# I.Executive Summary


## I. Funding a Multi-dimensional World in Crisis

At the mid-point between their creation and the 2030 target date, the world is not on track to meet the goals, with a significant funding need of US$135-176 trillion.

1. The SDGs are set to fail to be achieved by 2030 and risk needing many more decades, with the need up by minimum 15% to US$134-176 trillion

   - The total cost of achieving the SDGs has increased by 15%-25% from US$116-US$142 trillion to US$134-176 trillion, driven by inflation, funding for Net Zero, historic underfunding, a persistent gap in official development assistance funding and a shortening window
   - Progress on several SDGs has been undone including on global poverty, with over 100m more people in extreme poverty since 2019. Regarding education, 100 million additional children fell below minimum reading proficiency levels over the same period, and additionally 210 million more people are experiencing acute food insecurity
   - The gap in funding has risen to US$102-135 trillion, with capital failing to flow for far more complex reasons than assumed, despite a record global SDG spending from all sources of US$3.6-4.7 trillion

2. The world's focus and commitment in accelerating progress towards greater sustainability has been set-back by a perfect storm of interrelated challenges in 2022 that has reset global priorities

   - Russia's war in Ukraine has triggered a global energy and commodity shock with energy costs rising by up to 100% in markets already subject to supply side disturbances from two years of the global pandemic, exacerbating significant inflationary pressure.

   - With global inflation expected at 6.6%, or 9.5% for the poorest individuals, and growth down one-fifth to 3.2%, rising prices are increasing the risk of stagflation amid a period of global economic slowdown and feeble growth that will leave many parts of the world poorer.

3. Governments with constrained fiscal policy options following the pandemic are facing the need for increased spending of US$59 trillion on security, including providing relief to vulnerable populations at home.

   - US$24 trillion is estimated as the funding required for defense spending as countries address military security

   - US$18 trillion is estimated for resilience and recovery stimulus for economic security, including US$1 trillion invested in oil and gas to address energy security concerns

   - US$18 trillion is estimated to be the cost of protectionism and trade conflicts resulting from domestic populist politics

4. For "secure sustainability" the combined total funding requirement is US$194-235 trillion

   - Security spending is estimated to require funding of US$59 trillion to 2030, to cover critical areas such as military, economic and energy security

   - With the SDGs requiring US$134-176 trillion, the total funding requirement is US$194-235 trillion to 2030

   Security and sustainability are perceived as competing priorities, placing global projects such as the SDGs and Net Zero at risk.

5. Global stakeholders are not currently playing the roles required to address the SDGs

   - National government progress stalling. For the second year in a row, the world has not made material progress on the SDGs, with the UN's SDG Index score for the year declining from 2020

   - Politicization barriers rising in the West. Some western nations are internally divided on ESG, climate change and inclusion, which have become politically partisan themes,

- Financiers limited by client mandates. The global finance industry's client obligations ostensibly limit its impact allocation for c.80%, US$320 trillion, of the financial assets they manage given their perceived mandates, risk, return, and regulatory requirements
- Individual awareness low. Up to 50% of the world's population is unaware of the SDGs, and are therefore not inspired to act as responsible consumers, citizens and individuals mobilized for change and ready for the transition ahead
- Corporations uncommitted to Net Zero. Among the world's largest 2000 corporations 62% of companies have not committed to Net Zero. Even among those committed, the majority have no plan to get there
- Scientific game-changing breakthroughs outstanding. Science and research have not broken through on certain game-changing breakthroughs, with the world still dependent on fossil fuels for c.82% of its primary energy needs[i]

6. Despite c.US$450 trillion in global liquid assets and nearly US$100 trillion of annual output, the conditions for this to flow to sustainable development are missing
   - The lack of commercial business cases associated with funding the SDGs, positioning them as 'causes' rather than as opportunities, reduces the likelihood of SDG funding, as cases framed as opportunities attract over 100x times as much capital as CSR and philanthropy
   - The US$4 trillion capital from development finance institutions, endowments and foundations is woefully inadequate, meaning the blended finance solution is immaterial in the scheme of global finance and the needs
   - The priority for funding is well-established mandates, "keeping the lights on" areas, which for businesses include re-investing capital and profits which provides returns for owners and asset allocators, and for governments it means services provision to citizens
7. Current plans fail to adequately consider what it takes for capital to flow, how the system of capitalism works and the role of stakeholders
   - There is no multi-dimensional plan for the SDGs recognizing the global transformations underway, including the energy transition, the digital transition, and mass inclusion, reconciling long and short-term priorities, environmental and social tradeoffs, and the varying levels of progress around the world
   - There is no alignment plan that includes all the major global stakeholders to manage a transition, with existing frameworks focused mainly on collaboration between governments, the individual, financial institutions, corporations, scientists, and technologists need to be partners in the plan

- **The execution plan is not sufficiently responsive to shocks,** on-going disruptions require resilience and flexibility to be built in to adapt in the face of inevitable setbacks for the world, such as the security, political and economic ones being experienced currently.

# II. The Building Blocks for Funding the Future

## Unlocking the world's capital to underwrite a secure sustainable future requires changes to each of the building blocks of capitalism that drive the global system.

### Building Block One: Capital Managers, Allocators and Owners

8. The world's capital is allocated by a few key stakeholders who are subject to important constraints and obligations

   - The finance industry is the custodian and/or manager of 90% of the world's gross liquid capital (c.US$400 trillion), allocating the vast majority c.80% of this to mandates on behalf of clients and to fiduciary and regulatory requirements.[ii]
   - Individuals collectively are the ultimate owners of 62% of the world's gross liquid capital (US$275 trillion), controlling these assets directly or through their choices of financial intermediaries, funding their needs and priorities
   - National governments control 38% of the world's liquid capital (US$167 trillion), mostly held by central banks and in public sector assets, needing to provide essential services to underwrite peace and prosperity for their citizens
   - Non-financial corporations directly control US$60 trillion in financial assets, making them an important allocator of global capital, although they remain accountable to (and ultimately owned by) shareholders

### Building Block Two: Financial Hubs

9. Global capital flows are routed by and through a series of major financial hubs, which are being re-ordered based on geopolitical, trade, and economic shifts

   - The future flows of capital favor four major blocs representing 60% of global GDP and 70% of global market cap that are set to be the future superpowers - the US, EU, China and, over time, India - with their major hubs becoming increasingly critical for funding global challenges like trade, security, and the SDGs
   - Three leading global hubs are set to drop out of the top ten globally by 2030 due to the shift to a sustainable, digital era and the rise of major trading blocs that capture the value created by these changes. This is set to threaten the position of incumbent hubs such as Hong Kong and Singapore, but also Tokyo, and London as well.

## Building Block Three: The System of Stakeholders

### Stakeholders

10. Capitalism's other stakeholders all have important roles to play in achieving the SDGs beyond those of capital

- The finance industry needs to recut its deal with clients to unlock US$320 trillion in funding, manage regulators and deliver innovation to fund the SDGs
- Science and research will need to develop breakthroughs and innovations in energy and materials sciences that are game-changing, in particular replacing fossil fuels and natural resources with renewable and sustainable alternatives; this perhaps alone will move markets
- Global corporations need to universally embed sustainability in their strategies, enter markets where they can have the biggest impact and fully account for the externalities, both positive and negative, that they generate, and negotiate the appropriate understanding with their stakeholders
- National governments need to embrace sustainability goals as a part of national security, prioritize sustainability initiatives, coordinate their execution, and set rules and standards to incentivize other stakeholders and collaborate with other countries to achieve the SDGs
- The tech sector needs to lead in driving the transition to the digital era, connecting the 33% of the global population not yet online, facilitating the adoption of e-government, and educating the global population on using its platforms
- Individuals who collectively account for 72% of global GHG emissions, make active choices to buy products, support companies, invest in assets, and vote for leaders that make a positive impact on the SDGs.

### Finance Industry

11. The finance industry as the custodian of 90% of the world's capital has a critical role to play, and can evolve to be a potential 'force for good'

- US$130 trillion of assets are committed to Net Zero by 2050 by financial institutions, up nearly 50% from the past year
- USS$30 trillion of assets under management are now fully ESG integrated, tracking last year's achievements
- US$2.5 trillion in SDG aligned financing was delivered in 2021, up 20% from US$2.1 trillion the previous year, and is increasingly balanced with goals relating to the planet, prosperity, and platforms each receiving US$0.7-0.8 trillion in funding

- US$345 billion of capital has been mobilized for social and inclusion linked investments, building on last year's efforts
- But also, US$742 billion in financing for fossil fuels reflects a mix of client, market, industrial, government and finance industry priorities.

However, the industry as a whole is at an early stage of the transition. Sustainable finance represents only c.1% of the stock of total global capital of c.US$450 trillion.

12. The link between acting as a 'force for good' and shareholder value is a critical enabler of unlocking capital for sustainability, rewarding the most active finance industry leaders with 6x outperformance
    - 36% annualized five-year total shareholder returns for the most proactively engaged companies, against 5% by the MSCI world financial index
    - 20% annualized returns for finance industry leaders covered in this report

### The Flow of Capital

13. The interplay of the building blocks above determines where global capital will flow and to which of several often-competing global priorities it will be allocated, including:
    - 'Business as usual' currently requiring nearly all the c.US$450 trillion of liquid capital in the world to fund existing systems and maintain the status quo in the face of increasing volatility and disruptions
    - Funding c.US$60 trillion in global security to manage crises and build resilience against future risks
    - Long term sustainability - funding US$135-176 trillion for the SDGs and an incremental c.US$100 trillion between 2030 and 2050 for Net Zero, and
    - Funding the future - investing in technologies that will drive the transition to the Digital Age

# III. Capitalism for a Secure Sustainable Transition and Future

### The extreme nature of the challenge requires a robust system of capitalism suited to transitioning the world to a far superior future. The requirements for this change are:

14. A capitalism that is sustainable. The current model would transition away from unsustainable ESG practices to sustainable ones, and thereby establish the industry as

grounded in values which support the transition to a clean and sustainable model that is more secure and sustainable, aligned with the SDGs.

15. A capitalism that can address the issues, for acceptable risk, return, and impact. Today's model would extend to populations unserved within rich countries, new geographies that are left behind or left out, and therefore would determine how to fund the SDGs as viable opportunities to seize for acceptable risks.
16. A capitalism that can build the future. One that can fund the information age and the breakthroughs required, transforming the world for a new civilization, and finance to a form that is more inclusive, embedded, scaled and intelligent.

In order to deliver long-term peace, prosperity and freedom, capitalism will need to enable a secure sustainable transition to the future for the world.

# IV. An Agenda for Breaking Through

Even if the necessary capital can be mobilized, the achievement of the SDGs within the current decade will require radical action including a strategy of mass "roll out" of existing solutions to make "big breakthroughs" in progress.

Selecting the right issues to tackle is critical and, in this regard, the UN has clearly prioritized climate change, and has also identified four key enabling transition areas, resulting in five key priorities:

## Existential Priority

I. Climate Change. Meeting the globally agreed Paris Goals to limit global warming to 1.5C by achieving global Net Zero by 2050

## Enabling Transformations

II. Clean Energy. Ensure access to affordable, reliable, sustainable, and modern energy for all

III. Food Systems. Transform global food systems to provide sufficient and nutritious food for all in a sustainable and resilient manner

IV. Digital Connectivity. Enable global connectivity and the equitable use of digital public goods, while ensuring data privacy and safeguarding human rights in digital spaces

V. Human Capital Investment. Accelerate more and better investments in people for greater equity and economic growth aligned with digital economic transformation

### Breakthrough Impact Areas

VI. Foundation for Dignity: Affordable Housing. Unlock private sector capital at scale to create affordable housing and home ownership for the un- or under-served for 2.4 billion existing and new urban inhabitants by 2050.

VII. Route to Opportunity: Mass Education. Leverage digital technologies to overcome insurmountable resource and infrastructure shortages to delivering high quality education for all, including the 260m children out of school today.

VIII. Path to Prosperity: Mass Financial Inclusion. Roll-out a digital banking stack to drive basic financial inclusion across developing and least developed countries for the 67% of the world's un-and underbanked.

IX. Enable Empowerment: Technology and Individual Impact. Use technology to impact and empower individuals for both individual and collective action as consumers, voters, asset allocators and direct actors.

X. Symbiotic Co-Existence: Biodiversity. Make a transformative impact on biodiversity through a few targeted solutions which can be funded and scaled for global impact

XI. Whole Systems Decisions: Impact Externalities. Fully internalize the cost of externalities on corporate financial statements, fundamentally changing the view of return on investments and driving global capital (re-)allocation and positive externalities currently not being financed

### Condition for Large Scale Mobilization

XII. Peace and partnerships. Ultimately the achievement of just one of the SDGs depends on the absence of conflict and strife, with stakeholders working together on a common agenda.

In the past year, Force for Good has begun to pursue the six 'breakthrough impact areas (agenda items VI-XI), working with partners in a multi-stakeholder manner, and expects that many others are already or will choose to address the SDGs with breakthrough initiatives.

# V. The Way Ahead

### This report shows that the demands on capitalism are greater than the supply of solutions, and at this juncture, it is the SDGs that are being traded-off.

However, not funding the SDGs challenges the stability of the platform and that cost is a painful one that is damaging all regardless of geography or status. It threatens mankind ability to realize a better future. The question of how one should realize that future lies between two extremes on the path ahead:

1. Retreat to a Secure Position: A Preservation and Mitigation Mode. This requires reducing our ecological footprint described as “1.75 planets” back to one planet, cutting back to the consumption levels of over half a century ago, including 60% less energy consumption, cutting industrial output by 75%, advanced economies dropping consumption by 60-80%, a near total ban on travel, and resulting in the wiping out over 40% of global wealth.

2. Grow to a Secure Position: Moving Rapidly to a Future Model. This requires the world to rapidly invest in a series of technological and other breakthroughs that can fundamentally reset current trajectories of ecosystem damage and create a step change in human progress. Central to this is a new clean, abundant, near free and ‘more functional' energy source, which with other technological breakthroughs would remake all aspects of life, and push the limits of what mankind can achieve, resulting in a twentyfold rise in GDP by 2080 and continuing to multiply exponentially thereafter.

Neither of these paths seems realizable for now, the first because of the unrest it would lead to in a world built on mass consumerism and facing the threat of populist extremism, and the second because time may well run out before pivotal breakthroughs are realized. The reconciled path is both practical and radical:

I. Preserving and Mitigating Damage to the Planet.

II. Achieving the SDGs as a Basis for Further Growth.

III. Launching High Impact Initiatives that Drive Step-Changes in Meeting the Goals.

IV. Building and Funding the Future.

V. Managing the Dislocations of the Transition.

VI. Efficient Maintenance and Preservation.

VII. Agreeing on Peace and a Modus Operandi to Manage the Shocks.

A managed path allows for the best chance to avoid the violent transitions of the past. And this requires all of us as stakeholders to engage in a new project to manage a peaceful transition to a superior future for all as a force for good.

i Source: BP Statistical Review of World Energy
ii Global Pension Assets Study, Goldman Sachs Asset Management Insurance Survey 2022