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New and innovative ideas for generating funds

New and innovative ideas for generating funds for globally agreed commitments and priorities

Report of the Secretary-General

I. Introduction

1. In its resolution 1996/48 of 26 July 1996 on new and innovative ideas for generating funds, the Economic and Social Council requested the Secretary-General to submit a report, to be prepared in cooperation with the United Nations Development Programme (UNDP), on all aspects of new and innovative ideas for generating funds for globally agreed commitments and priorities, in particular those established at recent United Nations conferences and summits, including in particular a review of their feasibility and possible modalities, as well as the costs and benefits of their implementation. The present report was prepared in cooperation with UNDP to assist the Council in its deliberations. It also takes into account the views of Governments that responded to the Secretary-General's note verbale of 7 November 1996,[1] as well as inputs from the United Nations system.[2]

2. Several existing reports by the Secretary-General contain relevant information.[3] A discussion of policy measures to enhance access to private sources of international finance can be found in the report of the Secretary-General entitled "Global financial integration: challenges and opportunities" (A/51/388). The Chairman's summary of the Third Expert Group Meeting on Financial Issues of Agenda 21 and the report of the Secretary-General to the Commission on Sustainable Development can also be referred to on the issues of private sector investment in sustainable development, environmental funds, environmentally friendly economic instruments and financing technology transfer, etc.[4] The report of the Secretary-General on fostering an enabling environment for development (E/1997/67) and the Chairman's summary of the Fourth Expert Group Meeting on Financial Issues of Agenda 21[5] can also serve as useful references.

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3. At the outset it should be stressed that the funds generated by new and innovative ideas should neither be viewed as a substitute for official development assistance nor as a source for financing of the regular and peacekeeping budgets of the United Nations.[6] In addition, the present report does not address the financing of operational activities of the United Nations development system, as that issue will be dealt with at the high-level meeting of the Economic and Social Council in the operational activities segment on the basis of a report of the Secretary-General on that subject (see E/1997/65 and Add.1).[7]

4. The main focus of the present report is on the financing of global development priorities that have resulted from the recent major international conferences.[8] In this sense, the search for new and innovative ways of generating funds is part of a larger process of mobilizing additional resources for development cooperation.[9]

5. Thus any discussion on new and innovative ways of financing development should not distract attention from the importance of meeting the targets of official development assistance and the existing financial commitments in terms of international development cooperation.

6. While the emphasis in the present report will be on issues related to the financing of multilateral, intergovernmental (or public) development cooperation objectives, the underlying premise is that the private sector is the primary source of financing for meeting these objectives.[10] When private finance is not forthcoming, public incentive policies and other forms of public-private partnerships should be explored.[11] Resorting to purely public finance should only be pursued when the other two approaches fail to work. This is not to deny the need for public finance; private financing will not flow into non-profitable areas or areas with unacceptably high risk and into production or preservation of public goods that cannot be easily internalized into economic decision-making.

II. Possible options

7. Past experience shows that new and innovative ideas often take time to mature and to become mainstream ideas. This process has, in some instances, taken more than two decades. Hence, so-called new and innovative ideas are not necessarily ideas that have not been around before. They can, and often do, include familiar ideas whose time for a full break-through simply has not yet come.

8. Furthermore, it is not only new and innovative ideas for financing of development that require exploration. Existing mechanisms should also be given consideration, such as the International Finance Corporation (IFC) the Multilateral Investment Guarantee Agency (MIGA) of the World Bank, the Enhanced Structural Adjustment Facility (ESAF) of IMF and similar windows in the regional development banks, as well as the Global Environment Facility (GEF) which is jointly managed by UNDP, the World Bank and the United Nations Environment Programme (UNEP).[12]

9. Without prejudice to the need for full compliance with existing obligations, the international community could begin considering the options set out below for generating resource additionality, i.e., enhancing the flow of resources, both private and public, into priority areas of development cooperation. In this regard, the importance of an enabling environment conducive to development, both national and international, cannot be overemphasized.[13] Indeed, creating and enhancing national capacities must be the starting point of any strategy for improving the financing of development. Without the existence of such capacities many of the measures suggested in the present report might not work.[14]

10. sted a range of ideas and proposals for generating resources for development that have been made over the years. Taking into account the views expressed in responses of Member States, ideas or schemes for charges or taxes on international transactions do not appear viable and are therefore not presented in the present report. Two other broad groups of possible options are presented below. The first group covers a number of promising ideas involving public-private partnerships in mobilizing finance for achieving development objectives. The second group addresses national charges and fees and draws particularly on national experiences gained in the area of environmental protection.

A. Public-private partnerships

Collateralized bond obligations

11. Many projects in developing countries do not have access to financing, either private or public, because they are perceived to be too small, too cumbersome to administer or simply too risky. Such perceptions are often not correct, but are driven by inadequate information about the projects or the proper channels to execute them. Building a public-private partnership around them could be a win-win proposition for both. For private capital it would be an added investment opportunity, and for development agencies, especially international finance agencies, it would be a new area of activity that could take the place of lending for large projects, which are increasingly being serviced by private capital.

12. Concretely, one could envisage the issuance of collateralized bond obligations for a "package" of smaller revenue-generating projects. An aid agency, or a consortium of aid agencies, could provide the equity, i.e., the seed capital, to collateralize it and to cushion against cash flow uncertainties on loan repayment. In other words, debt can be issued in the market backed by the future inflows of the projects financed by it and by equity. Two tranches of debt could be issued: senior debt (that would be highly rated on the strength of first claim on flows and the equity) and subordinated debt (with a lower rating and a higher yield). Equity holders take the risk and receive the residual returns.[15]

13. The risks involved could be reduced in two ways: by diversifying the projects included in the package, and by diversifying the aid agencies providing the equity. Also, such collateralized bond obligations would have three added advantages: they would bring the private and public sector into an actual working relationship, they would leverage public finance by bringing in additional private finance and they would facilitate the flow of private capital into smaller-scale projects, which are often critical to achieving more broad-based development.

14. Experiences with collateralized bond obligation instruments exist at the national level. In India, for example, similar instruments have been issued for projects in the power sector. The guarantee in this case has come from a national governmental entity rather than an aid agency as suggested above.

> Recommendation. Multilateral and bilateral development agencies should examine collateralized bond obligation type mechanisms for promoting public-private partnerships for financing appropriate programmes and projects.

Micro-credit

15. estimated that approximately US$ 21.6 billion would be required to achieve its goal of reaching 100 million of the world's poorest families by the year 2005. Of this amount, current experience suggests that just over half may need to be provided through grants and concessional loans, and about $10 billion may come from commercial credit markets, institutional earnings, and the savings of the public, including of the poor themselves.

16. Some progress has already been made toward linking the micro-credit and conventional financial markets, for example through the issuance of debt instruments through national securities exchanges, the placement in international markets of financial instruments issued by micro-credit institutions, the securitization of microenterprise loan portfolios and the establishment of equity and quasi-equity funds. The above mentioned collateralized bond obligations could also be used for bonds issued by micro-credit institutions.

> Recommendation. Micro-credit leaders, financial sector specialists and key government regulators should create the necessary facilitating frameworks and eliminate all unwarranted obstacles to linking micro-credit to capital markets. In this regard, the recommendation of the Micro-credit Summit should be fully taken into account. The regulatory environment, market imperfections, financial reporting, financial best practices, marketing, risk-management and credit rating are some of the issues which should be examined.

Investment incentives and aid

17. in development and more developing countries being able to offer attractive investment conditions to private business, the possibility could be explored for having the private sector also play a more active role in the delivery of aid.

18. private sector in publicly funded projects such as bilateral or multilateral aid initiatives. Progress in this direction is well under way.[17]

19. al or international investments in priority areas of development ex post. This could, for example, be achieved by granting tax concessions on profits stemming from such investments. Donor countries could offer such incentives to their investors while companies based in developing countries could receive them from their respective tax authorities.[18] Official development assistance funds could be used in order to compensate tax authorities in developing countries for revenue lost owing to qualifying tax concessions.

20. ice actual, successful projects rather than planned projects whose outcome at the time of financing is still uncertain. Furthermore, aid agencies could save overhead costs, for example in terms of project identification and implementation, as those functions would be performed by private investors.

21. In general, investment incentives in aid delivery could be combined with trade preferences which developed countries may offer to developing countries and regions. Such preferences could further enhance the attractiveness of the investments in question.

Developmental responsibility of private enterprises

22. n of supporting developmental initiatives in the community in which they are located.[19] Increasingly, it is being recognized that this practice is not only good from a moral and ethical standpoint but it also makes good economic sense. Similarly, there is the practice in several countries for private construction companies and real estate developers to assume responsibility for certain aspects of infrastructure development.

23. If this practice were globalized, companies' need for developmental initiatives could be expected to rise, offering new opportunities for national as well as international development agencies to provide services. This could bring in additional resources and be yet another avenue of public-private collaboration in support of development. Good corporate citizenship in the host countries should help in community development.

Recommendation. As more and more companies are establishing subsidiaries abroad, a survey of their community development practices could be undertaken to determine whether those practices also show a globalization trend and whether companies maintain the good practice of assuming a certain measure of developmental responsibility for their neighbourhoods when they establish subsidiaries abroad. Such practices could be encouraged through appropriate incentives.

Joint implementation

24. issues are of a global nature and with the consequent progress in global environmental agreements, new global policy options have emerged, including the practice of joint implementation.[20] The essence of the joint implementation concept is that, for example, a country or a private firm assists another country or firm in achieving an environmental benefit in the latter in order to offset environmental damage caused by the former.

25. The Global Environment Facility (GEF) has been instrumental in facilitating such arrangements, such as the joint implementation agreement between Mexico, Norway and Poland. Joint implementation initiatives need not be solely intergovernmental, however. They can involve combinations of all types of actors: the private sector, non-governmental organizations and governmental entities. The joint implementation programme in the United States is an example of such arrangements.

Recommendation. Given the accumulating experience with different types of joint implementation arrangements, it might be useful in the future to undertake a careful evaluation of the lessons learned to date as well as systematic feasibility studies covering aspects of economic desirability and technical feasibility.

Tradeable emission permits

26. sponding to an environmental scarcity, such as the scarcity of opportunity for air pollution, which may result from international norm and standard setting. Another more systematic response is the trading of emission permits. This is already being practised at the national level, but it is also an option that could work at the international level.[21] [22]

27. ication than pollution charges and taxes (see below) and can be introduced in stages, making them more acceptable to the affected parties. Applications where successes have been noted are national and international air pollution emissions reductions, the phasing out of the most damaging chlorofluorocarbons and trading in development rights for the purpose of conservation. Gradual phase-in and limited regulation of the process are important ingredients to the success of these schemes.

28. A recent study[23] suggests not the trading but the leasing of pollution permits, and linked to that, the creation of an international bank for environmental settlements. According to the study, the Bank would match parties in environmental trade, mediating borrowing and lending and ensuring the integrity of market transactions and their settlements. The international bank for environmental settlements would create a global environmental market in which the developing countries might want to lend short-term (until their own resource needs are fully established) and industrial countries might want to borrow long-term. This could not only help in better managing the earth's resources but also generate new, additional income for developing countries.

Recommendation. The market for an emission trading scheme should be sufficiently wide and capable of expanding over time. In addition, sophisticated monitoring and compliance control procedures are required. Other issues that require further examination include the allocation of initial quantities of "emission rights", the effect of the provisions of a potential global permit trading regime on developing countries and the expiry of carbon credits and the potential of changing "rules of the game".

Incremental costs

29. ...ne environment is the concept of incremental costs for correcting externalities. This concept could eventually be expanded to other developmental areas.

30. Behind this concept lies the realization that certain developmental activities that create problems on the global scale, such as ozone layer depletion, may be a problem for a particular country only up to a certain extent. Consequently, if a country were requested to undertake added efforts in the interest of global development, it would be warranted that the international community compensate it for the net additional costs involved.

31. These concepts of "additional efforts", i.e., those over and above the ones that a country would undertake if it were solely guided by its own, strictly domestic concerns, as well as of "incremental costs" could theoretically also apply to other areas besides the environment, for example, those of ensuring global health against as epidemics of infectious diseases.

> Recommendation. Today, meeting incremental costs is simply called "aid" and is financed out of official development assistance resources. It would be useful in future to distinguish more clearly between "aid", that is, assistance to poorer countries to help them attain their respective national objectives, and "global development financing", that is, meeting incremental costs. Such a distinction would provide a new rationale for international development cooperation and underline that much of it is not aid, but investment in mutual concerns.

Debt for nature swaps

32. ...ment to pursue the dual objectives of debt reduction and fostering sustainable development for individual countries. However, their design and effects depend largely on the circumstances surrounding each case and country. The funds released through such swaps would only benefit individual countries involved but would not accrue for global activities. Thus, the potential of this instrument for raising funds for internationally agreed priority programmes may be limited. Also, debt swaps have been one-time endeavours without any guarantee that additional resources for a country's development effort will be forthcoming for recurrent projects and at predictable levels. Apart from some resources provided by private environmental groups, their effect has been more to reallocate aid than to generate additional resources.

B. Charges and fees

33. ...countries undertake voluntarily have a role to play when the goal is a national reduction in emissions, and when the sources of the emission can be easily monitored.[26] They are not the best instrument when the concentration of pollution varies by areas, when the sources are small and numerous or not stationary and when the goal is to raise revenue.[27]

34. ...should result in the equivalent of an optimal "Pigovian tax", that is a tax that equates the marginal social benefit of reducing the externality to the marginal cost of achieving the reduction. In practice, determining the optimal level of such taxes is impossible because of the difficulties encountered in valuation and costs calculations. Experience suggests, however, that although the amounts of taxes or charges may vary from country to country, they are often adjusted over time to move society closer to a pattern of production and consumption deemed better to reflect the full range of the costs, including the costs to society and to future generations.[28]

35. ...ious countries to date have been criticized for being set too low to have much effect on the behaviour of people or companies, as well as for being ineffective in encouraging State-owned enterprises to abate pollution. Also, Governments too often view charges mainly as an adjunct to regulation, rather than an alternative. Typically, charges or taxes are seen as a way to pay for regulators.

36. ...re often seen as a new revenue source. But in that there arises a paradox: if a tax successfully reduces polluting behaviour on which it is levied, its yield will diminish. Governments should therefore tax pollution at that point where the costs of its prevention equals or is about to exceed the benefits of greater environmental protection. Because such taxes might often be levied on basic materials, they could yield considerable revenue before they reached the point at which people changed their behaviour.

National carbon taxes

37. Since carbon emissions have global consequences, the national taxes on such emissions could be harmonized on a voluntary basis among as many countries as possible. The carbon taxes would induce a change in economic behaviour to avert an unsustainable rise in the level of carbon emissions and promote an efficient use of fossil fuels such as oil, coal and natural gas, while encouraging the use of non-carbon-emitting energy sources such as water, solar and wind power. Their revenue potential could also be significant.

38. Although the distributional impact of harmonized national carbon taxes may be uneven, it could be complemented by allocating the revenue to a trust fund to be

used to finance projects for those countries which are overburdened with carbon taxes.[29] The rates should be chosen to meet the carbon emission abatement objective and should be periodically adjusted as more is learned about global warming.

National conservation tax to finance biodiversity

39. In addition to the assistance provided under GEF, a biodiversity compensatory trust fund could be established for the protection of biodiversity in developing countries. Financing for the fund could be based on a biodiversity preservation tax that countries may decide to levy on the sales of certain pharmaceutical products. In addition, as eco-tourism has become increasingly popular, a preservation tax could be levied by countries on all eco-tourism holiday packages at the point of consumption. As users of these goods and services are the main beneficiaries of habitat conservation, such levies could be justified on the benefit principle. Alternatively, developed countries which are in a better position to assist developing countries in preserving their natural habitat might introduce a small domestic conservation tax that is earmarked for habitat preservation in developing countries.

Service and user fees

40. ... past decades, become effective providers of global infrastructure and services. This applies in particular, to agencies involved in international transport and communications, such as the International Civil Aviation Organization, IMO, the International Telecommunication Union (ITU), the United Postal Union (UPU) and others, as well as to organizations such as the World Intellectual Property Organization (WIPO).[30]

41. As globalization has increased the relevance of the activities undertaken by these agencies, some of them have been able to begin to sell services, at least in part. UPU is a case in point.[31]

42. This would free resources currently coming out of tight government budgets, including official development assistance resources, and enhance the availability of resources which cannot be financed but from public funds.

43. The proposed fees would be a funding option primarily for technical agencies and service-providing agencies. In their case, the accrual of the revenue would be dependent on Governments and other market players actually using the services provided. However, such revenue raising would not be automatic; if users were dissatisfied with the services provided by the agency concerned, they could stop buying them and thereby also stop the flow of revenue.

International Monetary Fund gold and Special Drawing Rights

44. ...enerating new funds involving IMF Special Drawing Rights or gold:[32] (a) the continued creation of Special Drawing Rights consistent with the total reserve needs of the world economy and a more equitable allocation of Special Drawing Rights to developing countries; (b) the use of IMF gold holdings as collateral for raising resources in financial markets which could be lent back to developing countries; and (c) the use of profits from gold sales for development assistance.[33]

45. ...y could enable a substantial volume of semi-concessional finance to be made available to developing countries. Members could decide in negotiation the proportion of the profits which would be devoted to development lending as well as the purposes for their use. Even if member countries insist on keeping a part of these profits, they might agree to keep their share of the profits on deposit, and to permit the annual return from these deposits to go to development uses.

III. Conclusion

46. ...ustive of ideas for generating funds it appears that a number of them are already being implemented, at least in a rudimentary way. An important next step would be to re-examine the experiences gained to date with some of these innovations. In this connection, the Economic and Social Council may wish to consider the following recommendations.

Recommendations

Special attention could be accorded to the development of enhanced technical cooperation services, including information sharing, which development assistance agencies could offer in order to strengthen the capacity of developing countries in terms of mobilizing and managing private capital and in using private capital for achieving sustainable development.

The Economic and Social Council may wish to consider how to review systematically all the discussions held in various forums, with a view to identifying the more promising ideas for further consideration. As the acceptability of any new ideas or mechanisms is directly linked to the uses to be made from the funds raised, it is important to carry out the discussions in its functional commissions, particularly on those ideas that would help achieve the objectives of the global conferences, so that the funding methods are closely tied to the policy objectives of each sector. Consequently, the Council could request its functional commissions to report back to it on new and innovative ways of funding, drawing attention to aspects which require coordinated and coherent policy. As for the funding mechanisms of a cross-sectoral or non-sectoral-specific nature, the Council could continue to take up the issue but with narrower focus and greater depth. To this end, the Council could request the Committee for Development Planning to prepare a report.

Notes

1 The following countries responded: Belarus, China, Guyana, Morocco, the Netherlands (on behalf of the States members of the European Union), Norway, Panama and the United States of America.

2 The following United Nations entities provided inputs: the United Nation Conference on Trade and Development (UNCTAD), the United Nations Population Fund (UNFPA), the United Nations International Drug Control Programme, the World Food Programme (WFP), the United Nations University (UNU), the United Nations Institute for Training and Research (UNITAR), the World Bank, the International Monetary Fund (IMF) and the International Maritime Organization (IMO).

3 It should be noted that, at its 1996 substantive session, the Council had before it a conference room paper on new and innovative ideas for generating funds.

4 See E/CN.17/1996/28 and E/CN.17/1995/8.

5 E/CN.17/1997/18. The World Bank provided the paper ("The role of foreign private capital flows in sustainable development) it presented to this Expert Group Meeting.

6 See Economic and Social Council resolution 1996/48. This was also stressed by China, Morocco, the Netherlands and Norway in their contributions.

7 In this regard, the Netherlands, in its contribution, noted that the examination of new and innovative ideas should be distinct from the discussion on funding of operational activities of the United Nations, as envisaged in General Assembly resolution 50/227 of 24 May 1996.

8 The implementation of conference goals requires considerable financial resources. For example, the United Nations Conference on Environment and Development estimated an average annual cost for implementation between 1993-2000 at over $600 billion, including $125 billion from the international community. The International Conference on Population and Development estimated that, in developing countries and countries with economies in transition, the implementation of integrated population and reproductive health programmes would cost $17.0 billion in 2000 and increase to $21.7 billion in 2015.

The negative consequences of shortfalls in resources with regard to the goals of the International Conference on Population and Development were highlighted at the May 1977 annual session of the UNDP/UNFPA Executive Board (see DP/FPA/1997/CRP.1).

[9] In this regard, China noted in its contribution that a clear distinction should be maintained between "new and additional financial resources" agreed to at the major international conferences and the "new and innovative ideas for generating funds" under discussion. The discussions on innovative ideas should not be used as a pretext for failing to meet the commitments made at these conferences.

[10] The United States, in its contribution, stressed that the primary source for increased economic funding lies in the private sector, whether internally generated or through foreign channels; the key to economic growth rests with encouraging private investment.

[11] The United States observed that efforts should be devoted to the creation and maintenance of public-private collaboration, where realistic opportunities lie, and the stimulation of free markets and free enterprise for significant contributions to development.

[12] IMF proposes to disaggregate the commitments emanating from the recent global conferences and then to devise strategies for resource mobilization for clearly defined sectors or activities. It notes that GEF is a good example of this approach and that similar steps could be taken with regard to the World Summit for Social Development, the Fourth World Conference on Women and the United Nations Conference on Human Settlements (Habitat II), for example through the creation of a basic education services fund or a basic health services fund.

[13] See the report of the Secretary-General for the high-level segment of the Economic and Social Council in 1997 on fostering an enabling environment for development (E/1997/67). In this regard, the Netherlands stated that institutional and human capacity, a reliable regulatory and a supportive legal system, as well as stable and sound macroeconomic policies, were among the central building blocks to attract domestic and international capital to finance development. Morocco, in its contribution, noted that mobilization of resources could not by itself solve acute problems of development; the solution lay in establishing a favourable environment for development of the developing countries.

[14] China raised the caveat that the ideas which may work well in one country may not be automatically applicable in another. However, Panama, in its contribution, noted that tapping expertise and capabilities through South/South cooperation, mainly through programmes of technical cooperation among developing countries, could contribute to capacity-building in developing countries. The importance of capacity-building was also noted by UNITAR in terms of joint implementation by United Nations agencies concerning capacity-building programmes, in particular with regard to mobilizing bilateral contributions.

[15] For further information, see Findakly, Hain and Robert J. Berg, "Promoting Financial Partnerships for Social Development", paper presented at the seminar "A Paradigm of Financing Development and Development Cooperation", held at Stockholm on 23 and 24 March 1997, UNDP/Office of Development Studies.

[16] The Netherlands noted that the recommendations of the Micro-credit Summit could be of relevance.

[17] For example, WFP is engaged in mobilizing new funding sources by approaching corporations, which can provide direct financial contributions as well as in-kind support. Affiliation with corporate advertising programmes is also being pursued to foster strong grassroots constituencies within donor countries. Similar initiatives could be undertaken jointly with other agencies. For example, the United Nations Drug Control Programme, together with ILO, is in the process of initiating a series of regional private sector conferences which are aimed in part at enhancing funding possibilities. To some extent UNU is related to the initiative of establishing a "corporate advisory group" to identify possible resources of private sector funding for UNU academic programmes.

[18] See, in this connection, Isabelle Grunberg and Arjun Sengupta, "ODA incentives for private investment in development", UNDP/Office of Development Studies (forthcoming). Along similar lines, the Netherlands recommends that developed and developing countries work together to develop innovative mechanisms for leveraging private sector international and national flows in support of sustainable development.

[19] To some extent related to this idea is the initiative by the United Nations Drug Control Programme to establish contacts with selective private foundations active in philanthropic work and social development in order to explore the possibility of their co-funding of activities of the Programme.

[20] The Netherlands listed jointly implemented activities among the possible options to promote greater international financial transfers in support of sustainable development.

[21] The Netherlands listed international tradeable emission permits among the possible options to promote greater international and financial transfers in support of sustainable development.

[22] Since the signing of the United Nations Framework Convention on Climate Change in 1992 and its entry into force in March 1994, new studies on how to design a global system of tradeable carbon emission entitlements have been completed by UNCTAD (see UNCTAD/RDP/DFP/1). These studies focus on the feasibility and method of implementing a tradeable CO_2 scheme at the international level. The Response Strategies Working Group of the Intergovernmental Panel on Climate Change has discussed various systems of tradeable emission rights. Those discussions raised concerns about global equity, which may be a be a serious impediment to the application of a tradeable permit system at the global level.

[23] Graciela Chichilinisky, "Development and global finance: the case for an international bank for environmental settlements", ODS Discussion Paper 10, New York, 1997.

[24] The Netherlands listed debt for nature swaps among the possible options to promote greater international financial transfers in support of sustainable development.

[25] Guyana, in its contribution, endorsed the notion of pollution taxes.

[26] The Netherlands listed source taxation among the possible options to promote greater international financial transfers in support of sustainable development.

[27] Markandya, Anil, "Economic instruments: accelerating the move from concepts to practical application" (paper presented at the Fourth Expert Group Meeting on Financial Issues of Agenda 21).

[28] The Netherlands notes that economic instruments, as a supplement and complement to traditional environmental regulations, offer two important advantages: (a) they harness market forces to influence producer and consumer behaviour in ways that achieve environmental objectives in economically efficient ways; and (b) they can generate revenues that can help finance sustainable development.

[29] China stresses that measures under consideration should not add any new burdens on the developing countries.

[30] The United States of America notes that it agrees in principle to a certain fee for service charges by organizations such as ITU and WIPO which are generic to an agency's mission and help to fulfil a specific need of the private sector.

[31] Also, the IMO Marine Environment Committee is in the process of formulating a financing scheme for the development and operation of reception facilities for ship-generated waste. Several options are under discussion, including a direct fee whereby ships pay for the waste delivered, but also a non-fee scheme where such costs would be included in the harbour dues. Also under consideration by IMO is a scheme for generating funds in the Strait of Malacca by levying a fee on ships passing through the Strait to cover the cost of providing and maintaining navigational aids and marine pollution prevention and response arrangements.

[32] In this regard the United States notes that the consideration of Special Drawing Rights and initiatives concerning debt forgiveness are highly complex issues and should be handled by IMF or designated intergovernmental meetings of knowledgeable experts.

[33] The profits from the progressive sale of the remaining two thirds of the IMF gold holdings — about 100 million ounces — could amount, on the basis of a market price of $300 to $400 per ounce of gold, to a sum in the order of $30 to $40 billion over a period of time. Such a sum could yield annual revenues in the order of $2.4 to $3.2 billion, assuming a return of 8 per cent.