

UNDESA Financing for Sustainable Development

Ffd4 Intersessional Multi-Stakeholder Hearing

Side Event October 29<sup>th</sup> 2024, UN HQ, Room S 15-20, 4.30pm to 6.00 pm

Basel Institute of Commons and Economics

## Unlocking the Public Opportunity Cost to Financing Sustainable Development – Presentation by Alexander Dill dill@commons.ch

### 1) What are opportunity costs in public budgets and why are they crucial for Financing Sustainable Development?

Opportunity costs arise when a task or goal can be achieved by different means and more expensive means are chosen than necessary to fulfil the task.

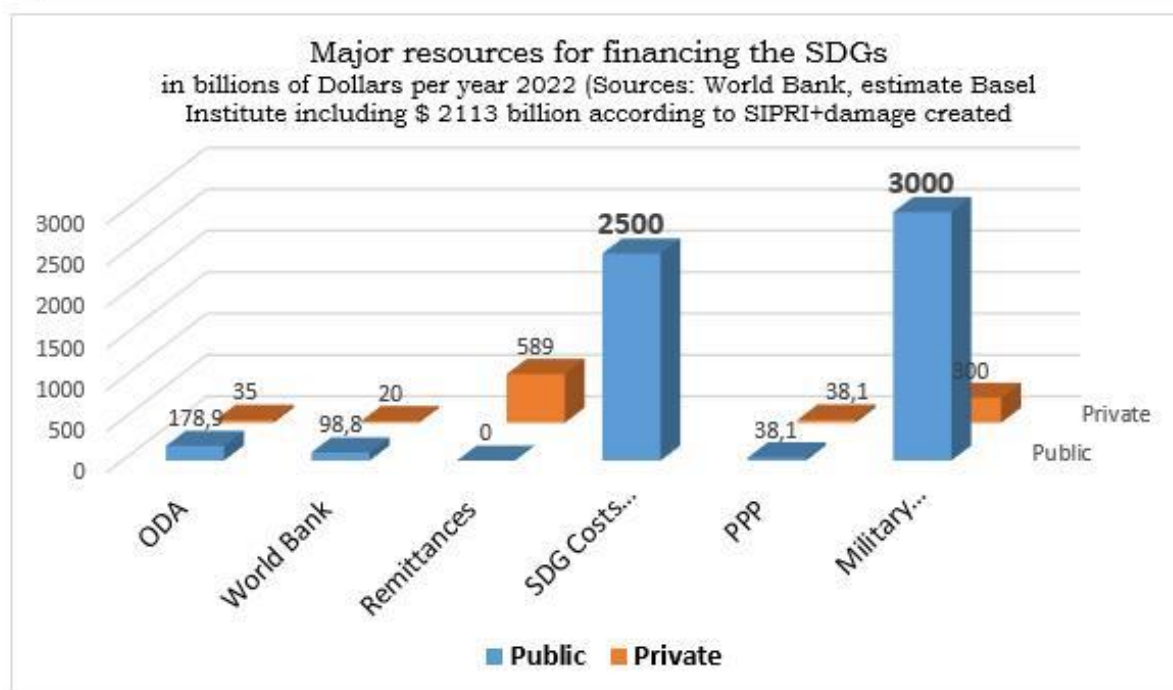
An example is driving a hundred kilometres by car for a product that is five dollars cheaper.

In public, i.e. tax-financed budgets, opportunity costs are constantly arising. However, due to fixed structures, they can only rarely be identified and reduced.

In most public budgets, the costs for the military are the highest opportunity costs.

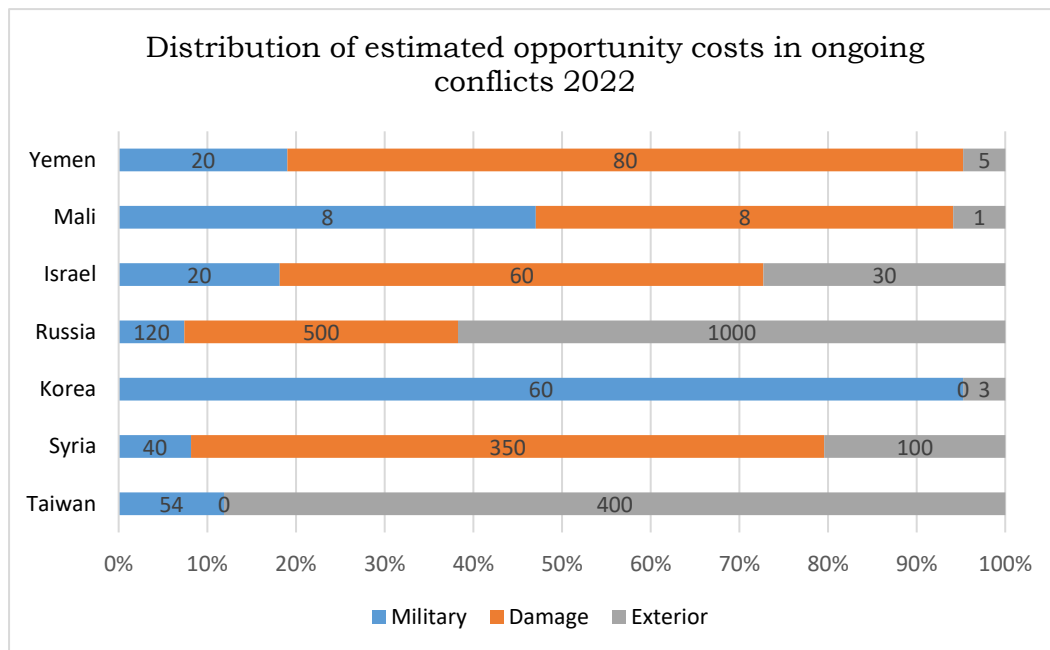
They though compete with costs of Health, Education, and Sustainable Development.

Fig. 2



Source: UN IATF on FfD, Opportunity costs the hidden source to financing sustainable development (3)

Here is an overview on major opportunity costs of current conflicts:



...and of the investment in Public Research as a percentage of total Research:

Fig. 1 **The wildest military researcher**      **The smartest government research budgets**

<b>Israel</b>	<b>65 (see study)</b>	<b>Belgium</b>	<b>0,09 OECD</b>
<b>Iran</b>	<b>65 estimate</b>	<b>Austria</b>	<b>0,13 OECD</b>
<b>North Korea</b>	<b>65 estimate</b>	<b>Switzerland</b>	<b>0,17 OECD</b>
<b>United States</b>	<b>46 OECD</b>	<b>Mexico</b>	<b>0,23 OECD</b>
<b>Russian Federation</b>	<b>46 estimate</b>	<b>Denmark</b>	<b>0,33 OECD</b>
<b>Ukraine</b>	<b>46 estimate</b>	<b>Portugal</b>	<b>0,40 OECD</b>
<b>China</b>	<b>46 estimate</b>	<b>Italy</b>	<b>0,55 OECD</b>
<b>Turkey</b>	<b>21 OECD</b>	<b>Colombia</b>	<b>0,92 OECD</b>
<b>South Korea</b>	<b>15 OECD</b>	<b>Czech Republic</b>	<b>1,01 OECD</b>
<b>United Kingdom</b>	<b>14 OECD</b>	<b>Spain</b>	<b>1,11 OECD</b>
<b>Taiwan</b>	<b>9 OECD</b>	<b>Netherlands</b>	<b>1,34 OECD</b>
<b>France</b>	<b>6 OECD</b>	<b>Greece</b>	<b>1,48 OECD</b>
<b>Germany</b>	<b>4 OECD</b>	<b>Canada</b>	<b>1,97 OECD</b>

Government Budget Allocation (GBARD) for Military Research as a percentage of GBARD. Sources:

OECD: <https://www.nationmaster.com/nmx/ranking/defence-budget-on-rd>

Israel: <https://www.neaman.org.il/Files/STE4.pdf>

**2) How can they (especially those for security, sanctions, and military) be unlocked for Financing Sustainable Development?**

**As the distribution of public budgets is always controversial, another factor is also crucial: the willingness of the population to co-finance public goods through taxes and the willingness to invest in local companies.**

**Both indicators are surveyed anonymously in 53 languages by the Basel Institute in the World Social Capital Monitor at a scale between 10 (high) and 1 (low):**

Town	Tax Willingness	Local Invest
Brooklyn	1.0	1.0
Los Angeles	5.0	5.0
Seattle	8.0	8.0
Beirut	3.6	3.7
Ankara	7.5	5.5
Kiev	5.7	5.3
Taiz (Yemen)	4.9	5.0
Mosul	3.6	5.0
Lagos	8.0	7.5
Istanbul	6.7	6.2
Hargeysa	6.9	5.7
Ramallah	6.5	4.0
Niamey	4.0	10
Monrovia	7.0	7.3
Alger	5.2	5.9
Khartoum	5.5	6.0
Basel	9.0	10
Homs	4.0	3.0

Source: <https://trustyourplace.com/>

**...and now add a new indicator: helpfulness**

Town	Helpfulness		Tax Willingness	Local Invest
Brooklyn	<b>9.0</b>		1.0	1.0
Los Angeles	<b>1.0</b>		5.0	5.0
Seattle	<b>8.0</b>		8.0	8.0
Beirut	<b>5,7</b>		3.6	3,7
Ankara	<b>7.5</b>		7.5	5.5
Kiev	<b>7.7</b>		5.7	5.3
Taiz (Yemen)	<b>6.0</b>		4.9	5.0
Mosul	<b>5.5</b>		3.6	5.0
Lagos	<b>6.5</b>		8.0	7.5
Istanbul	<b>7.2</b>		6.7	6.2
Hargeysa	<b>7.1</b>		6.9	5.7
Ramallah	<b>7.5</b>		6.5	4.0
Niamey	<b>9.0</b>		4.0	10
Monrovia	<b>5.8</b>		7.0	7.3
Alger	<b>7.4</b>		5.2	5.9
Khartoum	<b>8.5</b>		5.5	6.0
Basel	<b>7.0</b>		9.0	10
Homs	<b>5.0</b>		4.0	3.0

**Conclusion:**

- The opportunity costs of conflicts are far too high and have to be reduced
- The military and legal diplomatic instruments to end the conflicts failed
- **What about trying it with shared social goods across conflicting parties?**