft proposal of the Sustainable Development Goals (SDGs) is not perfect, it could trigger urgent collective action which is needed now to maintain and secure prosperity and wellbeing of current and future generations within planetary boundaries. Furthermore, the sustainable development agenda provides an example of how to deal with collective problems: in a rules-based partnership, based on ideas of fairness, equity and common but differentiated responsibilities. The G7 must play their part and help the negotiations succeed.

I. Introduction

The G7 Summit at Germany's Schloss Elmau in June can influence the major multilateral events of 2015 – particularly the Conference on Financing for Development to be held in Addis Ababa in July, the United Nations (UN) General Assembly's high-level meeting to define a post-2015 sustainable development agenda in September and the Paris climate conference in December. The German G7 Presidency and G7 members could seize the opportunity and support these processes by taking action at three levels: at home, in low-income countries (LICs) and middle-income countries (MICs) as well as at the global level.

II. Opportunities for concrete action

1. Action at home: Introduce changes with significant global impact

The previous development agenda, based on the UN Millennium Declaration of 2000, almost exclusively targeted LICs and MICs. Major changes in the global economic and social landscape and the pressing need for solutions to collective global problems have rendered this North–South approach inadequate, in spite of its strong presence in political negotiations. Domestic action in high-income countries can have the broadest positive results and the failure to induce such changes would seriously undermine G7 members' credibility and their right to ask others to adhere to a sustainable development agenda.

Commit to national SDGs implementation plans and call for an effective monitoring, accountability, and review mechanism

G7 leaders should throw their weight behind the SDGs agenda by committing themselves to formulate national, time-bound plans for implementation that are linked to existing national strategies such as sustainable development policies and strategies in Germany. G7 members should also call for an ambitious monitoring mechanism to hold all countries and, where appropriate, private actors accountable.

Be a frontrunner in tackling unsustainable consumption and production patterns

SDG 12 addresses global consumption and production patterns that are viewed as driving unsustainable development – through overexploitation of natural resources, land conversion, waste generation and a high dependence on fossil fuels. Action by high income countries (HICs), especially the seven major advanced economies, could expedite a new cycle of technological and social innovation with the biggest global impact, thus increasing the pressure for emerging economies to act.

The G7 should demonstrate clear leadership by putting SDG 12 (“Ensuring sustainable consumption and production patterns”) into practice. One strong signal would be a commitment to formulate time-specific benchmarks to phase out inefficient fossil fuel subsidies, honouring the

pledges made in 2009 together with emerging economies in the G20 context. Committing to the longer term goal of complete divestment of public money from the fossil fuel sector, G7 countries should obligate themselves to tackle indirect subsidies such as support to producers of fossil fuels and tax concessions to both producers and consumers within a specific time-frame. Furthermore, they should pledge to shift resources to support development and research of future technologies. The German chapter of the Sustainable Development Solutions Network (SDSN Germany) proposes a commitment to reduce food waste by 50 per cent by 2030, to triple resource efficiency by 2030 (compared to the mid-1990s) and establish a comprehensive recycling system (circular economy) by 2050.

Specify national contributions on how to limit global warming to 2°C

SDG 13 deals with climate change mitigation and adaptation (“Take action to combat climate change and its impacts”) while acknowledging the primacy of the UN-Framework Convention on Climate Change (UNFCCC). On several occasions, the G7 have reaffirmed their commitment to limit the increase in global temperature below 2°C above pre-industrial levels and expressed concerns about the mitigation gap.

The Elmau summit would be an excellent opportunity to present how the G7 as a whole, as well as its individual members, plan to meet their commitments in the short and medium term. This should include the Intended Nationally Determined Contributions for 2025 to 2030 which some members have already announced. Also included would be a G7 strategy for reaching the pledged emissions reductions. SDSN Germany proposes to reduce green house gas emissions by 40 per cent by 2020 and by 90 per cent by 2050 (compared to 1990). These announcements would send a strong political signal to the UNFCCC process and SDG negotiations and strengthen linkages between the global agendas on climate action and sustainable development.

2. Action in LICs and MICs: Support sustainable development

The G7 should support sustainable development in LICs and MICs which feel a need to see that their concerns do not fall prey to the new universal and transformative agenda.

Scale up support for national public health systems in LICs and create a health contingency fund

The health crisis triggered by the outbreak of Ebola in West Africa revealed the international community's slow and inadequate response. At the Elmau summit, G7 leaders should take up the calls from the World Health Organization (WHO) and the World Bank and commit to contributing a significant amount to a contingency fund to be run by the WHO for fighting future health emergencies. The solution of future health crises does not lie in the duplication of global structures. The WHO needs more and better funding as well as structural reforms which are

member states' responsibilities. G7 members should also prioritize investments in national public health systems and pledge new money for building functioning, robust national public health systems, especially in LICs.

Reconfirm and specify commitments to contribute to global public finance (ODA and Climate)

While net Official Development Assistance (ODA) has increased considerably since the Millennium Summit in 2000, only a handful of HICs (Denmark, Luxembourg, Norway, Sweden, UK) have fulfilled their commitments to contribute 0.7 per cent of their gross national income to official development assistance. While ODA cannot be the sole source of funding for implementing as broad an agenda as the one set by the SDGs, many LICs continue to rely on ODA.

The G7 members should confirm the 0.7 per cent target and announce a time-bound plan to fulfill their commitment. One immediate option is the SDSN-proposal to halve the gap between current ODA levels and the 0.7 per cent target by 2020. As ODA is a precious source of financing for LICs, G7 leaders should commit to doubling their allocations to this group of countries by 2020.

In the Copenhagen Accord of 2009, rich countries committed themselves to addressing the climate concerns of developing countries by mobilizing up to USD 100 billion a year from public and private, bilateral and multilateral, as well as alternative financing sources by 2020. The G7 should clarify its share of this commitment, how it will be fulfilled by 2020, how much additional public finance will be mobilized and how it will encourage the mobilization of private financial flows to developing countries – for instance by committing to an additional 50 billion USD annually from 2020 to 2025, a third of which in the form of grants, in particular through the Green Climate Fund, as proposed by SDSN-Germany.

Support the transfer and development of technology, especially for MICs

The development and broad dissemination of suitable technologies is crucial for achieving the SDGs. However, there remain considerable financial gaps and needs in the area of technology. Against the background of insufficiently developed financial markets in MICs and LICs, external public support is particularly crucial for the initial phase of the technology cycle that is often too risky for private investors.

G7 countries should enhance their contribution to co-financing schemes and commit to a technology initiative aimed specifically at MICs in the areas of clean energy and health, making greater use of the Green Climate Fund. The G7 should also pledge to increase non-financial support, for instance by building up university alliances with selected MICs and promoting joint green Research & Development initiatives. G7 countries should also support the UN proposal to build up a technology bank for least developed countries.

3. Action at the global level: Global rules for global commons

Sustainable development worldwide, particularly in poorer countries, depends on an enabling global framework that is both effective and legitimate. The G7 hold a particular responsibility for reforms of the current international financial and trade system taking into account the concerns of the LICs and MICs.

Implement the reforms of the international financial architecture

Implementing the sustainable development agenda requires an appropriate international financial architecture which considers the concerns of LICs and MICs. The latter must be better represented in international financial institutions, participate more fully in international decision-making processes and have their circumstances taken into consideration in the design of international financial regulations. At Elmau, the G7 should express their willingness to further engage in reforms such as completing the International Monetary Fund quota and governance reform.

In order to avoid disruptive debt crises in MICs and LICs, and ensure the stability of international financial markets, the G7 should consider improving global debt governance structures. The G7 should start by expressing support for new instruments to reduce the social and economic costs of ad-hoc debt restructuring, and especially an insolvency procedure for sovereign states. The G7 should also improve the adequate and comprehensive application of existing instruments to avoid debt crises, and should declare and commit to the "Principles for Responsible Sovereign Lending and Borrowing" formulated by the UN Conference on Trade and Development.

Reform the international tax system

A better working international tax system is essential for providing the financial means necessary for implementing the SDGs. The upcoming G7 summit should support the ongoing process of combating illicit financial flows, tax evasion and transfer mispricing through improved international coordination and regulation. Multilateral agreements are needed to promote international cooperation among tax authorities. While these issues are already on the agenda of the G20, the G7 still needs to play a more active role. Three points are particularly relevant: (i) G7 members should use their political weight to ensure that the automatic exchange of tax information becomes the standard procedure worldwide to further enhance transparency. In this regard, the G7 should promote the enforcement of the new global standard of automatic exchange of taxpayer information being approved at the Global Forum in Berlin in October 2014; (ii) in the medium-term, disclosing beneficial ownership should become the norm so that taxpayers have fewer opportunities to hide their assets through anonymous trusts or foundations and (iii) the G7

could push for an official definition of illicit financial flows to better combat cross-border illicit financial flows.

Support an enabling international trade system for developing countries

International trade rules can help to advance the sustainable development agenda by creating a suitable enabling framework. The G7 should advocate an open and rules-based multilateral trading system and should also commit to a global world trading system that is not undermined by bilateral and regional trade agreements such as the Transatlantic Trade and Investment Partnership (TTIP) and the Trans-Pacific Partnership (TPP). These arrangements should not marginalize other countries, including large emerging markets like China and India and also systematically take into account policy goals such the post-2015 agenda. G7 countries should ensure that these arrangements support generous, uniform and open rules of origin and that EU and United States preference programmes

are harmonized. Since many LICs and MICs have supply-side and trade-related infrastructure impediments, G7 countries should increase their funding of the Aid-for-Trade Initiative.

III. Why should G7 leaders invest in the Sustainable Development Agenda?

Issues of national and global security rank high on the G7 agenda, but focusing on these issues alone would be a mistake. The 21st century is the century of the global commons and global systemic risks as well as unprecedented chances for development. These issues cannot be put off any longer – they must be tackled with a vengeance. When matched with significant means of implementation, good indicators, and meaningful mechanisms for monitoring, review and accountability, the SDGs could guide domestic policies and international action for the next decade. The G7 must play their part and help the negotiations succeed.

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