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## **Statement on Innovative Funding**

### To the UN Economic and Social Council (ECOSOC)

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July 11, 1996

#### **Mr. President, Distinguished Delegates:**

This statement is made on behalf of **ISMUN**, the International Youth & Student Movement for the United Nations. Other NGOs who associate themselves with this statement include: **Global Policy Forum**, **WEED**, and the **World Federalist Movement**.

We welcome the initiative of Australia, which placed this item -- "Innovative Funding Mechanisms" -- on the agenda and support it for three basic reasons:

First, the traditional source of funding for the United Nations and other global institutions has proven to be increasingly deficient. It cannot provide for the agreed development objectives and programs of the UN. The United Nations is in a deep financial crisis and other institutions in the UN system have suffered from funding cutbacks as well. Though one member bears special responsibility for this crisis, nation states worldwide are having difficulty paying their assessments and voluntary contributions. Downward pressure on national budgets is intense, so many governments are inclined to "reform" the organization by downsizing and cutting programs.

Second, the need for global institutions is greater than ever. At a time of rapid globalization of the economy, humanity faces challenges that can only be solved at a global level. This is a time for more funds not less -- to be devoted to global peace and justice, environmental sustainability, equality, human rights, and the well-being of all.

Third, potential resources exist. The global economy is generating more wealth, more production, more human labor and ingenuity than ever before in history.

We must find means to tap these gigantic resources for the common purposes of humankind.

Many creative proposals and preliminary studies suggest potential innovative funding mechanisms. Best known is the Tobin Tax on currency exchange, first proposed by Prof. James Tobin of Yale University in 1972. Other proposals are discussed in the Conference Room Paper and elsewhere. They include:

- (1) fees on use of the "global commons"
- (2) taxes on harmful activities or products (like hydrocarbon fuels, tobacco or the arms trade)
- (3) fines for breaking international laws
- (4) taxes on international air and sea travel
- (5) revenues on international lotteries or the sale of stamps
- (6) a global currency exchange agency

Most proposals would impose a very small tax or fee on a very large volume of transactions, yielding a large revenue but imposing a relatively small cost on any individual. Further studies should be sure that the proposed revenue schemes will not hurt the poorest and most vulnerable, but most proposals seem to impact those who consume the most.

We welcome the increasing interest of nations, of UN bodies and of citizen groups in the question of innovative financing mechanisms. UNDP has done some very fine work. Ruben Mendez wrote a pioneering study on International Public Finance, while Inge Kaul, Mahbub al Haq and Isabelle Grunberg have just completed an important book on the Tobin Tax. At the UN50 celebration, a number of heads of state and government referred to innovative funding. ECAAR held two excellent conferences last year in Rotterdam and New York. The Global Commission to Fund the UN has produced an excellent book. The Commission on Global Governance, the South Centre and the Childers-Urquhart reform study among many others have made supportive comments.

We urge ECOSOC to build upon this momentum, by supporting initiatives on innovative finance. And we make the following specific proposals:

**First**, that ECOSOC: (1) call for detailed feasibility studies, (2) consult with a group of eminent experts, and (3) initiate intergovernmental deliberations, with the goal of eventual negotiations.

**Second**, that the UN consider the innovative financial mechanisms not just as revenue-generating sources but also as steering devices to minimize destructive trends in the global economy and encourage more human-centered development.

**Third**, that discussion of innovative finance not be an excuse for states to further reduce their assessments or contributions to international organizations, either for operating funds or for overseas development assistance: until IFMs become operational, traditional financing must increase and commitments for official development assistance, including the 0.7 percent goal must be fulfilled.

And **fourth**, that the raising and spending of these new resources be carried out in the most transparent, accountable and democratic manner possible -- within the framework of the United Nations and under the authority of the General Assembly. Global citizens will support new taxing mechanisms if they believe that the monies will be well-spent and will be firmly under democratic control. Successful new financing must develop hand-in-hand with greater democratization in the global governance system.

**Mr. President:**

Innovative finance is not an easy, quick-fix, technocratic solution. Any globally-based revenue-raising system will be a big step towards stronger global institutions. We can expect long debate and fierce political battles over who will be taxed, how the taxes will be controlled, and what the funds will be used for, as well as the issue of sovereignty. Opponents will invoke reasonable public skepticism and fears of a new Leviathan.

We have here a unique opportunity to strengthen and develop human society for the twenty-first century. The challenge is clear. New funds must be found. Let us move forward with courage and audacity and also a spirit of cooperation. ISMUN and its partners stand ready to do their part.

Thank you.