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Held at Headquarters, New York,
on Thursday, 11 July 1996, at 10 a.m.

President: Mr. KOVANDA (Vice-President) (Czech Republic)

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In the absence of Mr. Gervais (Côte d'Ivoire), Mr. Kovanda (Czech Republic), Vice-President, took the Chair.

The meeting was called to order at 10.15 a.m.

NEW AND INNOVATIVE IDEAS FOR GENERATING FUNDS (E/1996/CRP.1 and E/CN.17/1996/28)

The PRESIDENT invited the Council to begin the general segment and suggested that, in keeping with the procedure followed during the previous year, and, without prejudice to the right of any member State or observer to speak on any subject, there should be no general debate.

Mr. ACUÑA (Costa Rica), speaking on behalf of the Group of 77 and China, said that, while the conference room paper (E/1996/CRP.1) prepared by the secretariat contained interesting ideas for generating funds, the "new" ideas were not innovative, in the sense that they stood little chance of being accepted by Member States, and the "innovative" ideas were not new, as they had been the subject of much discussion elsewhere.

Although foreign direct investments had risen dramatically, two thirds of those investments had gone to only eight developing countries. It was therefore clear that foreign direct investment was no substitute for adequate, well-targeted and efficiently utilized development assistance, particularly since, without the means to create an enabling environment, it was impossible for developing countries to attract foreign investment. The international community could not abandon official development assistance (ODA) as the principal means of promoting multilateral development cooperation, not only because there was no universally acceptable alternative, but because it symbolized the commitment of the industrialized countries to genuine partnership with the developing countries.

New and innovative sources of funds should therefore be viewed as a supplement to and not a replacement for ODA and should form part of a larger process of mobilizing additional resources for development cooperation. Developed countries should honour their commitments to reach an ODA level of 0.7 per cent of GNP and no new proposal to generate additional resources to cover the shortfall in ODA should shift the financial burden to developing countries.

Existing levels of ODA should therefore be utilized efficiently in order to yield maximum benefits to donor and recipient countries alike. Recognition of the need to make better use of existing resources did not mean, however, that the countries on whose behalf he spoke were resigned to the current inadequate levels of ODA. Improved utilization of resources must be linked to a concerted effort to increase their availability.

The PRESIDENT observed that the representative of the Group of 77 had referred to issues which were not included in the conference room paper. He recalled that in its decision 1996/210 on new and innovative ideas for generating funds, the Council had itself provided the secretariat with guidelines on what should be included in the paper.

Ms. BROWNE (Ireland), speaking on behalf of the European Union, expressed disappointment at the Council's failure to arrange a technical briefing for interested delegations on the subject under consideration, and pointed out that the conference room paper should have been more sharply focused. The item under discussion should be kept separate from the examination of the financing of the United Nations regular and peace-keeping budgets and any new funding generated should be complementary to ODA.

Members of the Council might find it helpful if a small, independent advisory group of diversified internationally recognized experts could be established, within existing resources and supplemented by voluntary contributions, to prepare a report on the feasibility of the ideas presented, their possible contribution to the effective implementation of globally agreed priorities, and possible modalities as well as costs and benefits of their implementation. The group should take into account the ongoing work of the Commission on Sustainable Development, UNDP, the Bretton Woods institutions and other organizations.

Mr. MARRERO (United States of America) noted that the conference room paper had failed to mention the conclusion drawn by the Ford Foundation in a 1993 report, namely, that the system of assessed and voluntary contributions provided the most logical and appropriate means of financing the United Nations, as it encouraged Member Governments to maintain proper control over the Organization's budget and agenda. That did not, however, preclude Member States from making voluntary contributions to United Nations activities under agreed arrangements.

The United States would have no objection in principle to fees being charged for services that were generic to the missions of such agencies as the International Telecommunication Union (ITU) and the World Intellectual Property Organization (WIPO) where those arrangements helped to fulfil specific private sector needs. Certain other ideas, such as the idea for a United Nations credit card, merited further study.

One area that should not be considered, however, involved international taxation schemes. The United Nations did not currently have the authority to impose or collect any form of tax and the United States would never consent to any proposal to grant it such authority. Some of the other proposals for alternative financing also appeared to be wholly inappropriate for consideration by the Council.

The primary source of significantly increased funding for economic development in any country was private sector investment. While ODA had stagnated at a level of about $59 billion for the past two years, foreign direct investment in developing countries had risen from $55 billion in 1992 to an estimated $150 billion in 1995. The key to economic growth lay in creating the climate necessary to foster private investment and to ensure its use in the best interests of a country’s prospects for sustainable development.

Ms. McNISH (Jamaica) noted that a chasm existed between international commitments and the level of resources that were necessary to translate those commitments into reality. The question of new and innovative ideas for generating funds for international priorities and programmes had assumed greater urgency in light of the precipitous decline in ODA. Stable and predictable sources of finance were therefore required to support high priority multilateral activities.

The ideas contained in conference room paper E/1996/CRP.1 required comprehensive analysis for many of the proposals had implications for national sovereignty. Moreover, any new means of funding development cooperation must be without prejudice to the requirement that industrialized countries should meet their obligations.

Most of the development and humanitarian work of the United Nations system was currently financed from voluntary contributions by Governments. The voluntary nature of contributions should remain the defining characteristic of support for operational activities. Like other members of the Group of 77, Jamaica regarded the annual United Nations Pledging Conference for Development Activities as an opportunity for countries to reaffirm their political commitment to United Nations operational activities for development and believed that the status quo should be maintained.

In the final analysis, the issue of the financing of development activities remained one of political will. The question to be asked was whether sufficient resources were available to meet the needs of the new international agenda and how those resources might be harnessed. It was in that context that the issue of new and innovative ideas for generating funds must be seen.

Mr. ACUÑA (Costa Rica), responding to the comments made by the President, said that he had merely pointed out that the paper lacked substance. The value judgements emitted by the President were prejudicial to the Group's standing vis-à-vis other groups and he should therefore refrain from making such comments.

The PRESIDENT said that the comments were well taken.

Mr. INSANALLY (Guyana) said that while new ways must be found of generating funds, ODA remained pivotal to the development of most developing countries and donor countries must continue their efforts to honour their commitment to the 0.7 per cent target. There was also need for a substantial increase in predictable and continuous funding for United Nations operational activities for development.

The Council should focus on those options contained in the secretariat's paper which were feasible and politically practical. It might also be useful if the secretariat, assisted by a group of international experts, could collate some of the studies being done elsewhere with a view to presenting them to members for further review.

His Government had espoused suggestions, such as the Tobin tax and environment-related levies, which had the potential for generating significant resources. At the World Hearings on Development, held in 1994, there had been widespread support for some forms of taxation to finance United Nations activities in the field of sustainable development, including international taxes on low elasticity commodities, on the use of such common property resources as the international seabed, and on the profits of transnational corporations. In addition, the Government of Japan had recently made the interesting proposal that savings effected from the reform of the United Nations should be applied to development purposes. There was no dearth of imaginative ideas for securing new and additional financing. The challenge was to promote their acceptance within the international community as a whole.

In order to maximize support for the new ideas for generating funds, it was essential to engage all the actors in the development field, including Governments, non-governmental organizations, the business sector, labour and the public at large. With proper advocacy also, the several beneficiaries of development could also become its most active agents. Guyana hoped that an international conference on the financing of development could be convened. The international community must be persuaded that investment in development was an investment in global peace and security.

Mr. SABOIA (Brazil) said that the discussion of new and innovative ideas for generating funds must be kept separate from the discussion of the funding of the Organization’s regular and peace-keeping budgets. He was encouraged by the success of UNICEF in securing private sector involvement in its fund-raising activities. Other ways of generating funds included the mobilization of additional resources from Governments through such modalities as cost sharing. In general, however, the Council should adopt a gradual approach to the issue and should begin with the less ambitious proposals which stood a greater chance of being accepted. The idea of a United Nations tax, for example, should be excluded.

For the Organization to achieve its goal of promoting sustainable long-term development, the resources mobilized must be reinvested in projects in the beneficiary countries. The developed countries also had a responsibility to change their production and consumption patterns.

Finally, with regard to the proposal that a group of independent experts should be established to consider new and innovative ideas for generating funds, his delegation’s concern was that it might simply produce another paper similar to the one presented by the secretariat.

Mr. CANCHOLA (Observer for Mexico) noted that the discussion of new and innovative ideas for generating funds was taking place against the background of the payments crisis currently affecting the United Nations.

Before anything else therefore, Member States should honour both their contractual obligations to the United Nations and their ODA commitments.

The proposals contained in the secretariat’s paper were preliminary in nature and needed to be further refined. The recommendations eventually adopted should be universal and non-discriminatory in nature and should be based on the principles agreed upon both at the recent global conferences and in the resolutions of the General Assembly, particularly resolution 47/199. The objective was to ensure that the international balance of commitments and responsibilities should not be altered in any way by transferring the burden from one group of countries to another.

Mr. BLUKIS (Observer for Latvia) said that the prudent answer to the question of what was the best use of limited financial resources was that financing must be shifted away from activities that worked against sustainable development to activities that supported it. That was true at the national and international level. It was not prudent to spend less than 1 per cent of GDP on environmental protection and to allow environmental degradation to consume 10 to 15 per cent of GDP. That reportedly was the situation in one nation. The international community should seek to maintain and improve existing funding mechanisms and search for new ways of funding development. Existing development agreements should be reviewed, in order to bring them into line with the sustainability paradigm. In that regard, a group of experts charged with the task of examining the Secretariat’s proposals in detail could help to produce integrated recommendations to be referred to an intergovernmental forum for review.

Mr. ARMITAGE (Australia) said that many of the ideas proposed in the conference room paper under consideration had already been discussed elsewhere. While the conference room paper offered a useful survey of ideas that had been mooted elsewhere, the Council should analyse their suitability and practicability in a more systematic manner.

Ms. RODRIGUEZ CAME JO (Observer for Cuba) agreed that consideration of new ideas for funding should be kept separate from the issue of regular development funding and peace-keeping operations. The proposal for the establishment of a small group of independent experts to examine the ideas in detail should be approached with caution. In particular, there had been no explanation as to why that group should be funded from the existing budget.

The Secretariat had suggested a number of ideas that were clearly unrealistic, and it had failed to explain what criteria had been used in selecting the bibliography. The Council should consider the whole matter of political support for implementation of development assistance pledges, which lay at the heart of the current discussions.

Mr. GALVEZ (Chile) noted that the issue under consideration was highly sensitive politically. While the paper contained innovative and often revolutionary ideas, including proposals for taxing conventional arms sales, neither the Council nor the proposed group of experts had sufficient authority to mobilize political and public opinion in support of implementation. Therefore, although his delegation had no objection in principle to the ideas, it believed that intergovernmental bodies were best qualified to consider their practicability, particularly in view of the current development assistance climate.

Mr. RAZA (Pakistan) said that the Secretariat’s ideas were clearly at the preliminary stage and required further analysis with regard to feasibility. Discussion of the ideas should be informed by a number of key principles, aimed at ensuring that attention was not diverted from existing funding commitments, nor from the challenge of creating an equitable international economic system. Care should be taken not to impose additional burdens on developing countries, undermining the dignity of the United Nations too, by positioning it as a commercial undertaking. Member States should consider the ideas before it and offer feedback to the Secretary-General in order to contribute in a systematic way to a feasibility study.

Mr. GOUMENNY (Observer for Ukraine) expressed support for a further study of the conference room paper by a small group of independent experts, stressing that such a study, if backed up by relevant decisions from the General Assembly, could produce positive ideas to be taken to an intergovernmental forum.

Mr. AGONA (Uganda) said that the Council should demonstrate more sensitivity when dealing with the views of delegations. In particular, he wished to record the dissatisfaction of his delegation with the limited time allotted to the previous day’s discussion on the Special Initiative on Africa and the explanation that had been given for the timing.

With regard to the conference room paper, while his delegation agreed about the need to exercise caution, the Council also needed to act boldly in its selection of an appropriate forum to discuss new funding ideas. Some form of politically sanctioned intergovernmental conference was needed to ensure that those ideas had the political support of Member States. However, such discussions should not constitute an attempt to replace ODA with new arrangements. While the private sector could indeed assist with funding, experience had shown that it could not do everything. It would be unwise for the United Nations to seek to place inappropriate burdens for development assistance on the shoulders of the private sector.

Mr. BA (Senegal) said that while his delegation was open to discussing funding ideas, it was of the view that the underlying issue at hand was how to reverse the sharp decline in ODA. The Secretariat had clearly faced a daunting task in preparing the conference room paper, but many of its ideas were vague and needed to be more finely honed and incisive.

With regard to the discussion itself, the Council should take care not to impose additional burdens on developing countries, and should consider a broader forum for analysis than the group of experts, so as to take account of a wider range of views and opinions.

Mr. NAZARI TAJABADI (Observer for the Islamic Republic of Iran) said that the Council should ensure that its discussion of funding ideas did not detract from its existing commitment to the creation of an enabling environment for development. Some of the ideas contained in the conference room paper seemed to be the fruit of an intellectual exercise that took little account of the real situation of developing countries. The reference to "green levies" in paragraph 38, for example, seemed to overlook the problem that developing countries had voiced in many forums concerning access to appropriate environmental technology. The Secretariat should have given more consideration to the issue of sustainability.

Mr. STOBY (Director, Division for Policy Coordination and Economic and Social Council Affairs) said that while the Secretariat appreciated the positive comments of delegations on the paper and usually accepted criticism as useful feedback to help improve its performance, it was more hesitant about accepting criticism on the paper at hand. The item under discussion was both a new and highly sensitive matter, on which there was no consensus within the Council as a whole. The Secretariat had received no guidance as to what the paper should contain, nor had delegations requested any briefings on that matter. In certain instances, it seemed that delegations wished actively to discourage the Secretariat from pursuing the matter. In order to avoid making recommendations on which there was no consensus, on the one hand, or simply furnishing a list of ideas on the other, the Secretariat had on its own initiative decided to provide some pointers that would not enter into substantive matters of great political sensitivity.

Since it had been given no guidance with regard to the paper's scope, it had decided to make no reference to regular funding or peace-keeping operations. For that reason, it had not referred to the Ford Foundation report mentioned earlier.

The Secretariat had also taken the highly unusual step of conferring with the Council bureau, providing it with a draft outline of the paper in order to get some feedback. Had delegations wished to be briefed on the paper, they could have made proposals to that effect at a previous Council session.

Mr. MARRERO (United States of America) said that the United Nations system as a whole should draw on the vast pool of knowledge and expertise at its disposal to examine ways of accommodating awareness of the current resource constraints with the priority it should give to new ways of securing funding. The various agencies of the system should be given a mandate to investigate new funding opportunities that would help them to fulfil their particular missions. If that were done, the approach could then be broadened to include the rest of the system. The Council should consider new funding mechanisms and listen to new ideas for funding where its authorization was required for implementation.

Mr. SINGH (India) said that while there was need for further discussion of the proposals set forth in document E/1996/CRP.1 it nevertheless provided an important starting-point. Although the idea of generating new and innovative funds had gained momentum during recent years, his delegation believed that too much emphasis had been placed on form at the expense of substance.

Private-sector funding had been found to be inadequate since it was concentrated in a small number of countries and had failed to address vital areas such as the environment. New ideas for generating funds should ensure a predictable, continuous and assured flow of resources; they should not divert attention from ODA or conflict with commitments arising from existing international agreements and conventions. New mechanisms should not place an additional burden on developing countries; they should actually enhance the provision of resources to those countries. His delegation also believed that due weight should be given to the history of exploitation of developing countries by developed countries, including the use of their environments to develop techniques and products which had subsequently enriched the developed nations. His Government therefore endorsed a form of "environmental rent".

Mr. AARDAL (Observer for Norway) said that his delegation shared the concerns voiced by the representative of Costa Rica regarding falling levels of ODA, and was also disappointed that technical briefings had not been held prior to the meeting. The whole issue of new and innovative ideas for generating funds should be kept alive in the United Nations while taking care to ensure that Member States shared burdens equally.

Mr. MONTOYA (Colombia), supporting the delegation of Costa Rica, said that all delegations should be allowed to comment freely since they ultimately shared a common, constructive desire to generate additional funding for development.

Document E/1996/CRP.1 contained a wealth of detail but no clear conclusions. Many of the proposed ideas for generating additional revenue required further discussion, and it was to be expected that a number of delegations would have reservations about some of the innovations outlined therein. There was a danger that, since the document was somewhat fragmentary in its format, the Council’s subsequent approach to the issue would also be fragmentary. What was actually required was a new and innovative political will to honour commitments that had already been entered into.

Regarding the proposal by the European Union to set up an independent group of experts, his delegation felt that in order to avoid having a proliferation of reports it would be necessary to clarify the scope of the entire exercise, inject a specifically intergovernmental profile, quantify the amount of funds actually required to satisfy the growing needs of developing countries, and adopt very selective criteria by only considering proposals on which consensus had been reached.

Mr. GORELIK (Russian Federation) said that the United Nations worsening financial crisis had affected all areas of the Organization’s activities, which in turn necessitated an effort of political will on the part of Member States to meet their commitments in full. His delegation did not share the scepticism of certain other delegations regarding the wisdom of instituting a group of experts to study the question of generating funds. The establishment of similar groups in the past had brought positive results, and it was far easier to reach consensus at the expert group level than in intergovernmental bodies.

In the past, the universality and democratic structure of the United Nations had ensured more or less regular funding in the social and economic fields. Recent problems were due partly to donor fatigue in developed countries and partly to the continued diversion of funds earmarked for development into military spending. Finally, internal reform of the United Nations should make it easier to give due weight to practical rather than administrative functions in the social and economic field.

Mr. HAMDAN (Lebanon), supporting the delegation of Costa Rica, said that any criticism levelled at the Secretariat by delegations was meant constructively and was designed to contribute to a more fruitful discussion. His delegation shared the disappointment at the lack of any technical briefing prior to the meeting, and agreed that new ideas for generating funds should not undermine ODA in any way. Further discussion of the many options presented in document E/1996/CRP.1 was clearly necessary.

His delegation wished to point out the unfairness of taxing oil products which were the staple export of many developing countries. The income they derived from the sale of oil products was very often the main source of funds for their own development projects. It was the uses that oil was put to in the developed world rather than the product itself which caused environmental degradation.

Mr. SOEPRAPTO (Indonesia) said it was paradoxical that while the world was developing at such a rate, resources for development had steadily declined. The key to resolving the problem was predictable, continuous and assured funding. His delegation had been encouraged to note that new and innovative ideas for generating funds were being actively considered by the United Nations. However, it was vital that new sources of revenue for development should merely supplement ODA. Donor countries should make efforts to increase the level of their voluntary contributions.

His delegation was particularly keen to explore the idea outlined in paragraph 10 of document E/1996/CRP.1, whereby predictable funding would be ensured by initiating pledges on a multi-year target basis. Such a mechanism would help to ensure the launching of multi-year programmes based on a predictable level of financial resources. Under that system, it would be important for Member States to agree in advance which programmes they wished to finance.

Mr. KAMANDO (United Republic of Tanzania) supported the earlier statements made by the representative of Costa Rica on behalf of the Group of 77.

Mr. KHEREDDINE (Observer for Algeria) said that although new ideas for generating funds seemed like an attractive subject for discussion, his delegation had doubts as to the timeliness, objectives and practicability of the measures outlined in document E/1996/CRP.1. The tone of the discussion seemed to imply that all avenues for generating funds had already been exhausted, which was not the case. The problem could easily have been avoided if, over time, the developed countries had simply lived up to their ODA commitments. However, since they had consistently underfunded development assistance, the scale of the problem had now grown to disastrous proportions. Talking about new ways to generate income conveniently obscured the fact that previously entered-into commitments had not been honoured. The ideas contained in the paper currently before the Council should not be allowed to distort discussion of the real problems that faced developing countries.

Mr. PAUL (International Student and Youth Movement for the United Nations), noting that the World Federalist Movement and the Global Policy Forum also associated themselves with his statement, said that he was pleased that the item had been placed on the agenda for three reasons. First, the traditional source of funding for the United Nations and other global institutions had proven to be insufficient. Second, the need for global institutions was greater now than ever before; more funds, not less, must be devoted to peace, environmental sustainability, human rights and the well-being of all. Third, potential resources existed, for the global economy was generating more wealth than at any other time in history. The means must be found to tap those resources for the common purposes of humankind.

Many creative proposals had been made suggesting innovative funding mechanisms, such as the "Tobin Tax" on currency exchange. Most such proposals would impose a small fee on a very large volume of transactions, yielding a large revenue but imposing a relatively small cost on any individual. Further studies should ensure that the proposed revenue schemes would not hurt the poorest and most vulnerable.

He urged the Council to build on the momentum created by increasing interest in innovative financing mechanisms, and made several specific proposals. First, the Council should call for detailed feasibility studies, consult with groups of eminent experts and initiate intergovernmental deliberations with the goal of eventual negotiations. Next, the United Nations should consider the innovative financial mechanisms not just as sources of revenue, but also as steering devices to minimize destructive trends in the global economy and encourage more human-centred development. Third, discussion of innovative finance should not be an excuse for States to reduce further their assessments or contributions to international organizations. Finally, the raising and spending of those new resources must be carried out in the most transparent and democratic manner possible, within the framework of the United Nations and under the authority of the General Assembly.

Innovative finance would result in long debates and fierce political battles over who would be taxed, how the taxes would be controlled and what the funds would be used for, as well as the issue of sovereignty. But it also represented a unique opportunity to strengthen and develop human society for the twenty-first century.

Mr. AARDAL (Observer for Norway) said that his delegation had found the conference room paper highly useful. With regard to technical briefings, however, he recalled that, at the resumed organizational session, the representative of the Netherlands had specifically requested them. His delegation would welcome another opportunity to discuss how the Council should proceed, as it was difficult to draw conclusions from the many ideas presented without further reflection.

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ECONOMIC AND ENVIRONMENTAL QUESTIONS: REPORTS OF SUBSIDIARY BODIES, CONFERENCES AND RELATED QUESTIONS (E/1996/76)

(a) SUSTAINABLE DEVELOPMENT (E/1996/15, E/1996/28, E/1996/63, E/1996/66 and E/1996/84)

(d) NATURAL RESOURCES (E/1996/31)

(e) ENERGY (E/1996/24)

Mr. JUMA (Executive Secretary, Convention on Biological Diversity) said that the decisions taken by the Conference of Parties to the Convention on Biological Diversity at their second meeting, held at Jakarta in November 1995, indicated a transition away from an emphasis on ratification towards implementation of the Convention at the national level. The parties had sought innovative ways to implement the goals of the Convention, through such activities as providing a guidance statement to support the Intergovernmental Panel on Forests and developing framework programmes on important themes, such as marine and coastal biodiversity. The Parties had also emphasized cooperation with the secretariats of other biodiversity treaties and working through other international organizations. They had stressed the importance of approaching implementation from the three main objectives of the Convention: conservation, sustainable use of resources and the fair and equitable sharing of the benefits arising out of utilization of genetic resources. From that approach, it was clear that the Parties saw the Convention as an instrument for sustainable development.

A number of key decisions had been taken in the area of scientific and technical cooperation, and in the area of intellectual property rights, and a pilot clearing-house mechanism had been established to promote technical and scientific cooperation.

The Parties had requested the secretariat to develop a programme of work for the implementation of the Jakarta mandate on marine and coastal biodiversity and had also recommended the promotion of biotechnology, despite the risks associated with it. Completion of a protocol on biosafety was expected by 1998. It was also agreed that the Global Environment Facility should be maintained as an interim financing structure. They had also decided to accept the invitation of the Canadian Government to move the secretariat of the Convention to Montreal.

The meeting rose at 1 p.m.