INTERVENTION ON RESOURCES TO OVERCOME THE MULTICRISES

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Development finance within an international financial and economic system that concentrates income and wealth year after year increasing inequality between and within nations is like attempting white water rafting upstream. The bottom line is that in the past two years of the Great Recession, 2008 and 2009, net capital transfers from the South to the North were US$1.5 trillion according to UNDESA. That is over six times total ODA for DAC members according to OECD.

However, restructuring the financial and economic system, however necessary, is most difficult in the current political situation. This is the case because globalization has been too fast, the market has become too dominant, the State has become too weak, regulation too impotent, speculation too profitable, the virtual over real economy too multiple, financial capital too hegemonic, investment too short-term, monetary supply too astronomic, the reserve currency too undisciplined, debt too staggering, trade imbalances too chronic and political power too concentrated. These ills are interrelated through various vicious circles.

Given the difficulty of restructuring we need to improve finance for development. ODA was US$119.6 billion in 2009 which represents 0.31% of OECD DAC members aggregate GDP. After decades of effort only five countries have obtained the 0.7% target. The tendency is declining in real terms. It was US$122.3

billion in 2008 and the current projection is US$108 billion in 2010 in constant dollars according to DAC. This projection was prior to the current shift of the policy matrix from stimulation to sovereign debt reduction which will have a lag time prior to registering a negative effect in ODA tendencies.

The declining level of ODA is insufficient to achieve the MDGs. According to the World Bank an additional US$40 t0 US$50 billion a year is necessary. According to UNDP the figure is a short fall of US$50 billion per year, which represents US$250 billion between now and 2010.

The current system of development finance will not be able to handle that amount and deal with the other crises at the same time. This is no where clearer than in climate change mitigation and adaptation. It is estimated that US$1.2 trillion a year will be necessary to put the greenhouse gas genies back in the bottle. An additional US$300 trillion a year will be necessary for adaptation in the developing countries. This represents 2.5% of world GDP only for climate change mitigation and adaptation as compared to 0.31% of GDP for ODA at the current time.

Therefore, additional sources of financing are absolutely necessary. The proposal for taking into account innovative forms of financing approved by the General Assembly when it endorsed the outcome document of the UN International Conference on Financial and Economic Crisis and its Impact on Development of June-July, 2009. The French delegation this afternoon has made call for innovative forms of finance. Lord Turner of the United Kingdom Financial Services Authority and the President of the Bank of International Services in Basilea have both endorsed a financial services tax.

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Current levels of development finance are also inadequate to achieve internationally agreed development goals, including the Millennium Development Goals. There was not even an attempt to achieve a world-wide stimulus to increase global demand in poor countries to ameliorate the financial and economic crisis. The amount required would be truly prohibitive within existing structures. There was a US$250 billion Special Drawing Rights (SDR) emission distributed to Central Banks for eventual bank bailouts. This clearly establishes that banks have the first priority, before economic growth and poverty reduction.

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The bottom line from a developmental point of view is that in 2008 and 2009 the combined net capital flow in the Great Recession years of 2008 and 2009 has been from the South to the North in the amount of US$1.5 trillion, a fact the Development Cooperation Forum should. That is more than 6 times the almost US$240 billion of OECD DAC members ODA in those two years.

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