

# The LiFE Economy: Towards a New Development Paradigm

## Background Note

### **The LiFE Economy: A Pathway for Sustainable Growth and Development**

The interlocking crises of climate change, loss of biodiversity, poor governance, growing inequality, and social fragmentation are threatening global stability. Many of these environmental and development challenges are consequences of economic systems that do not prioritize sustainability and the wellbeing of people and planet. As universally recognized through the adoption of the Sustainable Development Goals (SDGs), the Addis Ababa Action Agenda on Financing for Development (AAAA), and the Paris Agreement on Climate Change, there is an urgent need to put greater emphasis on tackling the root cause of today's global problems.

In June 2023, the Development Ministers of the G20 endorsed the 'G20 High Level Principles (HLPs) on Lifestyles for Sustainable Development (LiFE)', which is a substantive elaboration of nine principles covering the integration of development and climate agendas. The adoption of these Principles has been a milestone in global consensus building around advancing the 2030 Agenda for Sustainable Development and the SDGs, emanating from the India G20 Presidency's themes of "One Earth, One Family, One Future" and "LiFE" (Lifestyle for Environment).

The G20 New Delhi Leaders' declaration (Para 36) adopted in September 2023, has called for collective actions that will enable the world to embrace sustainable production and consumption patterns and mainstream Lifestyles for Sustainable Development (LiFE). The G20 Leaders have also committed to support the creation of an enabling policy environment to promote sustainable lifestyles for climate action and the implementation of the High-Level Principles (HLPs) through international cooperation, financial support, and development, deployment, and dissemination of technology. The G20 Summit declaration has acknowledged the critical role played by circular economy, extended producer responsibility and resource efficiency in achieving sustainable development.

The adoption by the G20 of this ambitious and integrated framework reflects a growing awareness across many countries of the causal link between choices individuals, businesses and governments make and the wellbeing of society and the sustainability of the planet. This awareness has created demand for, and fuelled innovation in the direction of, a new development paradigm that is not just about economic growth, but growth that enhances wellbeing and is environment friendly, socially inclusive and people centric.

**Achieving this holistic approach to development requires a transition towards a 'LiFE Economy' – an economic system in which production, consumption, finance, employment and other economic activities not only minimize harm but advance social and environmental objectives, delivering inclusive growth, inter-generational equity, and a thriving environment that nurtures bio-diversity.** Implemented effectively, the LiFE Economy should encourage and enable a shift in values, mindsets and behaviours on the part of individuals, businesses, investors, and institutions that lead to progress on the SDGs, without contributing to backsliding. However, for the LiFE Economy to thrive, the global community must develop new, robust enabling ecosystems to promote and accelerate its growth.

To support the objectives of India's G20 presidency, Think 20 India had constituted an international Task Force (No. 3) on *LiFE, Resilience and Values for Wellbeing*. The Task Force has proposed a model of development based on LiFE principles, norms, and measurement frameworks, and provides guidance for policies and actions based on widely accepted goals:

- Balancing sufficiency and efficiency imperatives through circular economy and lifestyle shifts, sustainable consumption and production, sustainable growth, and energy transitions.
- Expanding the LiFE Economy, encouraging for-benefit enterprises and responsible business practices and promoting local efforts and traditional knowledge.
- Integrating values and ethics for just, equitable and sustainable economies for inter and intra-generational equity, trans-species balance, and just transitions.
- Reorienting economic systems for resilience, including sustainable urban spaces, mindful of rural-urban balance.
- Empowering women and youth as drivers of change and sustainable development.
- Reforming development finance and the global financial architecture to support the transition towards a LiFE Economy, and infusing ethics in the functioning of financial institutions.
- Adopting new measurement frameworks on wellbeing that account for social, human, and natural capital, care economy and quality of economic growth aligned with the LiFE Economy.
- Recognizing the centrality of values and ethical norms in future actions on lifestyles for sustainable development.

### **Emerging Building Blocks of the LiFE Economy**

Firms are the building blocks of the economy. They create jobs, provide goods and services that enhance quality of life, fuel innovation, and generate the taxes and philanthropic capital that finance governments and philanthropy. Thus, a LiFE Economy that fosters truly sustainable and inclusive development must be comprised of firms that deliver such outcomes. There is a widespread conviction that the social and ecological goals enshrined in the SDGs can only be achieved with the engagement of the private sector, which creates nine out of ten jobs even in poor countries. Yet, today most businesses are designed first and foremost to maximize financial returns, often generating harmful social and environmental externalities that hamper, or even reverse, progress on the SDGs.

Over the past few decades, however, new models of enterprise have emerged, dedicated primarily to social and environmental objectives. Broadly referred to as “purpose-driven” or “for-benefit” enterprises, these include social enterprises, sustainable businesses, cooperatives, public benefit corporations, community development banks, community interest companies, and numerous other models. In their pursuit of serving the common good, they have been supported by innovations in public policy, sustainable finance, sustainable production and consumption, impact measurement, and responsible management. Impact investing, wellbeing measurement,

new corporate forms, circular economy, ESG, venture philanthropy, and blended finance are examples of innovations supporting the shift to for-benefit business.

For-benefit enterprises and the ecosystem innovations that support them are at the core of the LiFE Economy. Every year, millions of for-benefit enterprises are launched around the world aiming to deliver healthy food, affordable healthcare and housing, quality education, environmentally friendly transportation and energy, digital access, social services, water and sanitation, financial services, and more to billions of consumers eager to make choices aligned with their values. They offer quality jobs, pay taxes, make investments, and create innovative new products and services in areas often ignored or under-prioritized by traditional markets.

Major challenges to the growth of these enterprises remain, however, as they are often restricted by the current dichotomy of for-profit businesses and non-profit organizations and the ‘either-or’ mindsets of governments, investors, and other stakeholders. This affects their legal registration, ability to raise capital, access to government programs, ability to uphold their mission and values, and much more. Unleashing the LiFE Economy’s potential requires building an enabling environment for for-benefit enterprises, with conducive government policies, supportive financial mechanisms, uniform reporting standards, and other measures that level the playing field for these enterprises.

There are encouraging global developments already taking shape, with every member of the G20 having instituted some form of domestic legal framework that facilitates for-benefit enterprises, along with many other countries, including Colombia, Ethiopia, Ghana, Malaysia, the Philippines, Singapore, and Sri Lanka.

### Poised for Significant Growth

A global expansion of the LiFE Economy would accelerate the transition to a sustainable, equitable and inclusive development paradigm. There are encouraging indicators that this transition is already in progress:

- The Global Commons Survey 2021 found that among G20 countries, 74% of people support the idea that their country’s economic priorities move beyond profit and increasing wealth to focus more on human well-being and ecological protection.
- According to the 2022 Global State of Social Enterprise report by the British Council and Social Enterprise UK, an estimated 11 million businesses across the world could be recognized as social enterprises.

G7 G20		
Argentina	2018	Benefit and Collective Interest Companies
Australia	2018	National Social Enterprise Strategy
Brazil	2014	Social Organizations
Canada	2018	Benefit Corporations
China	2016	Public Welfare Foundations
European Union	2021	European Commission Social Economy Action Plan
France	2019	PACTE Law Act
Germany	2013	Gesetz zur Förderung von Social Entrepreneurship
India	2019	Social Stock Exchange
Indonesia	2015	National Entrepreneurship Draft Bill
Italy	2015	Società Benefit
Japan	2018	Godo Kaisha
Mexico	2018	Ley de Empresas de Impacto Social
Russia	2019	Law of Social Entrepreneurship
Saudi Arabia	2021	National Center for Development of Non-profit Sector
South Africa	2019	Social Economy Policy for South Africa
South Korea	2017	Social Enterprise Promotion Act
Turkey	2015	Turkish Entrepreneurship Strategy and Action Plan
United Kingdom	2005	Community Interest Companies
United States	2008	Public Benefit Corporations, Low-Profit Limited Liability Co
Austria	2016	Common Good Cooperative /Gemeinwohl-Genossenschaft
Colombia	2018	Empresa de Beneficio e Interés Colectivo
Netherlands	2012	Besloten Vennootschap met maatschappelijk doel
Vietnam	2014	New Enterprise Law
Malaysia	2019	Social Enterprise Accreditation Guideline
Thailand	2019	Social Enterprise Promotion Act
Ghana	2019	Ghana Social Enterprise Policy
Singapore	2013	Company Limited by Guarantee with a Social Purpose

*New legal frameworks enabling for-benefit enterprise*

- According to the Global Sustainability Study 2021, 85% of people worldwide indicate that they have made minor to significant shifts towards being more sustainable in their consumption in the past five years.
- Already in 2017, the Business & Sustainable Development Commission suggested that sustainable business models could open economic opportunities worth up to US\$12 trillion and increase employment by up to 380 million jobs by 2030.
- A 2020 British Council report on social enterprise and job creation estimated that the number of jobs directly created by social enterprises in Sub-Saharan Africa ranged from 28 million to 41 million.
- In 2022, the Global Impact Investing Network (GIIN) estimated the size of the worldwide impact investing market to be \$1.16 trillion.
- According to Forrester, global green finance saw record growth in 2021, exceeding \$720 billion.

### Advancing Policy Coherence through the LiFE Economy

SDG Target 17.14 calls on all countries to enhance policy coherence for sustainable development as an essential means of implementation of the SDGs. This means ensuring that different government policies are aligned with and supportive of each other to achieve sustainable development outcomes across economic, social, and environmental dimensions. The need for coherence with sustainable development objectives is not limited to domestic policies but necessitates coordination and cooperation at a global scale.

Governments, philanthropy, civil society, and the private sector have been collaborating in myriad national and international processes and institutions ranging from the fight against climate change to development cooperation and financing for development. Some of these efforts have resulted in considerable progress towards more sustainability in the current global economic system. However, these efforts are often disparate with insufficient cross-cutting coordination and collaboration among them, contributing to a lack of policy coherence for sustainable development.

To succeed at their intended outcomes, each of these efforts ultimately needs to overcome the shortcomings of our legacy economic systems, which are inherently not designed for, or capable of delivering, sustainable development. This core challenge can be addressed by incorporating the LiFE Economy – which



*The LiFE Economy can foster coherence and coordination in existing processes and institutions contributing to sustainable development*

is inherently designed to integrate development and sustainability – into these processes and institutions as a complementary strategy. A holistic and cross-cutting focus on enabling and harnessing the LiFE Economy would improve policy coherence and foster synergies across these efforts, both at the domestic and international levels.

### **From Principles to Action: Role of the G20 in Growing the LiFE Economy**

The adoption of the G20 High-Level Principles on Lifestyles for Sustainable Development provides a basis for a move to action. The G20 could leverage the past decades of innovation and the shifts in the demands of citizens, consumers, managers, employees, investors, social entrepreneurs and youth to accelerate the growth of the LiFE Economy and scale its contributions. Based on experience and expertise gained across its member countries, the G20 may encourage and support governments worldwide in creating regulatory and policy environments, financial mechanisms, incentive structures, impact measurement and reporting standards, and other factors conducive to levelling the playing field for values-driven enterprise.

Doing so would have significant implications for addressing a range of critical, inter-related issues where the LiFE Economy can unlock new solution pathways, including:

- Reforming the global financial architecture
- Transforming trade and value chains
- Sustainable and resilient infrastructure
- Scaling entrepreneurship and employment
- Coupling technology and innovation with sustainable development
- Sustainable consumption and production
- Promoting women-led development
- People-centric and inclusive governance
- Aligning development finance with the SDGs
- Climate change and biodiversity loss
- Sustainable food systems
- Integrated and holistic health systems
- Policy coherence for sustainable development

To facilitate and accelerate the expansion of the LiFE Economy, there is a need to formulate an action plan building on policy reform efforts already undertaken by all G20 members as well as by non-G20 countries. Elements could include:

1. Promotion of a better understanding of the LiFE Economy and its potential for addressing global challenges.
2. Mapping and understanding the LiFE Economy and existing efforts and best practices across sectors and countries towards the expansion of the for-benefit enterprise sector.
3. Identification of specific barriers faced by the LiFE Economy, such as unfavourable policy frameworks or limitations on access to capital.
4. Creation of frameworks and standards for defining for-benefit enterprises and assessing and reporting on their economic, social and environmental impacts and contributions to achieving the SDGs.

5. Advancement of national and international regulatory and policy environments conducive to the expansion of the for-benefit enterprise sector and the LiFE Economy.
6. Improvement of mechanisms providing access to finance to for-benefit enterprises, including collaboration between governments, international finance institutions, and philanthropy to advance SDG-aligned financing mechanisms.
7. Creation of a Community of Practice for coordination and collaboration between governments, academia, for-benefit enterprises, investors, private sector, philanthropy, civil society, and other stakeholders in promoting ecosystems favourable to the LiFE Economy.
8. Development of wellbeing indicators aligned with the LiFE Economy that can guide priority setting and public policy making.
9. Creation of capacities within governments to lead and monitor efforts to promote favourable ecosystems supporting for-benefit enterprises.
10. Establishment of a monitoring and review system to track progress on global efforts to facilitate and accelerate the expansion of the LiFE Economy.

The proposed '*Global Summit on the LiFE Economy*' will bring together experts and practitioners from around the world to explore these and other pathways, and to develop a roadmap for collective action to accelerate global growth of the LiFE Economy.

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