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ECOSOC

STUDY GUIDE

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COMMITTEE OVERVIEW

Under the UN Charter, The Economic and Social Council is responsible for promoting higher standards of living, full employment, and economic and social progress; identifying solutions to international economic, social and health problems; facilitating international cultural and educational cooperation; and encouraging universal respect for human rights and fundamental freedoms. ECOSOC's purview extends over 70 percent of the human and financial resources of the entire UN system. ECOSOC coordinates the work of the 14 UN specialised agencies, ten functional commissions and five regional commissions, receives reports from nine UN funds and programmes and issues policy recommendations to the UN system and to Member States.

Reforms over the last decade, particularly General Assembly resolutions 68/1, 72/305 and 75/290 A, have strengthened ECOSOC’s leading role in identifying emerging challenges, promoting innovation, and achieving a balanced integration of the three pillars - economic, social and environmental- of sustainable development. The 2021 review, which was undertaken together with the resolutions on the High-level political forum on sustainable development (HLPF), bolstered ECOSOC’s Charter mandate as a coordinator, convener and specialised body for policy dialogue, policy-making and forger of consensus towards the implementation of the 2030 Agenda for Sustainable Development as well as other major UN conferences and summits under its purview, the response to the COVID-19 pandemic and to address other major global challenges and new issues. Resolution 75/290A thus strengthened the coordination role of the Council, and it also reinforced its deliberative nature. Furthermore, resolutions 75/290A and 75/290B enhanced the coordination between the work of ECOSOC and the HLPF.

Critically, the Addis Agenda mandated the Council to hold on an annual basis the Forum on Financing for Development Follow-up (FfD Forum). The FfD Forum is the global platform for reviewing the current trends in development finance and the means of implementation, as well as advancing progress on the Sustainable Development Goals (SDGs), in line with the international commitments of the financing for development outcomes. It engages key institutional actors involved in development finance—including dialogue with the leadership of the World Bank, International Monetary Fund, World Trade Organization, UN Conference on Trade and Development and UNDP—and features multi-stakeholder participation from relevant actors from civil society, the private sector, parliaments, local authorities, academia and international organisations.

Achieve sustainable development: by ensuring that economic growth is inclusive, socially equitable, and environmentally sustainable. Address financial and trade issues: through the promotion through the coordination of international economic policies that enhance global economic stability and resilience. Eradicate poverty: by creating strategies that ensure everyone has access to resources, basic services and equal opportunities for all, regardless of religion, race, social status.

INTRODUCTION TO THE TOPIC

“A financial crisis is when financial instruments and assets decrease significantly in value. As a result, businesses have trouble meeting their financial obligations, and financial institutions lack sufficient cash or convertible assets to fund projects and meet immediate needs. Investors lose confidence in the value of their assets and consumers' incomes and assets are compromised, making it difficult for them to pay their debts.”

The global financial crisis has critically exposed the vulnerabilities of a liberalised, privately focused financial system. Governments worldwide intervened in such a system, providing support with an unprecedented range of measures including bailouts, nationalisation of distressed financial institutions, mergers and recapitalization. However, many underlying structural conditions that led to the crisis were only partially addressed, if at all. As the past months exposed the worrisome combination of increasingly unsustainable debt levels, financial market volatility and currency instabilities, concerns for the possible eruption of another financial crisis have been on the rise.

When a country is affected by a financial crisis, it affects a country many ways aside from its economy. The problems originated from the financial crisis can affect:

- Social issues: unemployment and famine
- Destruction of environment to acquire resources
- Debt acquisition This side effects create instability in the social sector which leads to overall instability in the whole of the country.

According to the IMF April 2009 World Economic Outlook (IMF WEO), the growth setbacks in the threshold and developing countries were higher than in the industrialised countries. Compared with their growth potential, the developing and threshold countries are therefore hit harder by the global financial and economic crisis than the industrialised countries that caused it. The regression in economic growth entailed a sinking per capita income, at least in countries with high population growth rates. Macro-economically the crisis manifested itself in mounting deficits in trade and payment balances, dwindling currency reserves, currency devaluations, increasing rates of inflation, higher indebtedness and soaring public budget deficits.

HISTORY & BACKGROUND

The worldwide measures to deal with the gravest economic crisis since the Great Depression in the 1930s. The first developing countries to experience the crisis were those with the most globally integrated financial sectors, which rapidly felt the aftershocks from global financial centres such as Wall Street in New York and the City of London. Next came the impact on trade, as volumes and prices of commodities and manufactures collapsed across the globe. Workers selling food on the street, doing piecework in the home, and picking through waste were affected alongside workers in the factories, as demand for their services dropped and more people joined their ranks. Remittances from migrant workers in rich countries were hit, though not as badly as anticipated. Finally, with an even greater lag time, comes the impact on government spending in poor countries and donor aid budgets.

This sequence of shocks has overlaid the pre-existing turbulence wrought by the oil and food price spikes of 2007–08.the crisis hit East Asia primarily through trade and labour markets, with mass lay-offs in supply chains producing garments and electronics for the world's consumers, and knock-on impacts into the informal economy. In sub-Saharan Africa and the Pacific Islands, the impact has been mostly via commodity exports and reductions in trade tariffs (as a result of falling trade volumes), starving governments of cash and threatening a fiscal crisis in the months and years to come. Latin America seems to have experienced both. Eastern Europe has suffered the highest degree of financial contagion and has seen the largest falls in GDP.After several years of progress, per capita output slowed sharply in every region. In 2009, and shrank in Latin America, Central Asia, Eastern Europe, and sub-Saharan Africa. Trade slumped and inward investment fell as current and potential investors retreated to lick their wounds in their home countries.

These national and global averages mask a diverse picture, with pockets of export-dependent workers and industries devastated even when national economies seem to be weathering the storm. Digging down to this level reveals the true gender impact of the crisis. Unemployment hits poor families hard, regardless of whether it is a man or woman who is laid off. But the chances of a family recovering from this setback are shaped by the different levels of bargaining power that women and men have in the labour market, and their different responsibilities at home. In the developing world's garment, electronics, and many other export manufacturing industries, women have been the most vulnerable to the huge job cuts experienced.

They are both over-represented within these sectors and employed under the most precarious conditions. The result is that they are more likely to be fired first (especially if employed informally or as contract workers) or suffer most from deteriorating working conditions, such as wage freezes or reductions of work days or hours. Gender norms (the ideas about women and men that shape relations between the sexes in the household, community, market, and wider society) also matter, as employers often sack women first, arguing that they are only the secondary breadwinners in the family. A household's heavy dependence on a female wage is usually a sign of greater poverty, fewer choices, and less power to survive a crisis. However, while many countries and households are toughing it out in the short term, it remains an open question as to how sustainable or erosive these coping mechanisms will prove to be in the long run. Individuals' lack of access to social protection and the consequent reliance on informal coping mechanisms pose a real danger of a significant depletion of their capabilities in the future.

CAUSES OF FINANCIAL CRISIS

(i) Debt Crisis

The World Bank is therefore sounding the alarm: a new debt crisis has begun. Vast quantities of money are being used to pay off debts, rather than addressing the increasing needs of hundreds of millions of people who desperately need support. According to another World Bank report quoted by the Financial Times, between 2019 and 2022, over 95 million more people have fallen into extreme poverty. The governments of developing countries, including the poorest, were given a dangerous sense of security by this low-cost financing, the influx of capital from the North seeking better returns in the face of low interest rates in the North, and high export earnings (because the price of raw materials exported from the South to the North remained high). Sub-Saharan African nations in poverty that had never had the chance to print and sell their sovereign debt on global financial markets were able to quickly find purchasers for their debt

(ii) Externalities and insurance schemes

In developing countries foreign credit to private financial institutions has, in practice, exhibited a remarkable similarity with domestic deposits in this respect. Reductions in the ability of local borrowers to service their commitments increase the “country risk” perceived by foreign creditors, making foreign credit more scarce and more expensive. In the event of failure of an individual local borrower, the increase in “country risk” changes the perceived ability to pay off the country as a whole. This externality could be considered among the factors that has led some developing countries to implicitly insure foreign credit to private financial institutions, and to give ex-post explicit public sector guarantees to private foreign debt. The provision by the public sector of implicit or explicit insurance for local deposits and foreign credit of domestic financial institutions results in a moral hazard problem. Insurance schemes isolate local depositors and foreign creditors from the risks taken by local banks in their loan portfolio, leading to excessive risk-taking by financial institutions, distortions in the allocation of credit, and to a higher probability of a financial crisis.

(iii) Limitations of the equity markets

Structural fragility of financial systems consist of the limitations of the equity markets. These limitations reduce the ability of the financial system to perform risk-sharing activities and increase the relative importance of banks' deposits and loans in financial intermediation. The equity markets in developing countries lack of diversity of financial instruments, the amount of resources invested is relatively small,
and nominal and real asset prices fluctuate widely. The information asymmetry between managers and outside equity holders is aggravated in developing countries where government controls and restrictions are widespread. In these economies, illegal transactions—including tax evasion, dealings in parallel foreign exchange and credit markets, and smuggling—are common and profitable practices. Under those
conditions the public accounting systems of firms do not convey accurate and relevant information. This widens the information asymmetry and reduces the incentives to hold equity. Moreover, when firms are involved in illegal activities, equity holders have an incentive for limiting the dissemination of information about their operations. This information asymmetry is also an incentive for the development of economic
conglomerates which allow a group of investors to keep control over several firms while reducing risks by diversifying the activities within the group.

(iv) Financial system regulations

The regulations imposed on financial systems in developing countries leave ample room for government discretion in the event of a crisis. The use of government discretion to solve conflicts and allocate eventual losses leads to misallocation of resources, and sends wrong signals for the future operation of the system. The reliance on governmental discretion fosters rent-seeking behaviour of private agents, which in turn, is a source of inefficiencies in the allocation of resources. The lack of
rules to be applied in the event of a crisis can also jeopardise the future operation of the system by leaving unpunished the decisions and actions that were the cause of bank failures.

(v) Crisis and contagion transmission channels

Crisis can start anywhere in the world, they can become global, the problems of one nation appear to be exported via diverse channels such as commerce, currencies, investments, derivatives in other countries.

The fast propagation of the crisis from the US to different countries, big or small, proves that there is a growing interdependency between national economies due to an intense market globalisation, including the financial ones. In this case, if one national financial system is suffering from a blockage, then the entire national economy is going to suffer because of its close interaction with national and international financial systems Zaman, Georgescu, 2009. Consequently, the present crisis has its origin in the United States of America but it propagated around the world at a fast pace, affecting real economy, economic growth, unemployment, and thus, having untoward side effects on the international and national financial system. Thus, the channels through which financial global turbulence might be transmitted, generating internal market crises upon emerging economies.

Countries prone to financial crisis:

• Countries heavily dependent on FDI, portfolio and DFI finance to address their current account problems (e.g. South Africa cannot afford to reduce its interest rate, and it has already missed some important FDI deals)

• Countries with sophisticated stock markets and banking sectors with weakly regulated markets for securities

• Countries with a high current account deficit with pressures on exchange rates and inflation rates. South Africa cannot afford to reduce interest rates as it needs to attract investment to address its current account deficit. India has seen a devaluation as well as high inflation.
Import values in other countries have already weakened the current account

• Countries with high government deficits. For example, India has a weak fiscal position which means that they cannot put schemes in place

• Countries dependent on aid

GLOBAL IMPACTS

Economic Impacts:

Financial contagion: Spillovers for stock markets in emerging markets. The Russian stock market had to stop trading twice; the countries, equity finance is under pressure and corporate and project finance is already weakening.

Commercial lending. Banks under pressure in developed countries may not be able to lend as much as they have done in the past. Investors are, increasingly, factoring in the risk of some emerging market countries defaulting on their debt, following the financial collapse of Iceland. Aid budgets are under pressure because of debt problems and weak fiscal positions, Other official flows. Capital adequacy ratios ofdevelopment finance institutions will be under pressure. However, these have been relatively high. This had a direct impact on the living conditions of the population. The fall in growth cost the 390 million poorest people in Africa, i.e. those who must survive on the equivalent of USD 1 per day, a total of some USD 18 billion or USD 46 per person. This is equivalent to a drop in average per capita income of one-fifth. This imbalance is mounting. Six months later the World Bank predicted that the number of poor would rise further in half the developing countries. Among the low-income countries as many as one-third and in the countries south of the Sahara as many as three-quarters would be affected. Investment decrease in developing markets can happen in financial crises .There is a withdrawal of Foreign Direct Investment (FDI). This happens because there is global uncertainty because investors tend to pull back from riskier assets like investment in developing countries and instead favour stable markets.They may also withdraw existing investments or liquidate their holdings. During a crisis, currencies in developing nations happen to depreciate sharply which may deter investors. Financial crises can also cause trade disruptions in developing countries. Developing countries earn much of their money because of foreign exports. Economies in developed nations often slow down, leading to decreased demand for imports from developing countries. The importers themselves face downturns, which weakens their economy but the effect of decreased demand affects developing nations a lot more.In the 2008 Global Financial Crisis, many developing countries, such as those in Latin America and parts of Africa, faced significant declines in exports as demand from developed economies shrank.

CASE STUDIES

Venezuelan Economic Collapse:

In recent years, Venezuela has suffered economic collapse, with output shrinking significantly and rampant hyperinflation contributing to a scarcity of basic goods, such as food and medicine. Meanwhile, government mismanagement and U.S. sanctions have led to a drastic decline in oil production and severe underinvestment in the sector. Petrostates are thought to be vulnerable to what economists call Dutch disease, a term coined during the 1970s after the Netherlands discovered natural gas in the North Sea. In an afflicted country, a resource boom attracts large inflows of foreign capital, which leads to an appreciation of the local currency and a boost for imports that are now comparatively cheaper. This sucks labour and capital away from other sectors of the economy, such as agriculture and manufacturing, which economists say are more important for growth and competitiveness. As these labour-intensive export industries lag, unemployment could rise, and the country could develop an unhealthy dependence on the export of natural resources. In extreme cases, a petrostate forgoes local oil production and instead derives most of its oil wealth through high taxes on foreign drillers. Petrostate economies are then left highly vulnerable to unpredictable swings in global energy prices and capital flight. The so-called resource curse also takes a toll on governance. Since petrostates depend more on export income and less on taxes, there are often weak ties between the government and its citizens. Timing of the resource boom can exacerbate the problem.

Oil dependence: In recent years, oil exports have financed almost two-thirds of the government's budget. Estimates for 2024 place this figure slightly lower, at 58 percent.

Falling production: Starved of adequate investment and maintenance, oil output has continued to generally decline, hitting its lowest level in decades. However, exports increased by some 12 percent in 2023, due in part to an easing of U.S. sanctions on the country's oil and gas sector.

Turbulent economy: Venezuela's gross domestic product (GDP) shrank by roughly three-quarters [PDF] between 2014 and 2021. However, the economy grew by 5 percent in 2023, and the government forecasts it will reach 8 percent in 2024.

Soaring debt: Venezuela has an estimated debt burden of $150 billion or higher. Hyperinflation. Annual inflation skyrocketed to just over 130,000 percent in 2018, and though it has since slowed, it remained at 190 percent in 2023, according to the central bank.

Growing autocracy: Over the last decade, President Nicolás Maduro and his allies have violated basic tenets of democracy to maintain power. This includes restricting internet access and arbitrarily prosecuting and detaining political opponents and critics.

These issues—coupled with international sanctions and the ongoing repercussions of the COVID-19 pandemic—have fueled a devastating humanitarian crisis, with severe shortages of basic goods such as food, drinking water, gasoline, and medical supplies. According to a November 2022 survey, 50 percent of Venezuela's 28 million residents live in poverty, though that is down from 65 percent the year before. Since 2014, nearly eight million Venezuelan refugees have fled to neighbouring countries and beyond, where some governments have granted them temporary residency. Venezuela's Ministry of Foreign Affairs says that more than three hundred thousand Venezuelan migrants have returned home since September 2020.

Climate Change Disasters in Sub-Saharan Africa:

Countries in Sub-Saharan Africa (Angola, Chad , Central African Republic, Cameroon, etc.) are subject to very arid climates with temperatures increasing to 47C which makes the area incredibly prone to droughts and famine induced by the drying out of crops. The OHCHR states that many people in these areas have been subject to such severe natural disasters that they have had to flee the area and seek shelter, granted to them under Article 1 of the UDHR. This does, however, lead to a brain drain and a severe gap in the supply of workers, resulting in less GDP per-capita and overall a lesser revenue for the nation which leads to financial crises and recessions. On a much larger scale, inculcating all countries in Sub-Saharan Africa, this leads to a decrease in international trade and a lower rate of global economic growth. This can, however, benefit other nations that start exporting more of their products to make up for the gap left by developing nations unable to meet the demand, increasing their profit, however, the capital generated is, in the long-term, not enough to curb the pending global economic crisis- similar to The 2008 Great Recession.

Pakistan:

Pakistan is a prime example of the adverse effects of financial crises in a developing country. The Morgan Stanley Capital International (MSCI) Index of 2024 promoted Pakistan from a frontier and developing economy to an emerging market on the global forum, allowing for more employment (an estimated 2 Million people per annum). However, in spite of the increasing financial growth in Pakistan, the economy still remains incredibly slow-progressing, considering many factors- particularly public debt which remains a high at Rs. 19 trillion- significantly slowing down economic growth. This is further exacerbated by the fact that, due to the slow progression of the global economy, the estimated employment opportunities will not be met resulting in less GDP per-capita (especially considering that 30% of the population currently lives below the poverty line) and, in turn, a decreased revenue for the country. This crisis was further strengthened due to the COVID-19 Pandemic and the 2021 floods, and Pakistan's slow recovery from the 2008 Great Recession.

Corruption in Pakistan also results in an economic crisis as private and foreign investment decreases, with Pakistan receiving only 10% of investment from private companies as opposed to the general 20% for developed countries.

The lack of economic progression in Pakistan also affects the economy of other nations. China, for example, is Pakistan's 3rd-largest trading partner- 20% of net trade. With an economic crisis in Pakistan, trade with China decreases exponentially as Pakistan aims to preserve its foreign exchange reserves by managing imports and exports, resulting in a lesser revenue for both nations. This generates a ripple effect where China's economy too experiences a slight decline and trade on a global scale is decreased. Trade with countries such as the UAE, the UK and Saudi Arabia also decreases, resulting in deteriorating international relations, decreased FDIs from governments and the private sectors and an overall decline in the global economy.

Key Stakeholders:

A stakeholder, in regards to the agenda, is characterised as any government, institution, organisation or actor (state or non-state) who is directly and negatively impacted by the financial crises in developing nations.

DEVELOPING NATIONS

Developing nations remain the main stakeholders in financial crises as it negatively impacts their economy and results in deteriorating political and fiscal conditions. Countries with developing economies, mainly in the MENA region and parts of South Asia (Pakistan, Bangladesh, etc.) are severely impacted by internal financial crises as it results in low wages, high inflation and high taxation. This leads to political unrest as many people riot and the crime rate increases due to mass unemployment and inability to find jobs, which can stretch
to the extent of insurgency. Further, tax evasion becomes common and unstable conditions in the economy worsen the foreign relations of the nations ad Foreign Direct Investment (FDI) decreases and trade between borders experiences a steady decline,which doesn’t bode well for these nations.

Private investors and foreign investors are also impacted by the financial crises in developing nations. Due to the shaky economy of countries in the midst of financial crises, the business and economic sector struggles to grow and generate a good return on investment on all transactions. This directly impacts the institutions and organizations that invested in the country's economy as they gain no profit and the stock market crashes. This also dissuades them from investing in developing countries as their economy is not yet stable and prone to
decline.

Major trading partners of developing countries are put at risk during ongoing financial crises. Whilst the current biggest economies in the world managed to recover from the Great Recession, many developing countries fail to gain a strong footing in the global market and are frequently struck by financial crises which results in them strengthening their policies and decreasing import from other nations. Many of the large economies (China, Russia, the USA, the UK, France and Germany) are partially-dependent on export to developing countries
which is inhibited due to strict policies, resulting in adverse impacts on their economy.

INTERNATIONAL BODIES

International Bodies such as the IMF (International Monetary Fund) and the World Bank work to monitor the economic conditions of developing countries.

Role of the International Bodies

IMF: The International Monetary Fund (IMF) regularly allocated funds and loans to nations teetering on the verge of economic default to restore their economic condition and to invest in further business development. This allows nations to recover from financial crises and boost trade with other nations to lead to steady economic growth, however, many nations now oppose the IMF as the debt builds up and most of the revenue they generate is used to pay off the loans. Instead, some countries create their own policies to boost growth.

WORLD BANK: The World Bank mainly focuses on tracking and monitoring the economic conditions of all nations and foreseeing any impending financial crisis to curb such a threat. The organisation also systematically works out trade relations between nations and estimates an increase or decrease in the overall GDP of countries.

Regional Organizations

Regional organisations are an aggregation of nations from one particular area working in tandem to achieve the same political, economic and humanitarian goals outside of the UN.

AFRICAN UNION (AU): The African Union was launched in 2002 and consists of 55 Member States to achieve political stability in the African region in addition to the UN. Among its main resolutions is Agenda 2063 which prioritises economic development in the African region following many financial crises in the area as a result of civil unrest, famine and drought.

ARAB LEAGUE: The Arab League was initially launched in 1945 as a means to overcome hostility between member states and has continued to do so since then, attempting to foster diplomatic relations with each other and boost trade with one another, with an agreement to help out fellow member states in times of crisis.

ASEAN: The Association of South-East Asian Nations consists of 11 member states that form a political and economic union to collectively boost economic progression in the area, making many trade and monetary agreements to allow for further economic growth and recovery in times of crisis.

Non-State Actors

Non-state actors are characterised as institutions and organisations working independently from the state/government to meet an aim for further growth and mitigating humanitarian and fiscal crises in certain regions.

NGOs: Non-Governmental Organisations play a large role in dealing with humanitarian and social issues in developing countries, providing many services such as education and medical attention for free when the inflation remains high and majority of the citizens do not have access to proper facilities. Examples of such NGOs are (Amnesty International in the Middle-East, Mother Earth Foundation in the Philippines, etc.).

PRIVATE SECTOR: The private sector inculcates the organisations and institutions that are not state-owned and that constitute a large percentage of the economy. They remain one of the major stakeholders in financial crises in developing countries and are directly impacted by economic decline. Investment from the private sector greatly improves fiscal growth in any normal economy, however, one struck by a crisis leads to adverse impacts on the private sector.

CURRENT SITUATION

The global financial crisis is currently still an imminent threat, particularly due to the financial crises of many developing nations which in turn may lead to a recession in many regions worldwide.

Overview of Ongoing Crises in Developing Nations:

SOUTH ASIA (PAKISTAN, BANGLADESH, ETC.): The current economies of many South-Asian nations are vastly unpredictable. Many nations remain in a state of financial crisis, however, a new government and revised policies may serve to mitigate a threat of a full-scale recession. Constantly changing policies and institutional mismanagement prevalent in such nations may result in economic decline, however, if a proper checks and balances system is implemented, a financial recovery may be in sight.

MENA REGION (EGYPT, LEBANON, IRAQ, LIBYA, ETC.): Countries in the MENA Region are mainly in danger of a fiscal devaluation due to conflict and natural disasters. With the rise of militant groups, governments allocate their funds mainly to the Defense Sector, neglecting other areas and thus the economy declines. Natural disasters also result in a large-scale loss of crops and livestock, also displacing many people who go elsewhere to seek jobs (brain drain).

Many developing nations are still recovering from the COVID-19 pandemic and the rapid decline in international trade and commerce it brought with it, and hence the entirety of the global economy was directly impacted by large-scale economic crises.

Humanitarian crises:

Financial crises in developing nations result in many internal humanitarian and social crises, ranging from minimal healthcare and education services to insurgency and civil disobedience.

Insurgency: Financial crises result in high inflation and taxation which typically results in civil unrest which can derail to the point that militant groups begin to form. Developing countries are plagued by insurgency which leads to humanitarian concerns and mass ruin.

This also fosters mistrust in the international community as nations cause all forms of direct association with the crisis-ridden nations, leading to economic decline.

List of militant groups in developing countries:

- Al-Shabaab militants in Somalia
- ISIS in Syria and Iraq
- Taliban in Afghanistan
- Houdhi Rebels in Yemen.

Famine:

The Economic decline of these nations results in less overall revenue for the country and less import of food materials. The climate in developing nations (MENA region), is mainly arid so crop growth is not facilitated either, resulting in famine and drought.

Famine-stricken countries:

- Somalia
- Afghanistan
- Egypt
- Lebanon
- Palestine

Economic crisis:

Economic crises stem from the financial crisis and are further exacerbated due to the rise of insurgency in developing nations. Nations that are mainly affected by insurgency and those that are suspected of funding militant groups are sanctioned, resulting in a severe financial shortage. International trade also decreases which leads to deteriorating international relations and an overall decrease in the progression of the global economy.

List of sanctioned nations (from 2022-2024):

- Iran (2024)
- Iraq (2023)
- Lebanon (2023)
- Libya (2022)

Environmental crisis:

Environmental degradation is common in Nations that are undergoing financial crises. Unsanitary waste management and improper disposition of waste substances from industries due to a lower government budget often results in environmental degradation in such areas. The United Nations Environmental Programme (UNEP), has launched many initiatives (Resolutions 1 and 5 in particular) to counter and recover the damage done to land, water and air in such areas as lack of these resources also has adverse effects on the general population.

Challenges to International Response

Responding to financial crises in developing nations has its own sets of limitations that inhibit the reach of aid directly to the nation, disallowing the crisis from being mitigated.

Political barriers: Due to Geo-Political conflicts between nations and the formation of physical borders between neighbouring countries, the physical transport of aid has been limited. Not only that, but undiplomatic and hostile relations between nations result in countries not allowing foreign intervention, considering it a violation of their territorial sovereignty. For example, Afghanistan does not allow for foreign aid from many nations due to its current form of governance and hostile relations with other nations.

Logistical challenges: The physical borders between nations make the transport of aid (monetary or in the form of food and housing facilities) difficult, especially considering that the majority of the foreign aid being distributed to developing nations comes from overseas, making transport all the more impractical. The chances of such facilities being delivered to the target population (those suffering at the hands of insurgency or famine) are also low due to intervention by militant groups that prevent the entry of any such vehicles. Accurately tracking down the scattered population struck by the crisis is also difficult and measures need to be put in place to ensure that the aid reaches the target area and people.

PAST INTERNATIONAL ACTION

Over the past few decades, the United Nations and other international bodies have taken measures to ensure the protection of developing countries in the midst of financial crises, particularly in the form UN Resolutions and Peacekeeping missions in regards to the UN- and loans and grants from other international bodies, such as the IMF (which falls under the UN, but retains its independency).

United Nations Responses:

The UN has launched many efforts to minimise the adverse effects of financial crises on a global scale under the mandate of committees such as UNDP and ECOSOC. These resolutions and missions are also intended to prevent any impending financial crisis from occurring.

Resolutions:

ECOSOC: The following resolutions were passed by ECOSOC to aid all developing nations in multi-faceted aspects: humanitarian, environmental, social, political and economic.

- E/RES/2024/4: This resolution focuses on advocating for social development and support systems, particularly for those struck by conflict or in developing areas, to promote better psychological and physical health.

- E/RES/2024/5: This resolution focuses primarily on social and humanitarian development in Africa to support individuals hurt by conflict or suffering in times of economic and financial crises.

- E/RES/2024/6: This resolution fixates on promoting a sense of social and [political justice in developing regions to lead to better social conditions and ultimately rectify the political and economic instability and eradicate poverty.

- UNGA 70/1: Focuses on achieving the 2030 Agenda for Sustainable Development, working alongside the 17 SDGs to boost economic progress in Developing regions.

Humanitarian Aid Programs:

17 SDGs: The United Nations Development Programme launched its 17 Sustainable Development Goals (SDGs) in 2015 in an effort to lead to global development, especially in Developing Countries in the MENA region, to minimise the humanitarian and social damage done by financial crises. The environmental degradation and humanitarian problems that develop in these countries as a result of poor hygiene systems and insurgency due to political and civil unrest is to be mitigated by the 17 SDGs by the end-goal of 2030; by such time the economy of the stricken nations will also be restored.

The Doha Programme of Action: The Doha Programme of Action under ECOSOC is a 10-year programme (2022-2031) that was approved by the UN to upgrade Least Developed Countries (LDCs) to emerging economies and eradicate poverty (i.e. ensure everyone lives above the poverty line) in all parts of the world. The Programme aims to boost development in developing countries and ultimately bring the economic gap between developing and developed nations to an even pedestal.

Role of Donor Countries:

A donor country is that which provides aid to developing countries to help boost economic growth in that particular area. Typically, it is done between nations that are in a regional or political alliance with each other or that hope to foster diplomatic relations in their own interests.

Foreign aid: Donor countries, such as the US, Germany, China and Canada provide foreign aid to nations facing financial crises in the forms of loans and grants, or in terms of the provision of food and temporary shelter for the displaced population. The foreign aid generally comes as a result of an existing alliance between two nations, e.g: China helping Pakistan out of an economic crisis due to C-PEC etc., to maintain trade relations between both countries to ensure the economy of the two nations remains stable. Such foreign aid is encouraged by the UN, however, it can also be exploited by some nations to intervene in other countries and result in further damage.

Debt relief programmes: Debt relief Programmes are agreements between a debtor (nation or non-state actor) and creditor (nation or non-state actor) to renegotiate the terms of the debt owed and resettle the matter. In developing nations, donor countries often agree to decrease the amount of debt owed to them or elongate the deadline to ensure the developing nation is in a state to pay. This reduces the burden on the country and allows for the formation of diplomatic relationships between certain nations which in turn leads to more trade and greater global economic progression.

QARMA (QUESTIONS A RESOLUTION MUST ANSWER)

Q1) What are the long term and short term impacts of a crisis in developing nations including but not limited to the:

a. Social impacts
b. Economic impacts
c. Political impacts
d. Cultural impacts

Q2) How can the Sustainable development goals (SDGs) of 2030 assist in resolving these issues?

Q3) What are the root causes of financial crises in developing nations?

Q4) What role do foreign and international monetary authorities (FIMA) like the IMF and World Bank play in resolving or aggravating these crises?

Q5) To what extent can international cooperation be increased to support developing nations?

Q6) How do financial crises in developing nations impact the global economy?

Q7) How effective are NGOs in providing assistance and accountability to these regions?

Q9) To what extent can governmental policies be improved to prevent these crises?

Q10) What is the impact of the Covid-19 pandemic in aggravating these financial and social crises?

Q11) Are there any links between the financial crises and social issues?

Q12) How do tax laws impact society as well as the economy?

Q13) What are the effects of misinformation and propaganda on the global community?

Q14) To what extent have past international and UN actions been inadequate in times of these crises in the developing nations?

Q15) Does collateral damage have a lasting impact on consumer spending and employment rates?

Q16) Are debt traps a detrimental reason for the creation of these crises?

Q17) What accountability and transparency mechanisms need to be put in place to prevent countries from falling into debt traps and financial crises?

Q18) To what extent can the establishment of social safety nets be used as an effective mechanism to mitigate the effects of financial crises?

Q19) What are the contributions and strategies of developed nations in shaping the global economy and how do they support developing nations in crises?

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