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Chair: Mr. Zdorov (Vice-Chair) . . . . (Belarus)

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In the absence of Mr. Momen (Bangladesh), Mr. Zdorov (Belarus), Vice-Chair, took the Chair.

The meeting was called to order at 3.10 p.m.

Agenda item 18: Follow-up to and implementation of the outcome of the 2002 International Conference on Financing for Development and the 2008 Review Conference (*continued*) (A/66/329, A/66/334; A/66/75-E/2011/87)

1. **Mr. Trepelkov** (Director, Financing for Development Office, Department of Economic and Social Affairs), introducing the report of the Secretary-General on innovative mechanisms of financing for development (A/66/334), said that the current report complemented the Secretary-General's reports on implementation of the Monterrey Consensus and the Doha Declaration on Financing for Development. It reviewed the scope of innovative financing mechanisms and examined their contribution to achieving the Millennium Development Goals (MDGs), particularly those relating to health and environment.

2. The report also examined the implications of innovative financing for aid architecture and effectiveness, including alignment with national priorities, predictability and sustainability. Different interpretations of innovative finance yielded different estimates of its scope and scale. For the World Bank, innovative finance meant generating funds by tapping new sources or engaging new partners. Such mechanisms had raised $57 billion from 2000 to 2008. The Organization for Economic Cooperation and Development (OECD) defined innovative financing as mechanisms going beyond traditional spending approaches; such mechanisms had generated some $37 billion from 2002 to 2010. Quantifying the extent of additionality of such mechanisms was not a straightforward matter.

3. Innovative financing had helped to save millions of lives worldwide and to cope with climate change adaptation and mitigation. In both health and climate finance, there was fragmentation of resources and room for streamlining of delivery procedures based on best practices. The report discussed sustainability and predictability of finance as well as efforts to move towards a common monitoring and evaluation mechanism, common performance indicators and common management processes such as joint audits and simplified procurement systems. Many mechanisms included a wide range of stakeholders, for which strong leadership at the country level was critical for successful project design.

4. The report recommended making innovative finance mechanisms more durable, predictable and effective and exploring possibilities for creating new ones. An international agreement on the definition and scope of innovative finance would provide the basis for standardized reporting and accounting. The delivery and monitoring mechanisms in the health sector needed to be reviewed and streamlined, minimizing complex structures and maintaining controls. There was also a strong case for general budget support. Harmonization of evaluation mechanisms would reduce transaction costs, and there was a need for independent evaluation at the international level to assess delivery and impact. The General Assembly should consider setting up a working group on innovative mechanisms of financing for development, with the involvement of all stakeholders, to examine existing and proposed mechanisms and make recommendations.

5. **Mr. Suárez Salvia** (Argentina) said that innovative mechanisms of financing could help developing countries to mobilize additional resources on a stable, predictable and voluntary basis. Considerable progress had been made on innovative financing since the Monterrey and Doha conferences. Innovative financing should be disbursed in accordance with the national priorities of developing countries. It should not replace or negatively affect traditional funding sources, or unduly burden countries. Priorities should remain focused on providing additional, stable and supplementary resources to traditional development financing. A precise and agreed definition of innovative financing was needed in order to establish an appropriate reference point and framework for discussion. In conclusion, he said that further consideration must be given to the relationship between innovative financing and official development assistance (ODA).

6. **Mr. Bhattarai** (Nepal) said that the mobilizing potential of innovative financing mechanisms was high, and that such financing had helped channel resources to many developing countries, especially in the areas of health, climate change and environment. For example, millions of lives had been saved through reduced prices of treatment of some diseases. All possibilities should be systematically explored to make innovative financing more durable, predicable and

effective. As recognized in the Istanbul Declaration and Programme of Action, innovative financing mechanisms could contribute to the development of the least developed countries. Such mechanisms should not be viewed as a substitute for traditional sources of finance but rather should supplement them and be disbursed in accordance with the priorities of the least developed countries.

7. He expressed deep concern that additional resources generated through the clean development mechanism had not benefited the least developed countries which, because of their weaker institutional capacities and limited resources, were the least responsible for greenhouse gas emissions. The governance structure of the clean development mechanism should streamline its procedures in order to ensure easy access by the least developed countries. It was also vital to resolve difficulties in establishing criteria for the allocation of adaptation funds, and the capacity to adapt to the adverse effects of climate change, as well as a methodology for identifying levels of vulnerability and levels of risk arising from delay.

8. The international community must come to an agreement on the definition of “innovative development finance” in order to provide a basis for standardized reporting and accounting and to know exactly the quantum of resources mobilized. Complex structures should give way to inclusive and representative institutions such as the United Nations and to resources provided in the form of general budget support. Predictability and sustainability of innovative finance remained key concerns. The General Assembly should consider setting up a working group on innovative mechanisms of financing for development to examine the potential of existing and proposed mechanisms and to make appropriate recommendations concerning them.

9. **Mr. Benmellouk** (Morocco) said that his delegation welcomed the considerable progress made since the adoption of the Monterrey Consensus in mobilizing financial resources through innovative mechanisms. Such mechanisms could fill the gap in development financing, especially in the post-crisis context, and would be more effective if they were of global scope and promoted by the United Nations. Involvement by all Member States would surely lead to sustainable, predictable and effective mobilization of additional resources. The Leading Group on Innovative Financing for Development had identified several avenues for enquiry and submitted a series of proposals. The latest was a levy on international financial transactions, which had the potential to generate substantial financial resources.

10. Most of the $37 billion derived from innovative financing mechanisms were earmarked for health and for climate change and the environment; $31 billion of that total had been allocated to the latter. Morocco believed that other priority areas should be included as well, such as education, food security, maternal health and access to drinking water in rural areas. The international community had a duty to help needy countries, especially in Africa, to reach the MDGs by 2015. As a signatory of the International Drug Purchase Facility (UNITAID), Morocco was committed to developing innovative financing, seeking practical mechanisms and contributing additional and predictable resources. Morocco believed that the principles laid down in the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action should be respected in using the resources mobilized.

11. Morocco wished also to stress the importance of remittances by migrants as a source of financing for many developing countries. Governments and the private sector should make every effort to facilitate remittances and reduce their transaction costs.

12. **Ms. Yoo** Hye-ran (Republic of Korea) said that, in her country’s view, international development cooperation should not be confined to the traditional approach. A new development architecture should provide robust, stable and reliable funding mechanisms resistant to changing economic and political conditions. Securing sustainable financial support was crucial to attaining the MDGs. Innovative financing had been successfully introduced by such entities as UNITAID and the Global Alliance for Vaccines and Immunization (the GAVI Alliance), a landmark accomplishment to be emulated in other sectors. As a member of the Leading Group on Innovative Financing for Development, the Republic of Korea was one of the pioneers in introducing the international solidarity levy on air tickets as a mechanism for combating pandemic diseases. Efforts should be made to engage more actors in development, including the private sector and civil society. Innovative financing for development would also be addressed at the 2011 summit of the Group of 20 (G-20). Such discussions attested to the growing recognition of the potential of innovative financing. Her delegation welcomed the Secretary-General’s proposal for a working group on innovative mechanisms

of financing for development (A/66/334, para. 79) and would actively participate in discussions on it.

13. **Ms. Smaila** (Nigeria) said that her delegation endorsed the report of the Secretary-General, which coincided with preparations for the High-Level Dialogue on Financing for Development. As developing economies were relatively disadvantaged in accessing international capital markets, steps must be taken to safeguard the financial capacities of the International Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC) in order to sustain scaled-up assistance to client countries. Meanwhile, previous commitments to the International Development Association (IDA) must be honoured. It was to be hoped that a stronger capital base would facilitate IBRD enclave lending to IDA countries, and that fragile countries worst hit by the crisis would have greater access to financing.

14. Although official development assistance (ODA) had reached an unprecedented $129 billion in 2010, the net ODA ratios of many large donors remained below 0.7 per cent and aid to least developed countries had been insufficient to achieve the target of 0.15-0.20 per cent. Innovative financing sources were expected to supplement traditional development finance, and expectations regarding their potential increased with the approach of the 2015 deadline for achieving the Millennium Development Goals.

15. The G-20 had been instrumental in averting an even more serious economic downturn and setting the stage for recovery but should forge stronger linkages with non-members and universal international bodies, particularly the United Nations. There was also a need to ensure complementarity of policy coordination efforts among the United Nations, the International Monetary Fund, the G-20 and other multilateral stakeholders.

16. Recovery of the developing economies from the deep economic recession might take much longer than expected. Efforts to stimulate economies and action to create jobs and safety nets were critical to preserving the remarkable gains of the previous decade and to making inroads into poverty reduction. Her delegation applauded the World Bank Group for establishing new instruments such as the IDA Fast Track Initiative and hope that disbursements would be expedited as well. Such efforts, while commendable, fell far short of what was needed to respond to the crisis.

17. In Nigeria, GDP growth had risen from 7 per cent in 2009 to an estimated 8.1 per cent in 2010, underscoring the resilience of the economy. Medium-term prospects were also bright, and her Government was pursuing a transformation agenda to address developmental needs and future challenges. Economic recovery was proceeding at varying speeds in different parts of the world, remaining weak in advanced economies until late 2011 but recovering faster in emerging and developing economies. The continued rebound in commodity prices was a spur to growth in commodity-producing regions. Moreover, the inflation risk of the rebound was mitigated by low levels of capacity utilization, weak demand and well-anchored inflation expectations.

18. Africa’s health challenges remained formidable. Despite progress in the fight against AIDS, malaria and other communicable diseases were on the rise. In Nigeria, more than 90 per cent of the population — more than 52 per cent of them children — remained at risk of contracting malaria. Its eradication should be a top priority on the international agenda.

19. Nigeria recognized the urgent need to address climate change and called for strong political will and cooperation among States with a view to implementing the United Nations Framework Convention on Climate Change. In that connection, her Government had established the Special Climate Change Unit to facilitate protection of Nigeria’s environment, including the climate system, and conservation of its natural resources.

20. Nigeria believed that all objectives of the Monterrey Consensus could be achieved with collective determination and readiness to provide a critical mass of development assistance. The long-standing target of 0.7 per cent of GNP for ODA had proven to be currently unattainable. Nations should therefore agree on a realistic target for the following few years, corresponding to their collective sense of urgency, responsibility and atonement for past failures.

21. In conclusion, she stressed the need for prompt reform of the international financial system to enable its institutions to function more efficiently, effectively and accountably, enhancing delivery capacities of regional financial institutions to enable them to support development, especially in sub-Saharan Africa.

22. **Mr. Frick** (Liechtenstein), referring to the section of the report on combating money-laundering and tax

evasion, said that under the Liechtenstein Declaration, his country had committed itself to implementing internationally recognized standards of transparency, information exchange and international cooperation on tax matters. Accordingly, it had concluded numerous information exchange and double taxation agreements. Liechtenstein believed that transparency in international regulation processes was key to ensuring equal participation by all States and achieving a level playing field.

23. His Government had embraced the principles of the Copenhagen Accord as a guideline for the development of a successor to the Kyoto Protocol. Parliament had agreed to provide additional seed funding to address climate change in 2011 and 2012, complementing Liechtenstein's ODA and the measures it had taken to combat the damaging effects of climate change in developing countries.

24. Reaching the aid target of 0.7 per cent for ODA, however, must always remain the central goal. Liechtenstein had repeatedly declared its intention to achieve that target by 2015 and there was evidence it had reached 0.6 per cent in 2010. It was determined to use its modest resources to make a concrete and visible contribution to sustainable development, focusing on neglected regions and on areas in which it had special expertise. Liechtenstein had focused on the least developed countries throughout the MDG campaign and had already surpassed the goal of 0.2 per cent of GNI for ODA in 2010.

25. Measures to effectively fight corruption, money-laundering and illicit financial outflows, and to promote good governance, had great potential within the context of innovative mechanisms for development financing. Liechtenstein had cooperated closely with the Global Programme against Money-Laundering and in previous years had made available to that and other programmes the special expertise of both its Financial Intelligence Unit and Office of the Public Prosecutor. Liechtenstein also gave financial support to the Basel Institute on Governance, particularly through its International Centre for Asset Recovery (ICAR), which offered training and capacity-building for developing countries in their efforts to recover stolen assets.

26. **Mr. Fernández-Arias** (Spain), speaking on behalf of the Leading Group on Innovative Financing for Development, noted that the group comprised 63 member States, various agencies and organizations of the United Nations system and a sizeable number of non-governmental organizations (NGOs) and foundations. A growing number of countries were adopting innovative mechanisms of development finance. Since all countries had a shared responsibility to eradicate hunger and poverty, promote sustainable development and ensure prosperity for all, developed countries must, first and foremost, maintain their ODA commitments for 2015 and respect the principles of aid effectiveness. But new resources must be added to make financing more stable and sustainable, and safe from budgetary fluctuations and political changes, especially in times of crisis. Innovative mechanisms had been successfully implemented in more than 20 countries and had a greater impact through the contribution of sectors of activity that had most benefited from globalization. Over $5 billion had been collected through innovative mechanisms since 2006. Revenues from carbon emission allowances and from levying financial transactions allowed for collection of resources from a number of pioneer countries and there were many other options as well.

27. **Mr. Briens** (France) said that his delegation associated itself with the statement made on behalf of the Leading Group on Innovative Financing for Development, of which France was the Permanent Secretary. The report before the Committee attested to the commendable work done on the item by the Department of Economic and Social Affairs. The pursuit of innovative financing arose from the limits in volume and availability of ODA and from the limitations of the market economy and private financial flows, which essentially worked to the advantage of certain profitable and volatile sectors and certain countries, as the recent financial crisis had again shown. Promoting growth and protecting global public goods, such as adaptation to climate change, required larger, more stable and more predictable capital flows. There was thus a place for mechanisms to address the failings of the market economy and traditional development aid, responding to the challenges of environment, food security, health and education. Such mechanisms were more stable than ODA, supplemented it, and drew upon sectors that had benefited substantially from globalization.

28. Among the five major categories of development finance, which together yielded $5 billion, the Leading Group had identified a levy on financial transactions as the most effective, mainly because the large volume of

such transactions would make it possible to collect over $30 billion per year and studies showed it to be technically feasible. As President Nicolas Sarkozy had noted, there was a strong ethical argument to be made for taxing financial transactions in the same manner as other transactions. It was in the economic interest of the most globalized sectors to contribute to development finance in one way or another. The European Commission had recently proposed to European countries a draft directive on taxing financial transactions under which potential revenues were estimated at €30 to 50 billion per year. Introducing the tax in Europe would constitute a crucial step towards achieving a world consensus without affecting European competitiveness. Coming discussions would be critical. Meanwhile a declaration on taxing financial transactions by the Leading Group had been signed by several countries, and the proposal was a priority of the French presidency of the G-20. While pursuing innovative development financing at several levels, France believed that the universal level, represented by the United Nations, was of cardinal importance. The United Nations must be in a position to help forge responses to collective global problems such as adaptation to climate change, development goals, and eventually sustainable development goals.

29. **Ms. Haalance** (Norway) said that her delegation associated itself with the statement made on behalf of the Leading Group on Innovative Financing for Development. Innovative mechanisms helped developing countries to generate resources for development and climate change, but they should not be used as an excuse for failing to deliver on ODA pledges. Norway had raised its ODA to above 1 per cent of its gross national income and contributed to various initiatives in the area of health, including UNITAID, the International Finance Facility for Immunization, the GAVI Alliance, advance market commitments and the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM).

30. The High-Level Advisory Group on Climate Change Financing co-chaired by Norwegian Prime Minister Stoltenberg and Prime Minister Zenawi of Ethiopia had recommended taxation of financial transactions as a possible source of funds for financing climate change measures. Similarly, an expert group appointed by 12 Leading Group countries, including Norway, had assessed how taxation of the financial sector could be used to fund global public goods, development and climate measures, concluding that a levy on currency transactions was the most feasible alternative. An estimated $30 billion could be generated annually by levying a 0.005 per cent tax on global currency transactions, an idea that Norway advocated. Discussions were also taking place within the framework of the G-20 and in the European Commission. For a levy to be effective, it should include as many countries as possible.

31. **Ms. Adams** (United Kingdom) said that her country, a co-host, with the United States of America, of the recent MDG Countdown: Celebrating Successes and Innovations, remained committed to the achievement of the Millennium Development Goals. Its commitment to spend 0.7 per cent of its gross national income on aid by 2013 was enshrined in its national legislation and it was also striving to make aid more effective by stressing results, transparency and accountability. Her delegation looked forward to the Fourth High Level Forum on Aid Effectiveness in Busan. A strong supporter of innovative financing mechanisms for development, the United Kingdom had helped to drive progress in that area, fostering creative initiatives. For example, the International Finance Facility for Immunization had helped the GAVI Alliance to raise more support from donors and to use funds efficiently for lifesaving vaccines in some of the poorest countries.

32. With regard to financial transaction taxes, the United Kingdom would continue to engage with partners on the issue and had no objection in principle, but any such tax should apply globally. There were practical issues to be resolved. However, the current priority should be meeting existing ODA commitments, for which innovative financing was not a substitute.

33. The final push to meet MDG commitments by 2015 came at a difficult time for the global economy. The path to recovery would be arduous but decisive action should be taken to secure strong, sustainable and balanced growth, avoiding a return to unsustainable imbalances in global demand. Financial market regulation had an important role, and it was crucial to find a way to advance trade negotiations and strengthen the multilateral trading system, since trade was a driver of growth and development.

34. **Mr. Hermann** (Brazil) said that his delegation fully endorsed the statement made on behalf of the Leading Group on Innovative Financing for

Development. The report on the item contained insightful suggestions for dealing with innovative mechanisms for development finance.

35. In 2004, the Governments of Brazil, Chile, France and Spain had launched an initiative to fight global poverty and hunger, calling on the international community to create new sources of financing in order to achieve the MDGs. The experience of recent years had shown that significant resources could be effectively mobilized without subtracting or detracting from traditional sources of development assistance. Brazil was convinced that a comprehensive discussion on innovative financing must be an integral part of the United Nations agenda, and the Second Committee was the appropriate forum for it.

36. Innovative financing mechanisms had generated more than $5 billion since 2006, having an impact on poverty reduction through the contribution of those sectors that had most benefited from globalization. While innovative mechanisms had proven effective and significant, several defining features must be preserved in order to keep them true to their original purpose. First, they must be voluntary in nature, and not unduly burden developing countries; secondly, they must be additional to traditional sources of funding such as ODA; and, lastly, they must be channeled in ways that respected national ownership, aligned with the recipients' long-term national development goals and priorities.

37. The commitment of Brazil under President Dilma Roussef to generate resources that were stable, predictable and additional to traditional financing resources was as strong as ever. The Brazilian Congress had adopted legislation renewing Brazil's commitment to initiatives such as UNITAID and the GAVI Alliance.

38. Brazil was concerned about information in the Secretary-General's report indicating that a significant proportion of revenues raised through innovative financing mechanisms were currently being recorded as ODA. Allowing the same revenues to be counted twice violated the principle of additionality and distorted the commitments undertaken by Member States. An appropriate solution to the problem must be found to ensure that resources generated by innovative mechanisms would be properly quantified and reflected in official figures.

39. Systematic consideration should be given to using innovative financing schemes in a number of areas that exhibited great potential to generate additional resources, including education, agriculture and financial transactions.

40. **Mr. Pirkouhi** (Islamic Republic of Iran) said that his country recognized the importance of exploring innovative sources of financing, at both the national and international levels, to be used to meet development needs and to alleviate poverty, disease and hunger. Although progress had been made, much more could be done. A clear definition of innovative resources seemed highly desirable. Meanwhile, the exploration of potential sources of innovative financing should not be limited, placing one or two options under the spotlight while others, such as the world arms trade, went largely unnoticed. Based on the principle of "polluters pay", those activities having a direct adverse impact on world peace, development and stability should be subject to international taxes. Despite the global crisis, the world arms trade was growing, with an increase of 22 per cent in the average volume of arms sales over the previous five years. The business of war reaped huge profits while causing agony and destruction for the world and its people. It was perhaps time for the business of war to assume its responsibility for peace and development. That was not a new idea. A number of proposals for a tax to finance development with savings from the arms trade, in line with General Assembly resolution 65/52, had been made during the previous two decades. In light of the serious consideration being given to innovative sources of development financing, those earlier proposals needed to be revisited and all possible ways to implement them should be explored.

41. **Ms. Geissler** (Germany) said that her country aligned itself with the statement made on behalf of the Leading Group on Innovative Financing for Development, of which Germany was an active member. Her delegation welcomed the interesting and noteworthy recommendations contained in the Secretary-General's reports. Germany was fully committed to pursuing the potential of innovative financing mechanisms. It used revenues from carbon emission allowances for development purposes and mobilized investor finance for the same purpose, and would continue on that path.

42. External assistance was important but the need to mobilize domestic resources was equally important.

Germany actively supported developing countries in that regard through bilateral cooperation and through the International Tax Compact. At the most recent meeting of the International Tax Compact, representatives from 33 countries and various international organizations and tax associations had shared good practices from developing countries and encouraged broader South-South cooperation.

43. It was also important to be mindful of how additional development funding was put to use. She called for increased efforts to enhance the effectiveness of assistance. With respect to the statistical classification of innovative mechanisms, her delegation welcomed the clear language of paragraphs 5 and 10 of the Secretary-General’s report (A/66/334). Whether development financing was traditional or innovative, what mattered was that more aid be employed more effectively.

The meeting rose at 4.40 p.m.