

II. Introduction: Progress Challenged by Conflicting Priorities and Worldviews



The global effort to fund the Sustainable Development Goals has been undermined by a series of threats to national and global security, with governments reallocating attention and resources away from long-term sustainability to managing near-term risks. As a result, the goals are moving further away despite the timeline to achieving them shortening, while the funding gap is widening. However, global security and global sustainability are inextricably linked, and one cannot be adequately resolved without addressing the other. The challenge for the world is therefore to manage and fund both in an integrated manner that minimizes near term trade-offs.

1. Rising competition between security and the SDGs

Stark and powerful challenges come to the fore

Seen through a myriad of lenses, the present day is the greatest time ever to be alive. The world has seen greater development during the past century than over any other period. Global prosperity has risen with global GDP expected to cross the US\$100 trillion mark for

the first time this year, having increased over twenty-fold while the global population has quadrupled.ⁱ During this period, global life expectancy has increased from under 40 years to currently 73 years, and the global child mortality rate fell from 32% to 4% over roughly the same period.ⁱⁱ At the same time, global literacy has almost tripled, from 31% in 1920 to currently just under 90%ⁱⁱⁱ.

Never in history has there been more prosperity, more knowledge, more innovation, and less suffering than today. As if to match these, a series of systemic challenges has arisen that, if not well addressed, pose potentially unbounded risk to further progress and existential risks to human civilization. The story today is therefore more about the consequences of the shape of the progress, the gaps, rather than the achievements. Unless a quite different approach is taken, the future story might also be about mankind's overreach and failure to address the challenges and gaps that came from its earlier success, and inability to prioritize and progress its situation with more breakthroughs.

At the fore is climate change driving environmental and ecological damage, the total cost of which, if left unchecked, could reach US\$178 trillion over the next 50 years by some estimates.^{iv}

Long-term global economic power is shifting due to demographics and development, with Asia's share of global GDP rising from under 30% to over 40% over the past two decades. At

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the same time inequalities in wealth and access to opportunities is increasing with half of the global population owning just 2% of global wealth. Mass migration driven by income disparities and climate is growing, with 270 million people, 3.5% of the world's

population, currently classified as migrants, a number that is estimated to grow to as many as one billion people by 2050.^v However, despite ageing populations and demographic disaster facing even the most advanced nations, the willingness to accept migration is falling in many developed countries where populism is defining people by their differences rather than their many commonalities.

Technology-based innovation, the critical tool for progress, is disrupting economies, societies, and politics, with the accompanying dislocations driving polarization and an increase in isolationism and nationalism. The resulting civic disaffection and cultural conflict, further amplified by new media technologies, is increasingly challenging current social orders, weakening the global community's ability to respond to threats such as climate change, pandemics, and cybersecurity in a coordinated fashion.

These long-term challenges have been further exacerbated by recent events. Russia's invasion of Ukraine brought interstate conflict back to Europe after over 75 years of peace, challenging the 'peace dividend' that following the end of the Cold War in 1989 allowed NATO countries to reduce defense spending by 25% or more, reallocating funds to social priorities such as education and healthcare.^{vi} This paradigm shift has placed more basic human security back on the agenda in a raw and fundamental manner. The risk that this currently bilateral conflict triggers a broader regional war has risen significantly given the confluence of challenges the world faces, a risk further corroborated by the Global Peace Index showing a deterioration in overall global peacefulness in 11 out of the past 14 years.

Against this backdrop, in 2015 the UN led the way by rallying nations to the noble imperative of creating a more inclusive and sustainable world, embodied in the 17 Sustainable Development Goals, secured by the agreement of all 193 UN members to be met in a 15-year global effort. At the half-way mark of this effort however, the world is facing a series of interrelated and 'contagious' political, economic and security crises that threaten global peace, prosperity, and freedom. This is coupled with a resistance to change at multiple levels of society including from economies and industries that were established during the industrial era on the back of fossil fuels. These forces are now powerful enough to put into doubt whether the world will achieve the SDGs.

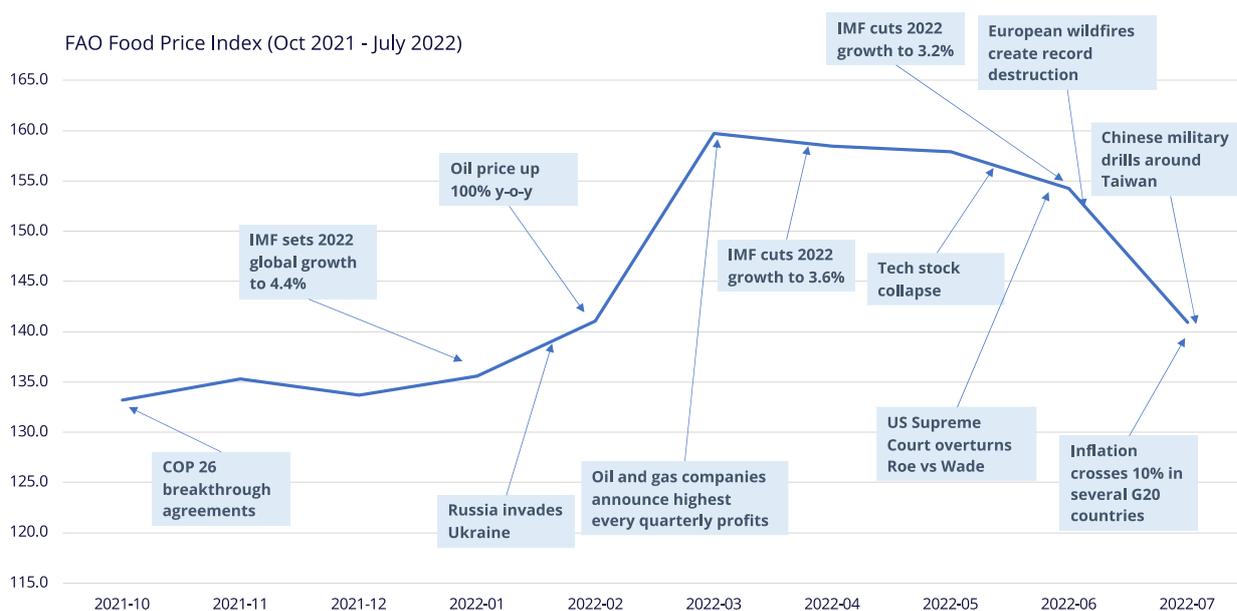
The rising competition between sustainable development and global security

In 2022, two distinct priorities define the global agenda. One is sustainable development, and the other is global security, both of which need to be met in the context of a world transitioning to a digital information future.

Sustainable development embodies within it the full gambit of issues encapsulated in the SDGs, from those that are immediate, related to hunger, poverty, and lack of clean water, to the existential threat to the planet's ecosystem from climate change, biodiversity loss and pollution. Global security captures both immediate threats to peace and the longer-term risks to security at the individual human level, the national level, and the geopolitical level, among others.

Figure 1: A Perfect Storm – Key Global Events Since COP26

A Perfect Storm– Key Global Events Since COP26



Source: Capital as a Force for Good Initiative, FAO

Since COP26, the world has been shaken by a series of interrelated events that have created significant and unpredictable risks to global stability. Global inflation was rising significantly following the unprecedented stimulus in response to the pandemic and the release of pent-up demand. However, 2022 has also seen rapidly rising energy prices and acute supply disruptions from Russia’s invasion of Ukraine, depressing economic activity globally and disrupting recoveries that governments with limited financial headroom have been ill-equipped to manage. Russia’s war helped ignite these issues into a global economic, political and security storm that has fundamentally impacted the world’s trajectory for the remainder of the year, and likely for years to come. Indeed, the repercussions of this war are so far-reaching, they may come to define the new global order for some time as countries the world-over take sides and lose focus on other issues.

2022 has seen the world shaken and with Russia’s war in Ukraine, the repercussions may define the global order for some time. As countries the world-over take sides, absorbing focus and funds, funding the SDGs and the world’s most pressing issues risks being derailed

While the need for the world to underwrite long term sustainable development is widely recognized, the year to date has demonstrated the power of short-term security and stability considerations to derail the global movement to greater sustainability. The need to address the interrelated security and economic crises has fundamentally shifted the priorities of global leaders, who in the aftermath of COP26 declared the climate action

failure as the most severe risk facing the world over the next 10 years.^{vii} Today, these same leaders are more urgently focused on local issues driven by spiraling inflation, stalled growth, energy, food, and national security.

As a result, most Western leaders would contend that spending billions on long-term sustainable development of developing economies in the Global South is a luxury they can currently ill-afford in the face of domestic electorates struggling in cost-of-living crises or (in the case of European countries) increasing Russian aggression. While climate change is of crucial interest to large parts of their population, it is not competing well with economic stability or national security in times of perceived uncertainty.

Figure 2: Key Near Term Global Security Challenges

Peace Dividend Exhausted. Following a decades long peace dividend in Western and Northern Europe, states including Sweden and Finland are abandoning longstanding policies of neutrality and joining NATO, with the region pledging over US\$200 billion in increased defense spending as part of a global wave of rearmament

Acceleration of Renewed Cold War. The conflict has fundamentally shaken the global security architecture and accelerated the emergence of a new cold war between the West and China, Russia's most important ally

Soaring Commodity Prices. Russia's war and the responding sanctions are impacting global commodities prices and disrupting supply-chains:

Energy. Uncertainty surrounding access to Russia's supply of c.8% of the world's primary energy with many countries highly or solely dependent on Russia for their energy has pushed global energy prices to record levels, with oil prices increasing over 100% between Q3 2021 and Q1 2022

Food. Similar concerns over the c.30% of global wheat exports from the Ukraine-Russia region has pushed wheat prices up over 70% over the same period. The UN-led Back Sea Grain initiative released some pressure but risks remain of interruption.

Global Inflation. Higher commodity prices are exacerbating inflationary pressures, with the IMF raising 2022 inflation projections to 6.6% and 9.5% in advanced economies and developing markets respectively.

Reduced Economic Growth. As a result, global growth is expected to fall in 2022 from 4.1% to 3.2%, wiping out trillion dollars of output for the world, according to forecasts by the World Bank and UNCTAD.

Increase in Fossil Fuel Extraction. Nations formerly at the forefront of the energy transition are rushing to embrace oil and gas, with G7 energy ministers calling on the OPEC group of oil-producing countries to increase production, as well as developing new resources in their bids for energy security.

Global Food Crisis. The number of people experiencing acute food insecurity has increased by almost 90% to 345 million since 2019, and as many as 828 million people go to bed hungry every night due to the combined shocks of the pandemic, conflict (in Ukraine), climate impacts and spiraling prices.

Competing demands risk creating dangerous trade-offs

The resulting consequences for the global sustainability transition are severe. Lower growth, economic crises and increased defense spending all reduce the capital urgently needed to fund the transition to sustainability at a critical juncture for the world, and the revival of fossil fuel risks further undoing the world's insufficient progress on the energy transition. Both security and sustainable development have significant capital requirements.

Global commitments to the SDGs in 2020/21 totaled US\$3.6-4.7 trillion, a significant sum but one that would only be sufficient to cover the current cost of just the climate transition

The West has accepted that the peace dividend following the Second World War is spent. With the SDGs underfunded by 75%, the world is spending on arms rather than development, and is acting as if it has time on its side, while scientists have been clear this is not the case, nor is it the case that is someone else's problem the case either

for one year, rather than all 17 SDGs.^{viii} This implies that the rich nations of the West believe the world, when it comes to sustainable development at least, has time on its side when in fact scientists have been clear it does not.^{ix}

With regards to security, the West appears to have accepted that the peace dividend following the Second World War has been spent, and they

are back in a scenario of arming up again with urgency. Global defense spending crossed US\$2 trillion for the first time in 2021 and is set to increase further.

It would appear therefore, that the two issues, sustainable development and human security are competing for both attention and capital.

2. Funding global security

The global security challenges facing the world today are of a severity and reach such that they demand attention and capital. The human security issues that have arisen today have damaged individuals' basic freedoms, even in advanced economies – including access to sustenance, personal safety, and basic rights – and are multi-dimensional in coming from powerful social, economic, environmental, and political sources. Indeed, global safety and security decreased for the first time in five years, according to the Legatum Institute's 2021 Prosperity Index.^x A total of 63 countries saw declines in political freedom in the past year, with 38% of the global population living in countries considered 'not free', the highest proportion since 1997.^{xi} Further, while the war in Ukraine has captured the world's attention, it is only one of over 100 conflicts being fought in the world today.^{xii}

The key security risks that have arisen in the past year span defense, energy, food, economic and political security challenges across the world's major countries. Taken together, they represent a threat to geopolitical security and the liberal world order that has underwritten it.

Cumulatively the world's recent security challenges may cost an estimated incremental US\$59.4 trillion to 2030, globally.

Military Security. Countries around the world have committed to increases in defense spending in the wake of Russia’s invasion of Ukraine, NATO has expanded, and new alliances like the Asian Quad are being formalized further, helping to drive a global wave of rearmament. While this will drive security for many, it will also make multi-lateral engagement on sustainable development more challenging, diverting resources and more importantly political goodwill away from international collaboration.

Energy Security. Russia’s invasion of Ukraine has seen Western countries move to reduce or eliminate fully imports from Russia, Europe’s largest energy trading partner and the world’s largest gas and second largest oil exporter. This in turn is driving renewed investment in fossil fuel exploitation, risking the Paris Agreement to reduce these investments by US\$500 billion by 2030. At the same time enhanced security risks are calling for diversification of energy sources to increase resilience.

Domestic Political Security. Liberal democracy in many advanced industrialized countries is threatened by increasing waves of nationalism and populism, driving societal unrest and social conflict. With many governments feeling that they lack the mandate to focus on (international) sustainable development, some nations have been adopting isolationist and ‘country’-first policies. The world is seeing non-tariff trade barriers rising seven-fold in the decade since 2010,^{xiii} and restrictions on foreign investment relating directly or indirectly to national security concerns about foreign ownership of domestic assets,^{xiv} all of which has been damaging global cohesion.

National Economic Security. Finally, governments need to make greater investments into preparedness to deal with global shocks in the coming decade, including both investments to build greater resilience and investments providing relief when this resilience is insufficient. This may well require deploying similar amounts in fiscal stimulus to the US\$16.9 trillion deployed during 2020/21 to boost recovery from the coronavirus pandemic, further driving global indebtedness. The combined force of these security challenges is already reshaping global supply chains and globalization and is set to test the world’s incumbent leader’s resolve to work together to make a better world. Additionally,

Figure 3: The Rising Cost of Global Security, Partial List

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Security Category	Strategic Risk Management Measures (Actual and Potential)	Estimated Global Cost Through 2030
Military Security	Defense spending (G20 countries lift annual defense spending (to 2% of GDP)	US\$23.6 trillion
Energy Security	Upstream oil and gas investments (announcements by 20 largest oil majors)	US\$0.9 trillion
Domestic Political Security	Protectionism and barriers to trade increase	US\$18 trillion
National Economic Security	Creation of recovery and stimulus funding reserves	US\$16.9 trillion
Total		US\$59.4 trillion

Source: Capital as a Force for Good Initiative

the sheer scale of the financial cost of US\$59.4 trillion through 2030 (equal to c.6% of annual global GDP) and the perceived near-term urgency of these challenges carries with it the risk of crowding out other spending priorities for the world, in particular for long term matters such as sustainable development.

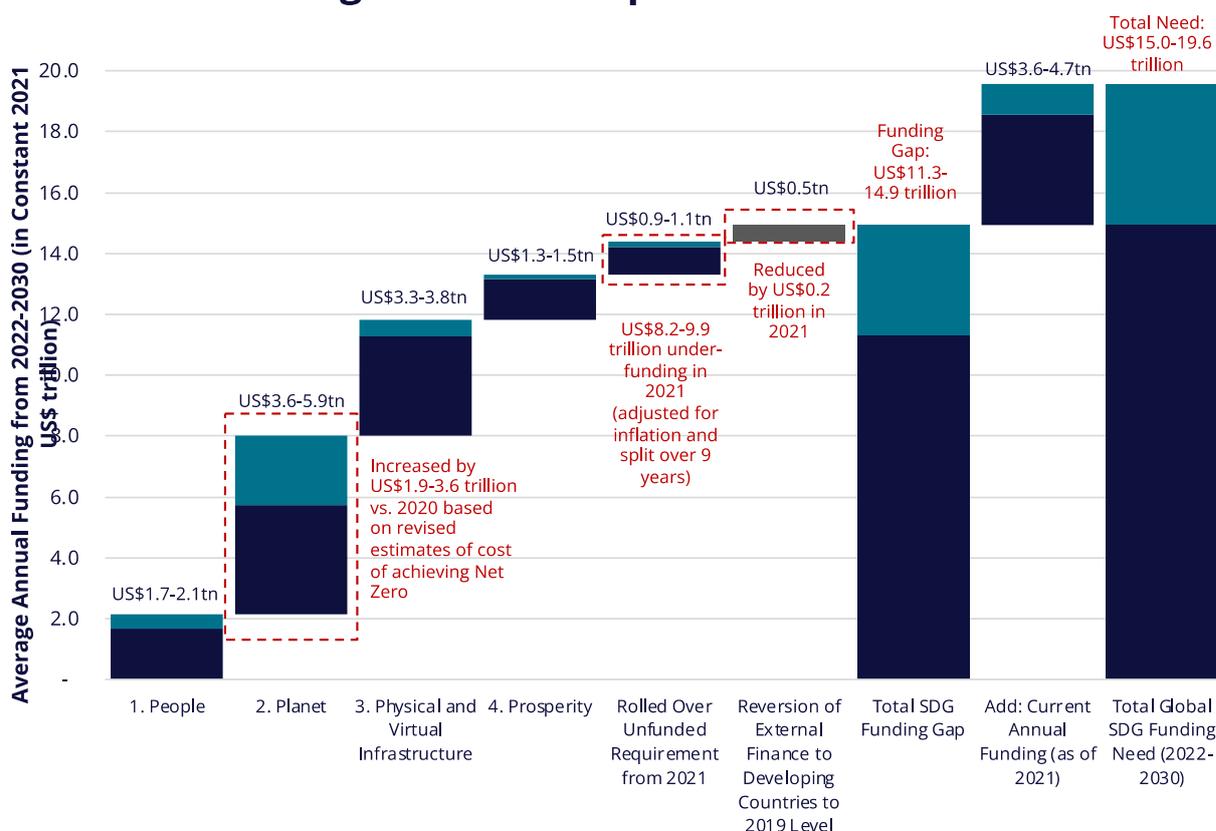
3. Funding the SDGs

At the halfway mark of the UN Sustainable Development Goals' 15-year lifespan, it is increasingly clear that meeting the goals will be a tall order for the world, with the annual funding gap inflated by the pandemic and the war. As we have seen, the events of 2022, with a security dimension, represent alternative calls on global funds that threaten the continued funding of the SDGs. Further, recent estimates following last year's COP26 meeting on the near-term costs of funding global Net Zero point to significant spending increase requirements, exacerbated by the roll-over of continued underfunding in 2021.

This study has re-examined the cost and the gap to deliver the SDGs taking into account the many disruptions of the last year, and the continuing failure to fund while the window to correct this closes. The results are that these factors have increased the annual cost of funding the SDGs by US\$3-5 trillion over and above that estimated in the 2021 Capital as a Force for Good report to a current estimate of c.US\$15-20 trillion annually, an increase of c.30-40%. This increase is driven by inflation, needed funding for Net Zero, roll-over costs from historical underfunding, and a persistent gap in ODA funding. The recalculation estimates a total cost to fund the SDGs of US\$135-176 trillion to 2030, The detailed analysis is presented in Appendix 1.1.

Figure 4: Updated SDG Funding Need

2021 SDG Funding Need and Gap in US\$ trillion



Source: Capital as a Force for Good Initiative

Given that only a quarter of the current need is being funded, the annual funding shortfall is estimated at US\$11.4-15.0 trillion, a c.35-50% increase, with a gap of US\$103-135 trillion to 2030. The implications are dramatic. The world is currently investing 4-5% of its GDP annually towards the SDGs. Fully funding the SDGs would require spending to increase four-fold to 16-20% of GDP

The importance of the SDGs in underpinning peace, prosperity and freedom in the world is well established. The achievement of the SDGs within the next decade is critical for the world to avert the crises that will result from over-exploitation of resources, extreme weather events, pollution and biodiversity loss, poverty and inequality, political and social strife, and mass migration. The world is set to fail to fund the resolution of these issues in line with their commitment of 2015.

Clearly, a more urgent focused, integrative, and scaled approach is required to rapidly increase the levels of SDG financing to the necessary levels, recognizing that a dollar invested now is worth more than a dollar invested later, and that the costs of inaction far outweigh the cost involved, no matter how high they may seem.

4. Human security goals and the SDGs are intertwined

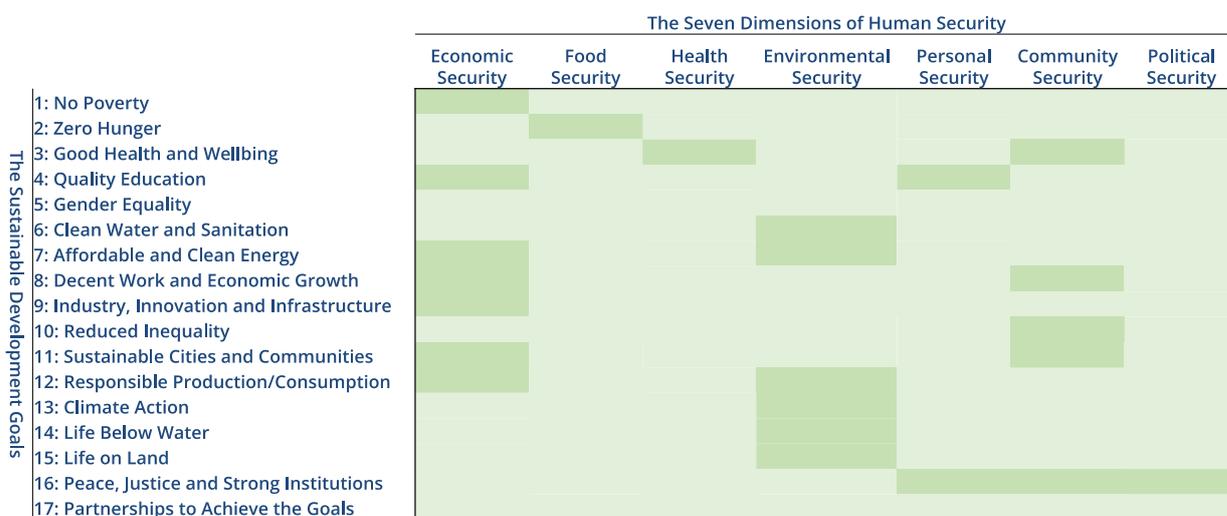
The total SDG funding requirement over the next decade of approximately US\$135-176 trillion, would be extremely challenging under any circumstances. With an additional c.US\$60 trillion required for global security, the total spending need requires the world to reallocate nearly half of the world's capital of c.US\$450 trillion in global gross liquid assets, while continuing to meet all other current and future commitments for funding such as healthcare, education, pensions, infrastructure renewal, and investments in the future, among others, particularly in advanced industrialized countries.

Fundamentally however, the notion that global security and sustainability goals are mutually exclusive priorities in their demands on global capital, resources and leadership attention is fundamentally flawed. The two are inextricably linked. Given the role of the SDGs in mitigating human, economic, social, political, and planetary risk, the major difference between global security and sustainability is one of timing and emphasis. The SDGs aim to invest for the longer-term horizon to 2030, while being concerned with the immediate crises facing the world with a focus on people and the environment. In contrast, global security goals are highly responsive to immediate risks while investing for the longer-term aim of delivering stability and are typically more focused on military and economic security.

Given the UN's role in both the SDGs and human security, if we draw on the UN's definition of human security, it covers seven dimensions comprising economic, food, health, environmental, personal, community and political security. Taking these seven dimensions and mapping their relationship to the 17 SDGs points to the deep linkages between the two.

Figure 5: Interrelated Nature of Global Security and Sustainability Goals

Security and Sustainable Development



Source: Capital as a Force for Good Initiative

Without security there can be no meaningful sustainable development, and without sustainable development, human security is put at risk. So, while trade-offs are being made against two seemingly separate buckets, ‘security’ and ‘development’, they should rather be seen as one bucket. Due to their interrelated nature however, any shortfalls in addressing development issues will lead to increased security risks (and cost) and any shortfalls in security will raise the bar for driving sustainable development.

The choice between security and development therefore is an illusory one and both need to be met to underwrite the world’s continued peace, prosperity, and freedom, implying

The choice between security and development therefore is an illusory one. Without security there can be no sustainable development, and without sustainable development, long-term security is put at risk. Both are needed to underwrite the world’s continued peace prosperity and freedom

that the world will need to fund the total sum US\$195-236 trillion through 2030. More radical solutions will need to be examined where existing proven scalable solutions are applied to make a difference to what seem like intractable problems.

Today’s world scenario provides the perfect example where a security failure or transgression resulted in a war that has negatively impacted supply chains, and economic activity. In turn this has impacted prosperity, health, and education outcomes directly for affected regions, creating a ripple-effect the world over given the globalized nature of economics, trade, and politics. This has diverted funds from sustainable development to arms purchases, leaving a less stable and

sustainable world in the wake of the conflict. Ultimately, with development impaired, short term and longer-term security have been compromised for the world.

The emerging challenge for the world therefore is to fund both security and sustainability while minimizing any near-term trade-offs between the two given the urgency of both, in a mission to deliver 'secure sustainable development'.

5. Funding the future

Of course, today's capital is already accounted for in supporting today's business as usual, which has a call on virtually all the world's capital and involved funding an expensive status quo (barring any dramatic change of heart in the citizen's will), which comprises the normal consumption, savings, and investment requirements, and maintaining existing security and sustainability investments, thereby "keeping the lights on." Funding the SDGs and security have a tough task to compete with this incumbent call on capital.

In addition, there is one other major category that is set to place perhaps the largest demand on capital, and that is funding the future. The world's most successful entrepreneurs and companies have always been those that have harnessed innovation to drive progress and development, such as the railroad barons and industrialists in the 19th century, and information technology companies in the 20th. The astonishing wealth creation of companies that fund and scale breakthroughs in energy, infrastructure, transportation, communications, and technology has always been a powerful lure for capital, which gravitates to the highest return opportunities.

The world today is in a historic transition from the industrial era to a digital one. While global security funding is needed to establish a stable world in which to build the future, and the SDGs need to be

funded to level up the world so that the transition can occur equitably, the biggest investments will be made into technologies and companies that drive that transition and shape the world to come, which will be as different from today as today is from the preceding agricultural era.

The building blocks of such a civilization would require a series of fundamental breakthroughs to be funded, achieved, and scaled, including new energy sources and natural resources that replace carbon with ones that are clean, scaled, cheap and global based on fundamental scientific breakthroughs. This era would also be characterized by its

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use of artificial intelligence, computing, and data sciences, a more pervasive distributed form of capitalism that drives mass inclusion, an interconnected empowered global population, where the metaverse provides for an alternative platform for digital experiences and consumption, and where man has moved beyond the earth.

The funding need for this transition is difficult to estimate but is likely to be vast, dwarfing the capital that exists today. While over time the investments required will be self-funding, in the near term, funding the future risks competing with those required to ensure security and sustainability.

Stepping back, the resulting overlapping and competing demands for global funding are scaled and complex, and meeting these will require a significant reallocation of global investment capital, the redirection of global capital flows and the alignment of stakeholders to do so while protecting them during the transition.

In summary

- The world is undergoing a series of shocks that are threatening global security and risk the SDGs being neglected by the global community
- These shocks have also had a direct impact on the SDGs, undoing progress from previous years and raising the total need to US\$135-176 trillion and widening the total funding gap to US\$103-135 trillion.
- This amount, combined with the c.US\$60 trillion of additional capital required to fund global security raises the total need to US\$194-235 trillion and represents a significant portion of the world's liquid capital which needs to be unlocked.
- Ultimately, security and sustainability are two sides of the same coin and can only be solved together, requiring the world to adopt an integrative approach to funding these challenges.
- Investing in the future represents a potential short-term competitor to funding secure sustainability over the short-term, but over the long term it can deliver the innovation and returns needed to fund the SDGs.

i Sources: World Bank

ii Sources: UN Inter-agency Group for Child Mortality Estimation (via World Bank)

iii Sources: UNESCO (Via World Bank)

iv Source: Deloitte

v Source: UN International Organization for Migration

vi Source: OECD, IFS

vii Source; WEF 2021-22 Global Risk Report

viii Source: IEA

ix Source: IPCC Sixth Assessment Report

x 2021 Legatum Prosperity Index: Safety and Security Pillar

xi Source: Freedom House - 2022 Freedom in the World Index

xii Source: ICRC 2022 Appeal

xiii Source: Global Trade Alert

xiv Source: World Investment Report 2022