Our problem, as you well know and as I outlined, is to find a place for the foreign assistance package in the overall scheme, as we make a sincere effort here in Congress to try to balance the budget by the year 2002.¹

Negotiations are currently being held at the United Nations for the formation of an Agenda for Development. In the center of these negotiations lies the role of the international community and, in particular, the role of developed countries in providing adequate Official Development Assistance (ODA) for the economic growth and sustainable development of developing countries. The idea of establishing a specific target for the amount of ODA was originally proposed in 1958, at a meeting of the World Council of Churches, and was then circulated to various United Nations delegations. The proposal stated the following: If contributing countries could devote one percent of their respective national...
incomes to grants and concessional loans, the international picture could rapidly become quite different.\(^2\)

In 1960, the General Assembly of the United Nations adopted a resolution to support the 1958 proposal.\(^3\) In 1964, the United Nations Commission on Trade and Development also endorsed the idea.\(^4\) In 1970, the target was again reaffirmed through the International Development Strategy for the Second United Nations Development Decade. The proposal was adopted by a consensus on October 24, 1970, in Resolution 2626 of the General Assembly, which stated that:

> Each economically advanced country should endeavor to provide—by 1972—annually to developing countries financial resources transfers of a minimum net amount of 1% of its GNP at market prices in terms of actual disbursements, having regard to the particular position of those countries which are net importers of capital. Those developed countries which have already met this target will endeavor to ensure that their net resource transfers are maintained and envisage, if possible, an increase in them. Those developed countries which are unable to achieve this target by 1972 will endeavor to attain it not later than 1975.\(^5\)

The first target of one percent was subsequently redefined at the United Nations during the Midterm Review of the International Development Strategy, adopted in Resolution 3517 on December 15, 1975, which established the presently well known figure of 0.7% of ODA.\(^6\)

\(^2\) See KARL KAISER & PETER HANS, WELTPOLITIK, STRUKTUREN-AKTEURE-PERSPEKTIVEN, SCHRIFFTENREIHE DER BUNDESZENTRALE FÜR POLITISCHE BILDUNG, BONN, 184 (1987).


\(^4\) See KAISER & HANS, supra note 2.


In addition to the strong moral imperative that underlies this idea, the political basis of this important commitment toward fostering economic growth and development of all developing countries was also based on the perception that the international community is, and should be, considered an interdependent system. As an independent system, the growing imbalances in wealth, which exist between the different parts of the world, could place in danger the very stability of the whole system.

At the same time, the rivalry between the so-called “superpowers” during the Cold War generated competition among the different blocks of nations for the purpose of attracting developing countries toward their respective positions, or for neutralizing the political influence of the opposite block. The United States’ ODA was focused on luring countries away from communism, and the alleviation of poverty was a secondary target. Although the figure of 0.7% was never achieved by the United States, it should come as no surprise that during the years of the Cold War the most important provider of aid was the United States. On the other hand, the group composed of the Nordic Countries has been, since the 1960’s, the most important provider of ODA. Denmark, Norway, Sweden, and the Netherlands have not only reached the target of 0.7%, but they have also been able to devote a higher percentage of their respective Gross National Product (GNP) to ODA.

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economic aid to other nations. The public supports humanitarian aid far above developmental aid. Presumably short-term emergencies are preferred over long-term commitments. *Id.*
After the end of the Cold War, and with the increasing financial constraints of the developed countries, the opportunity and effectiveness of ODA was questioned in the various internal political agendas of most donor countries. In this context, some groups tried to substantially reduce the share of the national budgets devoted to ODA because of an assumption that these resources could be better spent domestically. During the Social Summit held in Copenhagen, one of the main negotiators of the United States Delegation, Undersecretary for Global Affairs, Timothy Wirth, stated that the days of “leaving money on the table in the middle of the night” and not seeing where it goes have ended. “[W]e have everybody now thinking about doing a better job with existing resources rather than always talking about adding more money to the pot . . . .”

Nevertheless, the developed countries have been vigorously introducing a series of new issues into the international economic agenda

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8. *Id.*
of the United Nations, such as women and human rights, the environment, and population. The developing countries, in turn, accepted the introduction of these new issues on the condition that discussions would be undertaken from a developmental perspective. This trend led to: the United Nations Conference on Environment and Development (UNCED), the International Conference on Population and Development, and to the recent World Social Summit. Each conference concluded with the adoption, by consensus, of one or more related Programs of Action or, in some cases, a series of legally binding instruments. In addition, each of the instruments contained a specific section relating to the provision of financial resources to be supplied by the developed countries to the developing countries. The developing countries used these funds to implement the commitments contained in the respective programs which were adopted at the above conferences. Consequently, the ODA budgets of the developed countries began to experience pressure from different angles.

A. Additional Growing Requirements

Although figures are scarce, in the context of the UNCED process it was estimated that the implementation of all actions contained in Agenda 21 would annually require additional aggregate amounts of 125 billion dollars from 1993 to 2000. These funds would come from grants or concessional terms provided by the international community. Such preliminary estimates suggest that the price tag, which comes attached to each of the above mentioned processes, has to be covered through international assistance of some kind.

B. New Recipients

The end of the Cold War, and the swift disintegration of the Soviet Union, created a demand for additional funding for the so called "economies in transition." Due to the fact that the resources for economic cooperation were becoming more scarce, these countries began to compete with the developing countries for the same pot of money which, day after day, became smaller.

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C. Internal Restraints

The domestic fiscal situation of most developed countries, together with recession, is also putting a strong constraint on any additional commitment by donor countries. At the same time, public opinion in various jurisdictions is apparently becoming more adverse towards the channeling of national resources to the so-called “developing countries.”10 This situation has generated a growing public feeling which has frequently been defined as donor fatigue.

Although there is a wide spread belief that the United Nations system must be strengthened to allow for the flow of resources to fund the growing commitments undertaken by the international community, the reduction in the flows of ODA observed in 1993 seem to contradict this assumption.

D. Official Development Assistance

National governments, international agencies, and civil society recognize that experience and knowledge gained over the past fifty years, places the United Nations system in a pivotal position to meet the political and economic challenges posed by a rapidly changing and increasingly interdependent world. Nevertheless, it may be foreseen that the restructuring of the systems, so that it can meet a different set of problems, may generate a period of uncertainty and even some confusion.

However, in a system which critically depends upon its human resources, renewed leadership must not come at the expense of the loyalty and commitment of those responsible for generating and guaranteeing the United Nations’ future effectiveness. The process of strengthening the United Nations raises a variety of difficult problems.

This particular discussion requires an elaboration on the distinction between institutional and financial strengthening. Institutional strengthening is understood as the introduction of new capabilities, or the enhancing of existing ones, which are required by the United Nations system to carry out its mandates. Two important differences have emerged. The first are between those seeking modernization through better leadership, governance, and efficiency, (thus creating tighter, leaner and meaner institutions); and the second are those who would wish to preserve and build upon the United Nations’ traditional commitment to impartiality, fairness, pluralism, and cooperation. In the absence of an

10. During the Social Summit in March, 1995, the New York Times and the Wall Street Journal published a series of critical articles aimed at redefining the concept of ODA.
ideal combination of these institutional characteristics, required changes will reflect the constant debate and compromise amongst those responsible for the well-being of the United Nations system.

Financial strengthening is understood as both the acquisition of adequate and predictable resources to carry out all mandated activities to the highest possible standards, as well as the most efficient distribution of those resources to the various components of the United Nations system. The changing responsibilities with which the United Nations is now confronted have produced a certain polarization between those emphasizing the need to expand the financial base and those seeking to use existing resources more effectively.

In practice, however, institutional and financial strengthening are intimately connected. To date the discussions on institutional strengthening have largely assumed that agreements on building institutional capabilities will be matched by required changes in financial matters. This assumption, however, is too simplistic. It ignores the fact that the kind of multilateral funding required by the United Nations system is vulnerable to economic and political pressures which are independent from the functioning of the system itself.

The United Nations’ efforts in the economic field have traditionally been funded on a multilateral basis. This reinforces the United Nations’ status as a vehicle of international cooperation while, at the same time, providing a certain amount of flexibility to the amount of support that member states extend through it. Nevertheless, the economics of multilateral financing create a number of difficult problems.

The voluntary nature of donations can certainly generate an underfunding problem as “free-riding” by some donors places a growing burden on more generous contributors. At the same time, change in the voluntary nature of these contributions might create some difficulties when trying to structure an appropriate multilateral decision-making process. The distribution of funds requires a complex managerial structure which not only divorces the donors from the recipients of the funds, but also introduces possible inefficiencies and the misuse of resources. These problems have particular bearing on the economic programs organized through the United Nations. Creating a stronger developmental institution has been identified in the Nordic United Nations’ Project as central to the changing role of the United Nations, and was given broad shape in a series of documents which discuss the required changes.

The existing programs (in particular the United Nations Development Programme, United Nations International Children’s Emergency Fund, the United Nations Population Fund, and World Food Program), have been funded by voluntary multilateral contributions,
allocated in accordance with mandates established by an elected governing council accountable to the United Nations’ Economic and Social Council (ECOSOC). This structure has been increasingly troubled by funding problems. The system of multilateral voluntary funding has, as stated above, become susceptible to free-rider problems. Countries fail to provide their appropriate share in the alleged expectation that other, more generous or urged, donors will pick-up the tab. In the absence of effective incentives or sanctions addressed to correct such behavior, the burden has shifted to a smaller group of donors that have become increasingly vulnerable to changing political sentiments. At the same time, donor countries have argued that the existing organization of these programs is an unnecessarily cumbersome and unresponsive mechanism. Addressing this problem has heightened the awareness of the need for effective governance which is central to the strengthening of the development programs.

Stemming from these two problems, a growing ad-hocism has increasingly characterized the funding of programs. As a result the agencies have been forced back into their own independent endeavors to maintain adequate funding levels. Also, there have been coordination problems between agencies which have shortened the appropriate horizon for organizing development programs, increased transaction costs, and duplicated activities, thereby undermining the collective performance of these programs. Such developments raise the possibility of a vicious cycle of underfunding and ad-hocism. Underfunding causes a lack of coordination, which in turn reduces efficiency, thereby justifying further reductions in funding. Signs of this process are becoming visible in the declining ODA share of the United Nations multilateral agencies when compared with similar agencies, such as the Development Banks.

Any new funding strategy must address these issues if it is to gain wider credibility with donor and recipient countries, as well as with the agencies themselves. The following tables offer some tentative figures which are consistent with the restructuring proposals currently being debated throughout the United Nations system. The focus will be on the development programs and funds, in particular the: UNDP, UNICEF, UNFPA, and WFP. In 1993, these various programs absorbed 3.1 billion United States dollars. These funds have traditionally been provided through voluntary contributions made predominantly by the annual pledges

11. The “World Food Program” has a different organizational structure which is jointly accountable to the United Nations and the Food and Agricultural Organization.

12. In what follows, the United Nations Development Programme figures refer to the core programs while the WFP figures refer to its regular program activities.
of members from the Organization for Economic Cooperation and Development/Digital-to-Analog Converter (DAC).\(^\text{13}\) (See Table 1. below).

Table 1: Resources Commitments of Multilateral Development Institutions (in million US$)

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>UNDP</td>
<td>$567</td>
<td>$1,111</td>
<td>$1,159</td>
<td>$960</td>
<td>$834</td>
</tr>
<tr>
<td>UNFPA</td>
<td>$141</td>
<td>$211</td>
<td>$212</td>
<td>$164</td>
<td>$206</td>
</tr>
<tr>
<td>UNICEF</td>
<td>$452</td>
<td>$545</td>
<td>$947</td>
<td>$917</td>
<td>$635</td>
</tr>
<tr>
<td>WFP</td>
<td>$872</td>
<td>$956</td>
<td>$1,335</td>
<td>$1,575</td>
<td>$1,482</td>
</tr>
<tr>
<td>U.N. Operational Activities</td>
<td>$2,032</td>
<td>$2,823</td>
<td>$3,653</td>
<td>$3,616</td>
<td>$3,177</td>
</tr>
</tbody>
</table>

Source: Annual Reports and information supplied by individual institutions

As Table 2 below shows, while the OECD member countries have, over the past two decades, increased their share in the funding of UNDP, there have also been significant regional shifts in the respective funding patterns. For example, the Nordic countries, the Netherlands, and Japan (from a much lower starting point than the others) have increased the relative weight of the funding from an already high share.

Table 2: Changing regional composition of UNDP core funding, 1972-1991

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Nordics &amp; Netherlands</td>
<td>27.0%</td>
<td>36.8%</td>
<td>27.4%</td>
<td>39.2%</td>
</tr>
<tr>
<td>USA</td>
<td>32.0%</td>
<td>19.1%</td>
<td>24.0%</td>
<td>10.3%</td>
</tr>
<tr>
<td>Japan</td>
<td>3.0%</td>
<td>4.2%</td>
<td>9.3%</td>
<td>8.7%</td>
</tr>
<tr>
<td>Germany</td>
<td>5.6%</td>
<td>7.5%</td>
<td>6.0%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Italy</td>
<td>1.5%</td>
<td>0.8%</td>
<td>4.7%</td>
<td>7.0%</td>
</tr>
<tr>
<td>France</td>
<td>2.2%</td>
<td>1.9%</td>
<td>3.7%</td>
<td>5.0%</td>
</tr>
<tr>
<td>UK</td>
<td>7.4%</td>
<td>6.6%</td>
<td>3.6%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Remaining DAC</td>
<td>11.9%</td>
<td>12.4%</td>
<td>13.9%</td>
<td>14.6%</td>
</tr>
<tr>
<td>Others</td>
<td>9.4%</td>
<td>10.7%</td>
<td>7.4%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

Assessed contribution of non-OECD/DAC countries to United Nations development programs.

However, there are some noticeable national idiosyncrasies in the funding patterns of the different agencies. The United States shows a much greater generosity towards UNICEF and clearly less to UNFPA,

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\(^{13}\) Greece, Iceland, Luxembourg, and Turkey are member states to the Organization for Economic Cooperation and Development, but they are not members of Digital-to-Analog Converter.
while the opposite holds for Japan, and WFP depends instead for a disproportionately large share of its funds on the United States and Canada. Table 2 also reiterates the well-known generosity of a core group of small North European economies. The disproportionate commitment to the development programs and funds by these countries is highlighted by comparing their voluntary contributions to the programs, with their assessed contribution to the United States system, as a whole. Although the main share of contributions originate in the OECD countries, as Table 3 shows, non-OECD countries also participate in funding the United Nations’ activities in this area.

Table 3. Assessed contribution of non-OECD/DAC countries to United Nations development programs

<table>
<thead>
<tr>
<th>Country</th>
<th>Total contribution to programs in millions U.S. $</th>
<th>Contributions as % of non-DAC share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>$35.00</td>
<td>6.70%</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>$21.10</td>
<td>4.00%</td>
</tr>
<tr>
<td>Mexico</td>
<td>$19.40</td>
<td>3.70%</td>
</tr>
<tr>
<td>China</td>
<td>$16.90</td>
<td>3.20%</td>
</tr>
<tr>
<td>Iran</td>
<td>$16.90</td>
<td>3.20%</td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>$15.20</td>
<td>2.90%</td>
</tr>
<tr>
<td>Argentina</td>
<td>$12.50</td>
<td>2.40%</td>
</tr>
<tr>
<td>Venezuela</td>
<td>$10.80</td>
<td>2.10%</td>
</tr>
<tr>
<td>Poland</td>
<td>$10.30</td>
<td>2.00%</td>
</tr>
<tr>
<td>South Africa</td>
<td>$9.00</td>
<td>1.70%</td>
</tr>
<tr>
<td>India</td>
<td>$7.90</td>
<td>1.50%</td>
</tr>
<tr>
<td>Greece</td>
<td>$7.70</td>
<td>1.50%</td>
</tr>
</tbody>
</table>

Undoubtedly, this divergence in funding underlies the conclusion of the Nordic Project that a stronger and more effective United Nations in the economic and social fields must be built on the basis of the joint responsibility of its members. The possible erosion of the necessary funding to the various development programs has led some donor countries to reconsider the financing of the agencies. It has forced recipient countries, and the agencies themselves, to reassess the present funding structures. Most of the new funding proposals have suggested a more diversified funding structure than the current one which involves assessed, negotiated, or voluntary contributions. However, the precise mix of the funding

14. Significantly, each of these countries not only commits a greater percentage of its GDP to overseas aid but also channels a larger share of that aid through multi-lateral channels.

modalities remains open to negotiations and are, in fact, being discussed at the forty-ninth General Assembly in the context of the ad-hoc working-group established under the framework of Resolutions 45/264 and 48/162.\textsuperscript{16}

In the context of "donor fatigue" and the increased demands for additional funding, new systems for financing the ODA have been proposed as follows:

\textbf{INTERNATIONAL TAXATION}

The creation of an international Tobin Tax was presented at the hearings for the Agenda for Development.\textsuperscript{17} This idea, which on paper seems to have some limited appeal, was in fact rejected during the Social Summit. The main reasons given by the developing countries for implementing such a system were apparently based on the following facts: (1) it would be practically impossible to adequately collect such a tax; (2) the possible creation of tax-havens in countries or jurisdictions where the tax would not be efficiently collected, or not collected at all; (3) the tax, which goes against the present worldwide open economic trends, would restrict the flow of international capital from developed countries to developing countries.

\textbf{TAXATION OF CERTAIN INTERNATIONAL ECONOMIC ACTIVITIES OR TRANSACTION}

The taxation of certain services, such as airline tickets or international phone calls, was again rejected by both sides. The basic reason for this rejection was that although most of the resources would probably be collected in developed countries, the tax, by definition, would be a "regressive tax" which would basically affect the poorest countries.

\textbf{PEACE DIVIDEND}

At the end of the cold war, the so-called Peace Dividend was perceived as one of the most important potential sources of additional financing for development. In 1992, the Secretary General of the United Nations stated, in his Report for the Convening of an International Conference for Financing of Development, that


As a result of the end of the cold war, a number of conflicts were resolved and this has led to a decrease of tensions in several regions and subregions. At the same time, a trend towards increasing pluralism and democracy in many parts of the world has enhanced stability and opened an opportunity to divert funds from military into productive sectors.18

As we now know, this early optimism, which was expressed in the Secretary General's Report, was an overstatement. Until now, most of the reduction in military spending has instead been utilized to try to reduce the budget deficits of developed countries. Thus, domestic urgencies are given priority. At the same time, a number of developing countries considered this proposal as a viable one due to the fact that this kind of activity could somehow infringe on their sovereignty.

TERMINATION OF UNPRODUCTIVE ACTIVITIES

In the preparatory process for the United Nations Conference on Environment and Development, as well as for the United Nations General Assembly, Argentina raised the possibility of utilizing part of the 300 billion dollars, which are used each year by the OECD countries to directly subsidize their agricultural production. Such a utilization of OECD funds would divert trade flows and damage the developing world. This idea was presented by the Secretary General in the above mentioned report: "In addition, the Uruguay Round of trade negotiations under the GATT has put agricultural subsidies on the bargaining table. Cutting these back would also free considerable resources for other uses."19 Although never endorsed because of its domestic political nature, this idea still remains on the table and has merit.

The international system has become more complicated due to: the emergence of new independent nations, a myriad of institutions, and more centers of influence. Furthermore, the international system has become more interdependent. At the same time, the achievement of economic growth in one country increasingly depends on the performance of others.

The developed countries cannot substantially prosper or improve their situation unless there is greater economic growth and development in

19. Id. at 16.
the developing countries. In this particular context, the importance of the ODA, depends not only on its volume or magnitude, but also on its political dimension as a symbol of the commitment of the so-called "donor community" which needs to recognize interdependence as a central feature.

Without doubt, the negotiations towards the definition of an Agenda for Development could provide a new opportunity for nations to reinstate all of the commitments which were mentioned previously. But it must be made clear to all parties involved that whatever the results of these negotiations, the level of the available resources will depend on the political support of the individual donor countries.20

The Development Assistance Committee of the OECD has recently expressed its concern over the impact of decreasing aid. OECD's development assistance still contributes to nearly ninety percent of the World's total. Preliminary estimates show an overall decline in 1994's aid. Aggregate OECD's ODA fell from sixty-one billion in 1992 to fifty-six billion in 1993. This must be reversed if ODA is to be seen as an investment in global security.

The fact is more than one billion people still live in extreme poverty. Further, the environment must also be protected. To achieve both goals, and others of a similar nature, ODA needs to be maintained. Developing countries are ultimately responsible for their own destinies. An across the board change in the developing model suggests that this has finally been understood. The United Nations is a valuable forum for building the necessary consensus on the clear need to revitalize ODA. Without the United Nations, sustainable economic development will not be what it should be: a clear cut collaborative effort.21

20. See Foreign Aid: Under Siege in the Budget Wars, N.Y. TIMES, Apr. 30, 1995, at E4. In the United States foreign aid "is one of the least understood and least loved parts of the Federal Budget." So much so that 41 percent of Americans said in a poll that it was the largest single item in the budget, while it only represents one percent.

Characterized as a distasteful form of welfare for foreigners, foreign aid is bound to diminish through wholesale cuts. The total United States foreign aid budget is similar to the aggregate farm subsidies, but hostility towards foreign aid is growing, while farmers are respected. Id.