Economic and Financial Committee (ECOFIN)

MUNUC 33

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CHAIR LETTER

Hello Delegates,

Welcome to MUNUC 33 and to the Economic and Financial Committee. I am incredibly excited to be your Chair and to lead fruitful, interesting, and substantial debate this year.

My name is Moritz Reichert and I will be serving as the Economic and Financial Committee (ECOFIN) Chair for MUNUC 33. I was born in Sydney, Australia before moving to New Jersey and attending school there, where I unfortunately lost my Australian accent (although my love for Vegemite remains intact). I am currently a second-year at the University of Chicago, double majoring in Mathematics and Economics. Outside of coursework and MUNUC, I serve as a Chair for ChoMUN, which is our collegiate Model UN conference and I compete with UChicago's traveling Model UN team. Outside of Model UN, I participate in both mathematics and economics research assistantships to professors here at UChicago, write for the Intercollegiate Finance Journal, mentor children in Hyde Park in piano, and assist with mental health services for undergraduates. A large component of my free time is dedicated towards going on runs, mindlessly watching Bloomberg TV, and extensively researching all of the backpacking travel that I will take on once the pandemic is over (next stop: Morocco). While I did not compete in Model UN in high school, my college experiences with competing have made me incredibly excited to sit on the other side of the dais and facilitate a collaborative and exciting environment for every delegate to expand their horizons, debate with one another, and ultimately come to a robust resolution for one of the two topics laid out in the background guide below.

I would like to share a few words of wisdom as to actions that will help put each of you in the best spot possible to prime yourself for conference. First and foremost, a superficial review of the problem areas for each topic will not suffice for true success in the committee room. The dais, which is comprised of myself, the moderator, and assistant chairs, will all be looking for a rich debate on the nuances of these problems rather than surface-level solutions which are either a) not feasible or b) will fundamentally not work within the context of different geographies or with the complexities of these issues. Secondly, solutions which have been sourced directly from previous actions taken by countries or the international community are of little significance within this committee. This does not mean that you should not analyze what has previously been undertaken; rather, I am looking for solutions which build off of pre-existing actions and are creatively adapted to make them more attractive and effective ideas. Finally, I will remain adamant about maintaining a robust and substantial debate in the committee room. Similarly, debate where delegates are not engaging with one another but just attempting to promulgate and brute force their own ideas without respect for the other thoughts circulating the room will be discouraged.

With that, I would like to close off with a couple of expectations that I am coming into this conference with. I am holding each of you to the highest of standards – ECOFIN is a large committee with many delegates, and as such each delegate must display both leadership and strong engagement with the nuances of the content. I would much rather see ambitious attempts to create effective solutions and strong interpersonal dynamics than a string of small successes which do not amount to anything significant. This all being said, I am incredibly cognizant of how large of an undertaking it is to participate in such a large GA, and I commend each of you for participating. If at any point ECOFIN's dais can act as a resource in any capacity, either before or during conference, please do not hesitate to reach out to myself or any other member of the dais. While I am expecting a rigorous and intense few days in Chicago, I want to primarily ensure that a positive environment is facilitated and that each of you feel that you can perform at your best.

If you have any questions or concerns leading up to the conference, whether it is about the substance of the topics, my expectations for committee, or any other area, please do not hesitate to send me a note (you can email usg.ga@munuc.org).

Wishing you all the best in these tumultuous times and with your research. I am incredibly excited to meet each of you in April and for an exciting couple of days debating topics which I think each of you will find fascinating.

All the best,

Moritz

COMMITTEE OVERVIEW

The Economic Financial Committee (also referred to as ECOFIN or the UN Second Committee) is one of the six principal committees of the United Nations General Assembly.[1] ECOFIN and its delegates are tasked with tackling the most pressing issues in areas such as economics, global finance, operational development, financing, and the eradication of poverty. In pursuit of this goal, ECOFIN works heavily in solving problems such as economic inequality, agricultural development, sustainable development, and ensuring citizens around the world have the necessary institutions to thrive economically and financially.[2] In the larger context of the United Nations, the General Assembly serves a critical purpose at large as the primary deliberative, representative, and legislative body of the UN. The General Assembly is also particularly important as it is the only UN organ which grants each of its member countries equal representation, drawing its power from Chapter IV of the United Nations Charter.[3] All 193 member states of the United Nations are represented in ECOFIN. Similar to the other principal committees in the UN General Assembly, ECOFIN can craft policies and resolutions to publish out to member states but has no legally mandated enforcement mechanisms. As such, delegates in ECOFIN must pay careful attention to the manner in which they engage in collaboration, as the success of solutions and resolutions at large is contingent upon the support of other member states.

[1] "Functions and powers of the General Assembly." United Nations. http://www.un.org/en/ga/about/background.shtml.
[2] Ibid.
[3] Ibid.

TOPIC A: ECONOMIC RECOVERY OF WAR-TORN REGIONS

Statement of the Problem

Defining Post-Conflict Economic Recovery

There is no single definition for post-conflict economic recovery. Innately tied to certain economic indicators, this type of recovery may be characterized by the return to pre-conflict GDP, output, or employment levels.[4] However, to only recognize economic recovery in this sense remains restrictive and naïve regarding the depth and complexity of true economic well-being. Rather, it is often useful to consider a broader understanding of economic recovery through the lens of socio-economic indicators, such as food security, education, infrastructure, and so on.[5] This notion of socioeconomic well-being is particularly evident in the example of post-conflict health sector rehabilitation: the jumpstarting of the health sector has largely been seen to occur only when it is explicitly tackled by the national strategy.[6] Modern theory on post-conflict economic recovery suggests that rebuilding must become transformative in a sense, allowing for reforms to be implemented with long-lasting, beneficial effects.[7] This is complemented by the framework laid out by other experts that the economic recovery of war-torn regions is directly correlated to the political and security elements of peacebuilding. As such, peace in the region is contingent on economic prosperity.[8] Therefore, post-conflict economic recovery is clearly not simply an isolated matter of pure output and GDP metrics. In order to achieve true economic prosperity in war-torn regions, a structural transformation must take place which considers the nuanced political, socioeconomic, and security factors of the region.[9]

[4] "Crisis Prevention and Recovery Report 2008: Post-Conflict Economic Recovery – Enabling Local Ingenuity." United Nations Development Programme. https://www.undp.org/content/undp/en/home/librarypage/crisis-prevention-and-recovery/crisis-prevent-recovery-report-2008-post-conflict-economic-recovery.html
[5] Ibid.
[6] Waters, Garret, and Burnham. "Rehabilitating Health Systems in Post-Conflict Situations." United Nations University. https://www.wider.unu.edu/sites/default/files/rp2007-06.pdf
[7] Ibid.
[8] Haughton. "The Reconstruction of War-Torn Economies and Peace-Building Operations." Suffolk University and Beacon Hill Institute. https://www.jica.go.jp/jica-ri/IFIC_and_JBICI-Studies/jica-ri/publication/archives/jbic/report/paper/pdf/rp16_e04
[9] Ibid.

Nature of Post-Conflict Economies

Even though other countries across the globe may experience economic downturns and depressions, war-torn regions are sharply differentiated by the violent devastation caused by conflict. When considering solutions to tackle the various facets of this form of economic recovery, the characteristics of post-conflict economies must first be considered in order to appropriately adjust and tailor responses. The four most typical traits of these types of economies are a weakening of institutions, GDP/income continually trending downwards, poor infrastructure throughout the region, and the displacement of people.[10]

Every nation is critically defined by key institutions which allow for its functioning, such as members of the civil service, banking systems, tax collections, educational facilities, etc. When conflict occurs, the priorities of governments are fundamentally shifted and institutions which are not foundational to the conflict's response are put to the wayside. Institutions such as these, which serve as the basis for the daily life for many citizens, become neglected and underfunded as a result of conflict.[11] Furthermore, due to the destructive nature of conflict, many of the physical facilities which allow for the execution of such institutional capacities become crippled and even decimated, forcing a complete halt of activity. Such financial and physical devastation is quick to have ripple-effects on the morale of local populations, leading to distrust and overall wariness vis-à-vis federal and local governments, along with a strong disdain for rules and laws set out by central authorities.[12] Issues only become further perpetuated as time goes on and generations grow older, causing potentially bright minds to not become educated, and for the decreased participation in the civil service to occur due to an overall distaste for governmental authority.[13]

As the duration of conflict in a region increases, consumers will be less likely to participate in economic transactions. During periods of conflict, all investment is contracted by a significant margin, drying up any sources of investment which can contribute to the sustenance of GDP.

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[10] Ibid.
[11] Sinclair. "Education in Emergencies."
https://www.researchgate.net/profile/Margaret_Sinclair/publication/44827068_Education_in_emergencies/links/55e7ef5108aeb6516262ed9e/Education-in-emergencies.pdf
[12] Ibid.
[13] Blum and Rogger. "Public Service Reform in Post-Conflict Societies."
http://pubdocs.worldbank.org/en/140651469038358665/CSR-in-FS-2016-04-24.pdf

Furthermore, savings rarely occur and, when they do, are driven into "safe" sources, such as the United States Dollar or gold, meaning that they are not funneled back into the local economy.[14] This culminates in significantly reduced sources of cash to sustain local businesses, entrepreneurs, and employees. Finally, the lack of educational facilities perpetuates a serious shortfall of skilled labor, to the detriment of the productive capacity of the economy. All of this forces a large-scale decline in the **gross domestic product** (GDP) of a nation. Simultaneously, a combination of uncertainty derived from years of conflict and the drying up of capital sources due to significantly reduced private investment levels force low levels of production and, consequently, high levels of unemployment.[15] All of this culminates in a vicious cycle in which GDP and levels of production are continually contracting, compounding the suffering of the workers and citizens of conflict-torn regions.

Infrastructure can be defined as the basic systems which underpin the structure of an economy, e.g. roads, irrigation, ports, buildings, electricity, water supply and so forth. Given that conflict, especially for sustained durations, causes widescale destruction, it is intuitive that the level of infrastructure in a post-conflict region will be significantly reduced as compared to other parts of the world. However, the truly critical issue is that during conflict, there is a high probability of nonmilitary spending coming dangerously close to a halt. This causes government officials to scrutinize the outflows of capital from the government budget, oftentimes leading to the maintenance of infrastructure being pushed significantly down on the priority list.[16] This dearth of financial investment poorly situates post-conflict economies, requiring that large investments be made in the infrastructure of the region before economic activity can return to pre-conflict levels.[17] Due to the magnitude of such an investment in rebuilding infrastructure, a unilateral action by the federal government fails to achieve the necessary scope.[18] As such, **post-conflict regions** often struggle to determine the best course of

[14] Ibid.
[15] Addison. "Reconstruction from War in Africa: Communities, Entrepreneurs, and States." United Nations University. https://www.wider.unu.edu/sites/default/files/dp2001-18.pdf
[16] Schwartz and Halkyard. "Postconflict Infrastructure." World Bank. https://openknowledge.worldbank.org/bitstream/handle/10986/11187/356680VP0rev0305Schwartz1Halkyard.pdf?sequence=1&isAllowed=y
[17] Ibid.
[18] Ibid.

action to bring in the most strategic partners to help with the process of reestablishing infrastructure in the area.

The final significant commonality of post-conflict economies is a distinct presence of displaced peoples. Such displaced peoples conventionally fall into two categories: those who are displaced within a nation, who are categorized as "**internally displaced persons**" (IDPs), and those who are displaced outside of the nation, who are categorized as "refugees." It has been empirically shown that all wars and conflict inevitably act as a catalyst for a mass number of refugees, such as in Mozambique where somewhere between 5 and 6 million people – a third of the population – became refugees due to their conflict.[19] This outflux of citizens is the basis for a significant loss of **human capital**, as the most skilled people are often the first to flee danger because they can afford to do so.[20] As such, regions in conflict will often lose their most valuable policy makers, scholars, entrepreneurs, and workers. In a post-conflict economy, the damage of this "brain drain" becomes apparent and acts as a significant detriment to the economic prosperity of the region. It becomes increasingly expensive and complex to persuade these skilled citizens to return, as they have most likely already settled down in a more stable environment.[21] Furthermore, entire swaths of territory

[19] Ibid.
[20] Ibid.
[21] Ibid.

can become depopulated, and the region will quickly become demographically centralized with a slow process of returning to the countryside, leading to the decimation of the agriculture and natural resources industries.[22]

Facets of Post-Conflict Economic Recovery

As briefly discussed previously, post-conflict economic recovery cannot be restricted solely to the prosperity of the economy; a comprehensive approach to socioeconomic, political, and security conditions must be strategically developed. Furthermore, these areas are not distinct from one another by any stretch of the imagination, but are rather closely intertwined and must be treated as such. Socioeconomic issues in post-conflict economies are often too prevalent to even begin to enumerate, ranging on the humanitarian side from abysmal healthcare to lack of educational facilities, while on the economic side both microeconomic and macroeconomic conditions which damage the entire region. For definition: microeconomic is concerned with individuals and singular firms, while macroeconomics is focused on the entire economy and industries at large. Political institutions in post-conflict regions are often destabilized and without the confidence of the people, rendering them oftentimes extremely ineffective and full of systemic corruption. Finally, given the legacy of armed conflicts, the security of the people must be carefully considered, both in terms of immediate and long-term safety, but also addressing and mitigating the potential for **conflict recurrence**.

Post-conflict regions tend to see some of the highest rates of poverty in the world, along with some of the worst living conditions.[23] Education systems in war-torn regions have been decimated by months or years of conflict, while teachers are few and far between given the low levels of pay and lack of institutional support.[24] Meanwhile, the health conditions in such regions experience greater and greater levels of deterioration, leading to an excessive morbidity rate given the lack of basic healthcare services.[25] Influxes of IDPs and returning refugees serve to overwhelm the existing

[22] Sanguma. "Conflict and Its Effect on Urbanization." Peace Review: A Journal of Social Justice. https://doi.org/10.1080/10402659.2015.1094345
[23] Ibid.
[24] Collier. "On the Economic Consequences of Civil War." Oxford Economic Papers. https://www.jstor.org/stable/pdf/3488597.pdf?refreqid=excelsior%3A6f27a2971db6820dd42dd658844bae25
[25] Ibid.

systems in place throughout the region and create a cycle of reactive, rather than proactive, measures being implemented.[26] Prolonged periods of conflict devastate previously existing humanitarian systems, and such essentials must be reestablished in tandem with economic strategy in order for regions to truly become prosperous once again.

Note that one should not conflate humanitarian efforts in the realm of post-conflict economic recovery with remedying underdevelopment at large. The causes of underdevelopment are systemic and are outside of the purview of this topic: delegates should solely focus on how various solutions can solve the specific case of these problems in war-torn regions. Another important distinction is that underdeveloped nations and post-conflict regions are not synonymous – delegates should be careful not to incorrectly interchange these ideas.

The crux of the topic remains how the economies of war-torn regions can attain some level of normalcy and prosperity once the conflict has been ended. Efforts on the microeconomic scale should center around fostering a bottom-up approach to solving the economic crises caused by conflict. Particularly in war-torn regions, political boundaries which define nations oftentimes have less meaning than in other parts of the world. Every war-torn region is composed of multiple communities with varying cultural norms and economic circumstances. Any discussion on the economic recovery of these regions would be incomplete without a thorough treatment of the economic integration of these communities and how to best support them through the transition out of conflict. An eye must also be turned towards local activity within post-conflict regions – given the lack of centralized authority, these regions tend to become more community-centric.[27] Without the proper institution, regulations, and entrepreneurship, further economic activity can be stifled, while informal sectors – subsegments of markets which are not regulated by the rule of law as set out by local and federal governments – will grow further and further with the potential to truly cause economic damage to the individual through unfair exploitation.[28] In these localized economies, consumer and producer activity tends to be in terrible positions, especially given the sparse lines of credit, which are various sources of cash which can be accessed by citizens.[29] A grassroots approach

[26] Ibid.
[27] Ibid.
[28] Lewis, Kebede, Brown, and Mackie. "Surviving, Managing, Thriving: The Informal Economy in Post-Conflict Cities." UN-Habitat. https://unhabitat.org/sites/default/files/2020/02/1-post-conflict_cities.pdf
[29] Ibid.

is often needed to stimulate economic activity within such communities in order to facilitate the greater economic recovery of war-torn regions.[30]

The other component of the economics of post-conflict recovery is the resultant macroeconomic struggles in the region. Given the poor economic conditions inevitably arising from prolonged periods of conflict, unemployment rates will be abnormally high.[31] Along with this comes the necessity of stimulating further consumer and investment contributions to the GDP, given the contracting characteristic of economies which have experienced violence for sustained timeframes.[32] Both of these issues, while easy to articulate, are intertwined with deeply entrenched issues that stretch across the economic characteristics of the region. As such, care and consideration must be placed into strategies which will effectively tackle such delicate and large-scale macroeconomic issues.

Another dilemma in economic recovery of war-torn regions comes in the form of **Foreign Direct Investment (FDI),** which is a critical source of capital for conflict-ridden regions and can facilitate massive rebuilding efforts. FDI comes in the form of investment from private and public actors across the globe, which is used to buy out lasting interest (greater than 10% stake) in local companies. The benefit of FDI has been proven time and time again, with some of the benefits including tax incentives, preferential tariffs, development of human capital, higher levels of employment, and overall economic stimulation. This investment coupled with the expertise and assistance in various macroeconomic policy implementations afforded by the international community – both publicly and privately – makes the international community invaluable to recovery efforts. However, given the risk and danger of these regions, along with poor economic outlooks, investors are inevitably wary of sinking capital into projects with low returns on investment.[33] Appealing to these investors, while also bringing in multilateral efforts by the governments of various nations, is critical in developing further economic recovery strategy.

[30] Ibid.
[31] Ibid.
[32] Ibid.
[33] Ibid.

Finally, no resolution can be considered comprehensive without a discussion on securing peace for citizens as these economic policies are put into place. Without a sense of security, citizens will not be willing to re-engage with the economy and put their faith into the government for the accomplishment of this task.[34] As such, delegates must consider not only short-term solutions to the immediate problems causing the various conflicts, but also provide frameworks for solutions to the entrenched dilemmas in these regions. The disparate and often warring communities in each region serve as the foundation for great economic destabilization, and even once conflict is eliminated there is always the possibility of relapse.[35] Delegates must consider how they can leverage their position in ECOFIN to best tackle these problems, while remaining focused on providing an *economic* and not *militaristic* path forward.

[34] Ibid.
[35] Ibid.

History of the Problem

Violence has existed in a variety of forms for as long as humans have interacted with one another – conflict was used as a source of settling disputes, marking territory, and securing the safety of oneself and their community. To a certain degree, these hallmark rationales for conflict remain consistent with the modern age, but the nature of conflict itself has rapidly evolved. On one hand, conflict has become increasingly formalized and institutionalized by the development of standing armed forces and militaries over the past several centuries. On the other hand, some violence has remained very spontaneous and intertwined with the daily lives of citizens, as exemplified in guerilla warfare. These forms of insurgency allow for the rapid execution of violence and are incredibly difficult to combat given the relative challenge of distinguishing between fighters and innocent citizens, as compared to uniformed soldiers.

Considering first the types of conflict arising in early societies, one must first recognize the predominance of agrarian societies during this time period. Hence, as civilizations began to form and communities became focused on their agricultural productions, the notion of territory and property came to the forefront of every citizen's mind.[36] With a desire to either defend oneself, or extend the power of the community through the acquisition of materials such as land or goods, a conviction to utilize violence in the functioning of civilizations became inevitable. These manifestations of violence were not homogenous in any sense; rather, it could be just a quick scrabble or devolve into a divisive feud spanning generations. In either case, the ramifications of such conflict were unmistakably clear: the destruction of the land and crops which communities were working so tirelessly to cultivate.[37] It should be noted that such crops were the lifeblood of these groups of people – they served as ways to trade with others, to financially support oneself and one's family, and defined the economic purpose of citizens in these agrarian economies. Through conflict, the livelihood and financial stability of these people were put in grave jeopardy, and the communities could even come to the brink of destruction.

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[36] Anderson and Hill. "The Evolution of Property Rights: A Study of the American West." The Journal of Law and Economics. https://www.journals.uchicago.edu/doi/abs/10.1086/466809?journalCode=jle

[37] Milner, Chaplin, and Zavodny. "Conflict and Societal Change in Late Prehistoric Eastern North America." Evolutionary Anthropology. https://onlinelibrary.wiley.com/doi/abs/10.1002/evan.21351

The core spirit of chaos and demolition remained in the economic aftermath of any given conflict, even as civilizations became increasingly developed. As manufacturing and specialization of labor began developing in economies, the economic output of these states became more and more advanced (e.g. armor, tools, machinery). These allowed for the nature of conflict itself to develop further, with new weaponry and strategy being introduced. However, the true shift lied in the consequences of such conflict: the ability to trade with other nations and maintain a steady stream of imports and exports quickly eroded.[38] Given the increasing level of specialization, nations focused their economies on what they were most efficient at creating, exploiting their comparative advantages. Given this, trade with other nations who had goods required by the nation became crucial to the daily life of the state and of each and every citizen. As conflict arose, the uncertainty and the risk posed by physical danger inevitably led to a marked deterioration in the cross-border trade.[39] The existential economic danger posed by conflict, in this sense, only grew into a greater threat for each of these communities. Necessarily coupled with this was the previous physical destruction of land and territory, demolishing the ability of each nation to sustain its own citizens.[40]

[38] Dawley and Faler. "Working-Class Culture and Politics in the Industrial Revolution: Sources of Loyalism and Rebellion." https://www.jstor.org/stable/3786726?seq=1
[39] Ibid.
[40] Ibid.

In the modern age, obliterated post-conflict economies serve as no less of barriers towards the true reestablishment of peace in a region. This barrier has been studied and analyzed for decades, allowing for some more successful actions to be taken. In 1963, Uganda achieved independence under the Obote government, which quickly morphed into an autocratic and harsh regime.[41] Then in 1971, a military coup took place which led to the establishment of a brutal junta which ruled over the country with an iron fist.[42] Along with the junta came a sharp increase in violence and a significant deterioration in the economic state of the nation.[43] Only in 1986, when the National Resistance Movement recouped power, did independence and peace begin to become a possibility. By the early '90s international collaboration to initiate a reconstruction process was evident, with the primary driver of this effort being the **World Bank**.[44] Billions of dollars were being injected into Uganda and on the surface level there were certainly improvements, especially in terms of their GDP.[45] When digging deeper into the daily life of citizens, however, significant problems were unmistakably clear: there were practically no health services, authorities were ripe with corruption, and many of the rural communities throughout Uganda were still experiencing serious impoverishment and violence.[46] When considering the example set by the economic reconstruction of post-conflict Uganda, delegates should note that an injection of **liquid** capital and investments without a thorough strategy can only accomplish so much. Truly successful reconstruction requires a comprehensive outline and projects to rebuild the nation.

Another case study in the modern age of other successful strategies can be seen in the post-conflict reconstruction of Bosnia and Herzegovina.[47] A small nation in the eastern-European Balkans region, Bosnia and Herzegovina has experienced decades of instability and violence. Between 1992 and 1995, the Bosnian Serb leadership of the nation conducted an ethnic cleansing, with over 250,000 deaths and over 1 million refugees entering Western Europe.[48] In 1995, with the Dayton Agreement, peace was finally brought to the region, which naturally led to the question of how to best build up an effective political and economic system to support further peace. The World Bank quickly took

[41] *Uganda: Post-Conflict Reconstruction* (World Bank Publications, 2000).
[42] Ibid.
[43] Ibid.
[44] Ibid.
[45] Ibid.
[46] Ibid.
[47] Ibid.
[48] Ibid.

the lead on this project, supported and bolstered by the large majority of the international community. The World Bank was extremely proactive in this situation, scheduling talks and planning their strategy even prior to the signing of the Dayton Agreement.[49] Projects were spun up within a matter of months, strategically implemented in order to support both urban and rural communities and foster economic growth.[50] Additionally, there was an early focus placed on the humanitarian and social services of Bosnia and Herzegovina, so as their economy began to scale and peace was becoming institutionalized in the region, the leadership could effectively take care of their citizens.[51] The international community's response to the Bosnia and Herzegovina situation is widely deemed to this day as one of the most successful examples of economic recovery of war-torn regions.[52] Delegates should keep in mind the outline of proactive and comprehensive action in post-conflict areas, addressing economic issues as well as political, humanitarian, security, and social needs.

[49] Ibid.
[50] Ibid.
[51] Ibid.
[52] Ibid.

Past Actions

Previous discussions illustrated the evolutionary nature of economies in war-torn regions and their reaction to bouts of violence. When analyzing these various conflicts, not only are the historical shifts important to recognize, but also the manner in which various recovery methods have (or have not) been realized. The approach to understanding effective and ineffective solutions to economic turmoil in post-conflict regions revolve around two core considerations: validating hypotheses across geographies to eliminate the influence of cultural differences and thinking through the short-term and long-term consequences of each action.

Considering post-conflict regions throughout the world and cross-checking the validity of actions helps inform a more considerate set of potential actions. For example, international subsidies to facilitate Mozambique's aluminum export industry would not necessarily be effective within the context of Bosnia and Herzegovina. The short-term and long-term considerations of each effect provide additional context for how valuable an action may be for economic recovery. For example, while the notion of "resistance councils" under Uganda's National Resistance Movement (NRM) government may have required an onerous implementation process in the short-term, these councils allowed for grassroots democracy to remain present in rural Ugandan villages.[53] As such, when considering past actions, delegates are encouraged to think about each of the potential solutions from these two perspectives.

Past Economic Actions

The World Bank has consistently been the world leader in spearheading reconstruction efforts in post-conflict regions, especially from an economic standpoint. Throughout the various examples in the previous section, the international community has relied on the World Bank to provide financing and ideation for bringing economies back from the brink of disaster. By serving as a central hub for the capital and economic collaboration of 189 countries across the world[54], the World Bank acts as a (relatively) unbiased party in reconstructing post-conflict economies. The money from the World

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[53] Makara, Rakner, and Svasand. "Turnaround: The National Resistance Movement and the Reintroduction of a Multiparty System in Uganda." International Political Science Review. https://www.jstor.org/stable/25652898

[54] "Organization," World Bank, accessed September 27, 2020, https://www.worldbank.org/en/about/leadership.

Bank has oftentimes gone towards building up physical infrastructure (e.g., roads, bridges, irrigation, etc.) and promoting the economic livelihood of all citizens by securing jobs and stimulating local economies.[55]

As a quick side-note, a clear distinction between the **International Monetary Fund** (IMF) and the World Bank should be noted in the solutions of each delegate. The IMF is an intergovernmental organization which is focused on the stabilization of currencies and the facilitation of global economic cooperation to prevent any significant disturbances to the currency or financial well-being of any of its member states. On the other hand, the World Bank is response for assisting developing countries to assist reconstruction and development efforts. These types of projects are normally assisted by loans and grants from the World Bank, which are then put towards specific initiatives to build up the respective regions and countries. Beyond the IMF and World Bank, there are other assistance funds by private organizations, singular governments, government coalitions, and philanthropic organizations which can serve to bolster the development efforts as well. However, these types of assistance funds will often have a specific purpose or directed set of projects to which they can be applied, which delegates should be mindful of.

While the World Bank has historically been a major actor, the international community has often come together and delivered greater economic value to post-conflict regions in other manners. The true dilemma for many war-torn regions is kick-starting the economy to be put onto the correct path forward.[56] Once a certain momentum is built up, the inertia will help to facilitate further development and streamline the process; however, this is no easy feat. In previous decades, this has been accomplished in countries such as post-WWII France and Vietnam, Mozambique, Cambodia, etc., which all had policies focused around employment policy and business environment policy.[57] Providing loans and grants towards small and medium-sized businesses (SMBs) and "mom-and-pop shops" can stimulate grassroots economic growth and allow for the local economies to flourish.[58] As

[55] Ibid.
[56] Ibid.
[57] Clark and Somavia. "United Nations Policy for Post-Conflict Employment Creation, Income Generation and Reintegration." United Nations. https://www.refworld.org/pdfid/5227107a4.pdf
[58] Ibid.

local economies become more robust, more human capital will be required, which leads to greater levels of employment.

The second piece remains enabling the international private sector to conduct business and invest in war-torn regions. As previously noted, there are a multitude of factors which deter this activity – e.g., uncertain financial returns, political and economic instability, inefficient legal and regulatory systems, etc. However, the UNDP has shown that once these obstacles are overcome and private investment has streamed into these markets, marked improvements in the economic conditions of the regions become apparent.[59] Past actions in Vietnam and Cambodia have focused on significant reforms of the market and liberalizing trade, but only through gradual processes.[60] The most successful post-conflict case studies have proven time and time again that whether through more revolutionary economic policies, such as in Vietnam, or more "orthodox" macroeconomic reconstruction in Uganda, all success comes first from laying a foundation and then slowly (but surely) building on top of that platform.

Past Humanitarian Actions

When considering potential humanitarian actions, delegates should consider the effect of working with communities and indigenous populations rather than mandating from the top-down. Many of the regions affected by conflict hold less rigid state-led power hierarchies than in the traditional Western nations, and as such local communities will be much more important for collaboration.[61] Beyond this, there is the added by-product of reducing social tension and the possibility of conflict recurrence. By working with local groups rather than forcing top-down policies from government officials, an approach can be developed whereby greater economic success can be facilitated.

According to UNICEF, while the end of conflict marks the beginning of an improvement trajectory for primary, secondary, and tertiary education, the rates at which these education systems recover vary drastically.[62] For example, primary education has a tendency to "bounce back", where the

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[59] Ibid.
[60] Ibid.
[61] Ibid.
[62] "Literacy Rates," UNICEF DATA, May 14, 2020, https://data.unicef.org/topic/education/literacy/.

median enrollment ratio in post-conflict regions will be equivalent to non-conflict developing countries within 3 years.[63] However, even after 7 years after conflict has ended, the median enrollment ratio for secondary and tertiary education will normally hover around 5-10 percentage points lower than non-conflict developing countries.[64] Creative solutions have previously been found to be effective in remedying this, such as accelerated curriculums, subsidizing vocational training, and phone-in programming, all of which have been used extensively through Northern Uganda, Somaliland, and South Sudan.[65]

Improving the oftentimes deplorable health conditions of post-conflict regions remains another key lever in driving reconstruction. For example, Mozambique worked to distribute food and healthcare services to rural and previously inaccessible regions through collaboration with NGOs focused on healthcare.[66] Given that these areas were often home to rebel groups, the international effort to provide these indigenous communities with the healthcare resources which they required dramatically decreased the tension and sensitivity towards greater potential conflict. In the Democratic Republic of the Congo (DRC), a drug supply system was implemented whereby citizens could access the medicine required even though the centralized healthcare system was in shambles.[67] This drug supply concept proved to be incredibly valuable and saved thousands of lives, demonstrating the potential for creative solutions to significantly impact these regions.

[63] Ibid.
[64] Ibid.
[65] Yabuta. "The Study on Vocational Training System Development in the Republic of Sudan." Japan International Cooperation Agency. https://openjicareport.jica.go.jp/pdf/12125746.pdf
[66] Ibid.
[67] Ibid.

Possible Solutions

Considering how to most effectively rebuild the economy of a war-torn region is, as emphatically noted throughout this background guide, a multifaceted issue with no "silver bullet". While there is no correct answer, there are (historically proven) wrong answers which indicate more effective use of resources. When brainstorming, delegates are encouraged to think of how to best leverage the international community and all of its resources to standardize the process of rebuilding war-torn regions. There will ultimately be a degree of tailoring the solution to "custom-fit" each country and their specific issues, but guardrails and programs can be developed and implemented to streamline the recovery of these regions more broadly. That being said, the dais by no means wishes to limit the world of possible solutions, and heavily encourages creative and original proposals insofar as they feasibly can be accomplished.

One possible solution for war-torn regions is demobilization, disarmament, and reintegration (DDR) programs for ex-combatants. DDR programs have been shown to work in the past, being first developed and piloted in Central America around 1989.[68] Disarmament typically refers to the collection and destruction of weapons, demobilization to the encampment and cataloging of ex-combatants, and reintegration to the process whereby ex-combatants can attain sustainable methods of employment and income. DDR has a dual objective which serves to be doubly effective when undertaking reconstruction efforts: first, the disarmament and demobilization pieces of this strategy serves to solidify peace in the region and mitigate the potential for further conflict recurrence. Secondly, the re-integration component fosters greater economic inclusion and development, which propels the region into greater prosperity. While there are benefits to a DDR program, the execution of such an initiative is quite burdensome – delegation of authority, questions of financing, logistics, etc., must all be thoroughly clarified for DDR to be effective. DDR must additionally toe the line carefully between providing guidance and not infringing on the consent of nations or work explicitly in collaboration with the governments of host nations. All of this is to say

[68] Ansorg and Strasheim. "Veto players in post-conflict DDR programs: evidence from Nepal and the DRC." Journal of Intervention and Statebuilding. https://www.tandfonline.com/doi/abs/10.1080/17502977.2018.1501981

that DDR programs, while bringing extensive benefits to those conventionally on the fringe of society in post-conflict regions, is not a "silver bullet" to the issue and remains a complex solution.

Public work programs have a track record of great success throughout post-conflict regions, from Sierra Leone's projects to provide electricity to rural communities to Mozambique's road building to Sri Lanka's UNDP-backed house building subsidies.[69] These public work programs provide thousands, or even millions of citizens the chance to gain some income and develop their financial livelihood. Meanwhile, the region as a whole can benefit from these types of projects because they build up the physical infrastructure and quality of living, which are often decimated by extended periods of conflict. There are additional secondary benefits of public work programs, which include the potential for locally sourced, raw materials to facilitate greater economic activity, building local skills and knowledge, and foster local capacity for business.[70]

Livelihood interventions (initiatives to improve household resiliency and access to basic necessities, such as food and water), and the provision of alternative employment opportunities, can often assist areas with unsustainable methods of employment during war (e.g., raising cattle) to maintain financial security and long-term career prospects. For example, the cattle in the eastern DRC was almost entirely eradicated by the conflict occurring in the region.[71] The international community, along with the local governments, recognized the economic damage which could be caused to thousands of families and NGOs subsequently purchased goats and started a rotation program to facilitate the cheese-making industries.[72] While seemingly small, these types of interventions and diversifications can save families who have few other skills and are heavily invested in one particular industry which can be destroyed in seconds by conflict.

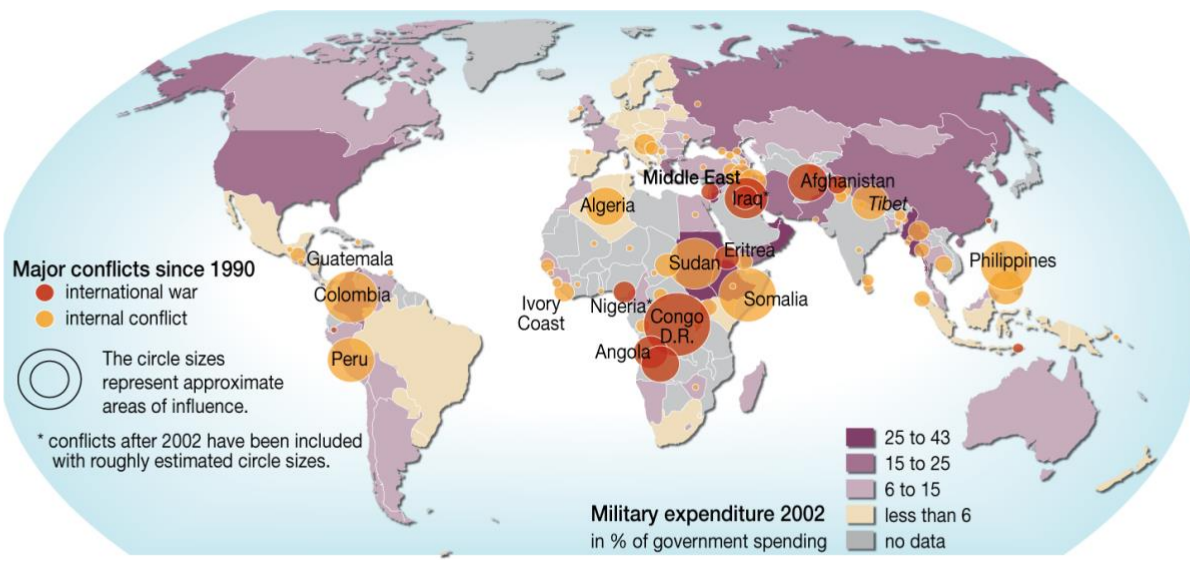
[69] Ibid.
[70] Ibid.
[71] Cox. "Farming the Battlefield: The Meanings of War, Cattle and Soil in South Kivu, Democratic Republic of the Congo." PubMed.
[72] Ibid.

Questions to Consider

- To what extent should initiatives for reconstruction in post-conflict regions be generalized across the world versus tailored for each region and its cultural differences?
- How can the international community most effectively ensure that the livelihood and basic necessities, such as food and water, are provided to all citizens in war-torn regions?
- What type of financial system should war-torn regions look to adopt? Should they integrate into the global financial system immediately, or build from the ground-up first?
- What role should intergovernmental organizations, such as the IMF and World Bank, play in spearheading reconstruction efforts?
- How can economic efforts work in tandem to mitigate the potential for conflict recurrence?
- What opportunities for gainful employment exist in post-conflict economies, and how can the international community spur growth in that area to reduce unemployment rates?
- What type of initiatives should be rolled out in response to the significant number of internally displaced peoples and refugees?
- Informal sectors without regulation are an incredibly volatile and dangerous form of marketplaces – how can the international community best address those issues?

Bloc Positions

Conflict has had ramifications for every country, yet the sources of these conflicts tend to be rather regionally concentrated. As such, the reactions and stances taken by the different geographic regions is significantly dependent upon the proximity of conflicts. Other influencing factors include trends in the international community, such as the post-World War II "liberal world order", in which Western nations exerted significant influence over all corners of the globe as self-proclaimed "arbiters". At the end of the day, however, each country is motivated primarily by its own national interests – the dais strongly encourages delegates to prioritize collaboration and multilateral solutions over unilateral initiatives to promote national interests and prosperity in post-conflict regions. The map seen below displays a graphic of the largest conflicts since 1990, as well as their areas of influence. This graphic should give delegates a sense of heavily impacted countries and spur further independent research into case studies, past actions, and creative solutions to bring to committee.



73

73 "World: Major Conflicts since 1990 and Military Expenditure 2002 - World," ReliefWeb, accessed October 21, 2020, https://reliefweb.int/map/world/world-major-conflicts-1990-and-military-expenditure-2002.

Asia & Oceania

This region has a long history of conflict, with competing dynasties in China vying for power and significant violence causing clashes in Southeast Asia. Even in the modern age, Asia still faces difficulties in regions such as Tibet, harsh crackdowns in the Philippines, and genocide in Myanmar. As an emerging hotspot for economic activity, however, the Asian continent is looking towards the future and becoming more aggressive in exerting influence abroad. As such, countries from this region typically hope to play a larger role in the international community and establishing ties to post-conflict regions but come at this from a different perspective than "legacy" players, such as the U.S., given their newfound economic strength and recent tumult. Asian countries tend to have much more of a top-down approach to solving economic crises, advocating for stronger central bureaucracies and delegating down to municipalities and localities accordingly.

Middle East

The Middle East is no stranger to conflict, with it historically being a hotspot for proxy wars and tension between varying ethnic communities. The region still faces incredible hardships by way of conflict, as seen by the Israel-Palestine conflict, international engagements in Iraq and Afghanistan, and the civil war raging in Yemen. As the Middle East becomes more stabilized, it also has become increasingly involved in the international community and played a larger role in multilateral initiatives. From Israel's innovation and financial hub of Tel Aviv to the booming economy of Tehran, natural resources and national pride has catalyzed significant wealth and power in the hands of these governments. They now turn an eye to the rest of the world, and can act as critical partners and leaders in forging a path for post-conflict regions.

Africa

Africa is an incredibly diverse continent with each country experiencing varying histories in conflict and post-conflict reconstruction. South Africa's resistance to apartheid versus the Democratic Republic of the Congo's internal strife is a quintessential example of the different types of conflict experienced in Africa and how these countries might bring different perspectives to the table when discussing this topic. On the economic front, African nations are well-known for being creative and innovative with solutions to the economic damage of war-torn regions and are often rapid adopters of technology to solutions. African nations also have significant experience with the effects of international efforts to rebuild regions, which equips them with invaluable expertise and perspectives on how to best tackle this problem.

Europe

In recent years, Europe has felt a clear divide between Western European states, such as Germany, France, and Spain, and Eastern European states, such as Bosnia and Herzegovina and Macedonia. Western European states, as part of the de facto leaders of the "liberal world order", have been large providers of capital, FDI, and advice to countries undergoing post-conflict economic recovery. Eastern European states, on the other hand, have more recently experienced conflict within their borders or in close proximity, and as such provide a position much more grounded in their recent experiences. Regardless of where countries fall on this divide, Europe has often been a bastion for democracy, economic prosperity, and significant capital for countries around the world. As such, European nations can be key allies to help finance and ideate creative solutions for assisting war-torn regions.

Latin & South America

The Latin and South American region has historically seen countless forms of government instituted and dissolved, civil wars initiated, and flawed institutions exacerbate economic issues. In modern history, these countries have been heavily under the sphere of influence of the United States and select European nations but have in recent years established themselves as a strong, independent set of nations with significant resources and a strong will to export their ideals abroad. Latin and South American nations provide invaluable guidance on how to build resilience within the population and leverage FDI and other forms of international support to foster a positive economic environment. Larger countries, such as Brazil and Argentina, have a wealth of financial and economic resources at their disposal, while smaller countries can show great strength in the innovation of their solutions and leadership on what is most effective.

North America

North America has long been known for exerting democracy, the liberal world order, varying forms of economic and military influence. Delegates would be remiss to forget that the U.S. dollar is the de facto global currency, which affords the U.S. significant power in the economic ongoings of the international economy. That being said, North America has slowly been slipping as the "top dog" to its foreign counterparts. Economic activity is rapidly diversifying in terms of geography, and the conventional system of foreign affairs is being undone at the seams. North American delegates cannot assume that they are unrivaled – in fact, countries across the world are rising up to face North America as economic equals at rates not seen for decades. While a critical source of capital and strength, North America must prove its mettle with other forms of leadership in building a comprehensive framework and resolution.

Glossary

Conflict Recurrence: The relapse into violence after peace has been successfully established within a region or country

Foreign Direct Investment: Capital provided by international private and public actors in the form of controlling interest in local businesses to spur economic stimulation

Gross Domestic Product: A measure of the goods and services produced from residents in a certain nation in a specific time period (normally on a per annum basis)

Human Capital: The varying skills and abilities of an individual or set of individuals

Infrastructure: Physical systems and facilities which provide countries and regions with the ability to economically function

Internally Displaced Persons: Citizens of a country who were forced to temporarily or permanently relocate on the basis of conflict or poor economic conditions

International Monetary Fund: An intergovernmental organization with a functional dual mandate to stabilize currencies and reduce global financial volatility which could be caused due to the domestic economic policies of member states

Microfinance: A financial service directed towards individual and local businesses to provide small loans in order to spur entrepreneurship, employment, and economic prosperity

Post-Conflict Regions: Areas of the world – not necessarily defined by political borders – which have recently achieved an end of violence

World Bank: An intergovernmental organization focused on providing financial and advisory assistance to developing nations to reduce poverty and ensure economic prosperity

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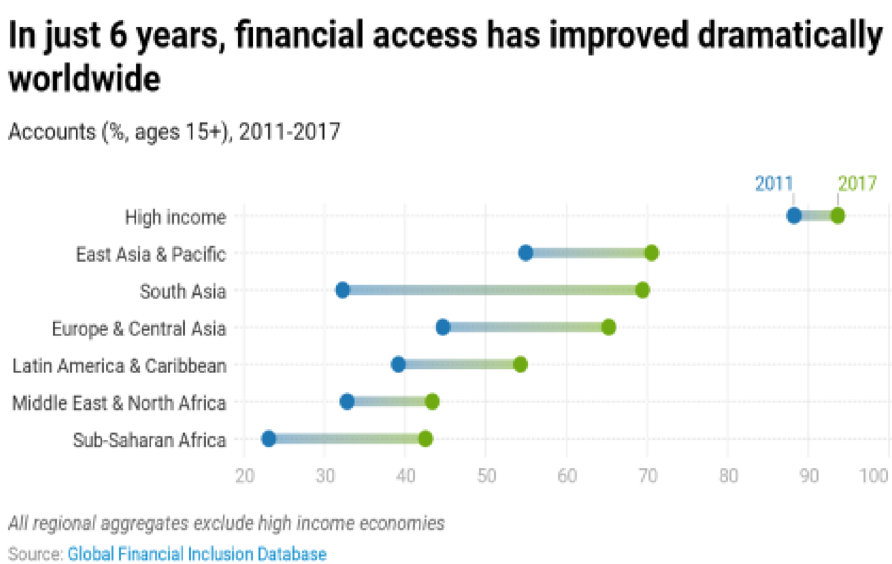
TOPIC B: THE NEED FOR UNIVERSAL FINANCIAL ACCESS

Statement of the Problem

Financial technology continues to advance along with all technology, and this advancement provides opportunity and risk. There is the opportunity for more people than ever before to be able to access global financial entities, but also the risk of this technology leaving behind significant proportions of the world, exacerbating the already yawning divide between the rich and the poor. Broadly speaking, when considering universal financial access, which is synonymous with financial inclusion, there are three primary channels for potential progress which the topic can be separated into. These three channels consist of integrating financially excluded demographic segments into the formal financial system, introducing a comprehensive curriculum for **financial literacy**, and strengthening financial **consumer protections**. That being said, delegates should not consider these to be the only avenues of research to pursue – in fact, the dais would look very favorably upon the discussion and introduction of other creative solutions.



[74]

The integration of certain segments of the population into the existing financial system in a country or a region is a critical component of financial inclusion. One large demographic is the "**unbanked**",

[74] "In Just 6 Years, Financial Access Has Improved Dramatically Worldwide," accessed October 21, 2020, https://datawrapper.dwcdn.net/Z5ato/4/.

which are people who are not currently account holders for any sort of bank accounts. This prohibits them from depositing money, making transfers, and having any lines of credit such as credit cards.[75] Initiating the change of these citizens from “unbanked” to “banked” is harder than it might first appear, as the banking infrastructure in remote and rural areas is incredibly difficult.[76] Mountain ranges can hamper the efforts to do digital banking as there will be significantly limited cell reception, while the raw materials required to build banks and the necessary technology are difficult to transport and then construct.[77] Finally, those familiar with the existing financial systems of the nation must be present to help bring these unbanked citizens into the system and set them up properly.[78]

One of the most common solutions floated for integrating the unbanked into the existing banking system and consequently enhancing the state of financial inclusion is through electronic banking, or “e-banking”.[79] Insofar as this might be possible, there are certain ramifications and issues that could arise from the introduction of electronic banking. Delegates should think through all security considerations of the implementation of electronic banking throughout large regions of the world, which could be a prime target for hacking, as well as ease of access to other financial systems if administered through the public sector.[80] Furthermore, regulation considerations should be discussed in order to determine how electronic banking – which is inherently a difficult industry to regulate – might best be dealt with by governments.

[75] Robert Cull, Asli Demirguc-Kunt, and Jonathan Morduch, *Banking the World: Empirical Foundations of Financial Inclusion* (MIT Press, 2012).
[76] “Banking the Unbanked in Rural Southwest Nigeria: Showcasing Mobile Phones as Mobile Banks among Farming Households | SpringerLink,” https://link.springer.com/article/10.1057/fsm.2013.2.
[77] Ibid.
[78] Ibid.
[79] Shumaila Y Yousafzai, John G Pallister, and Gordon R Foxall, “A Proposed Model of E-Trust for Electronic Banking,” *Technovation* 23, no. 11 (November 1, 2003): 847–60, https://doi.org/10.1016/S0166-4972(03)00130-5.
[80] Ibid.

[81]

The existence of financial instruments and mechanisms become useless if citizens do not know how to effectively utilize them for their own benefit. This type of knowledge is often called "financial literacy" and is one of the greatest avenues towards true financial inclusion.[82] In many areas of the world, while loans and grants may exist to help out private citizens, the existence of such capital sources may be insufficiently published to the greater populace.[83] Other times, while citizens will be earning income and have a sustainable livelihood, they are unaware of the solutions which exist to help them save more for their retirement, children, etc. Even something like a mortgage in the Western world has layers of bureaucracy and financial jargon which obscure the real meaning behind it all. All of this culminates in a need for those who engage with the financial system to develop a robust understanding of how the different mechanisms fundamentally come together and interact. By this, citizens can learn how to most effectively manage their finances and protect themselves, their loved ones, and drive more positive financial interactions with their community and the larger market.

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[81] NL4WorldBank, "Gains in Financial Inclusion, Gains for a Sustainable World," *Netherlands for the World Bank* (blog), July 6, 2018, https://nl4worldbank.org/2018/07/06/gains-in-financial-inclusion-gains-for-a-sustainable-world-2/.
[82] Dr Ramakrishnan, "Financial Literacy and Financial Inclusion," SSRN Scholarly Paper (Rochester, NY: Social Science Research Network, June 9, 2012), https://papers.ssrn.com/abstract=2204173.
[83] Karla Hoff and Joseph E. Stiglitz, "Introduction: Imperfect Information and Rural Credit Markets: Puzzles and Policy Perspectives," *The World Bank Economic Review* 4, no. 3 (1990): 235–50.

As such, financial literacy should be considered an utmost priority for this committee in order to propagate further benefits and **financial inclusion** throughout the world. In order for financial literacy to be successful, citizens must be educated properly, but even with a task as seemingly simple as that comes a handful of nuanced complexities. Distribution of information is not as easy as publishing it onto the Internet and letting it spread – directed, targeted action must be taken to spread awareness.[84] Presently undereducated population segments in particular will have little-to-no understanding of what resources exist and how to navigate them, and as such the initiative must be taken by local and federal governments, NGOs, etc. to educate citizens properly.[85] While the education system is often touted as an exemplary manner for spreading financial literacy information, there are significant trade-offs between integrating into a state-led education system versus allowing it to be distributed through third-party institutions. Leveraging the education system requires consideration of the various education infrastructure throughout different regions – rural populations are often those most in need of financial literacy programs but will also have the least robust educational facilities, which will just perpetuate their financial exclusion.[86] With that, delegates should not dismiss the education system altogether; rather, it should be clear that each solution has multiple issues which must be ironed out.

The last piece which should be seriously considered within the context of the discussion of financial inclusion is financial consumer protection. The term "financial consumer protection" encompasses multiple sub-categories, but primarily refers to the set of laws and regulations which allow for the security of consumers to operate within the financial system.[87] These types of protections should codify regulations surrounding privacy protection, unethical commercial behavior, fair and equitable treatment, and ensuring physical safety of consumers. Without the proper set of foundational laws and government-mandated guidelines for consumer protection, citizens will not be protected in the

[84] Ibid.
[85] Monique Lise Cohen and Candace Nelson, "Financial Literacy: A Step for Clients towards Financial Inclusion," undefined, 2011, /paper/Financial-Literacy%3A-A-Step-for-Clients-towards-Cohen-Nelson/13e72add59248f3c653f60f2b0e521b1f2b2532b.
[86] Ibid.
[87] United Nations Guidelines for Consumer Protection.

financial system and institutions can quickly spiral to become unethical, unequitable, and harmful to the greater populace.[88]

Credit markets and potential sources for credit in developing countries are an incredible example of the need for financial consumer protection.[89] Rural credit markets offer both a formal and informal sector, where the formal sector is not expansive enough to support the entire population.[90] As such, the formal credit market must be expanded before it can reach its maximum effectiveness. Consequently, a massive informal sector arises, where absurdly high interest rates and militaristic methods for enforcement if not paid back timely.[91] The physical security of consumers is endangered by not having the proper set of guidelines in place to regulate credit markets, illustrating just how quickly something like financial inclusion can have sizable ramifications for all involved.

[88] Ibid.
[89] Ibid.
[90] Avishay Braverman and J. Luis Guasch, "Rural Credit Markets and Institutions in Developing Countries: Lessons for Policy Analysis from Practice and Modern Theory," *World Development* 14, no. 10 (October 1, 1986): 1253–67, https://doi.org/10.1016/0305-750X(86)90104-X.
[91] Ibid.

History of the Problem

Finance and financial systems have been in place throughout the corners of the globe since the start of society and civilization. The earliest recorded proof of finance in civilization was around 3000 BC during the Babylonian Empire, where the concept of banking was first introduced. During these times, temples and palaces were utilized as storage spaces for the wealthy of society where valuables could be stashed and safeguarded.[92] Quickly thereafter, the notion of "interest" was introduced to society – in fact, during the Hammurabi Reign of Babylon, the legendary Code of Hammurabi helped dictate some of the regulations around banking to include principles for charging interest.[93] At the time, even standardized rates for interest were instituted to guide the general profit which should be accrued by "bankers".[94] Finance, banking, interest, and other related concepts quickly spread around the globe to reach all civilizations, such as using the Cowrie shell in 1200 BC in the Chinese dynasties and Pythius in 600 BC, who was the first banker noted to have records of his transactions.[95]

As the different institutions and variations of finance spread across civilizations, so too did the inequality which naturally arose through financial systems. Priority was almost universally given to the wealthy, as seen by the earliest recorded proof of finance in 3000 BC with storage spaces for the elite. With this prioritization came exclusion of the lower classes, minority groups, and others which did not experience the same level of privilege. Consequently, the concept of financial exclusion has existed just as long as finance itself has existed within society. This was mostly simply a by-product of the financial system and not a top priority for policymakers to address, and thus financial exclusion remained commonplace.

Financial systems have developed quickly in the last several centuries, with academic theories being produced at breakneck speeds and new systems of interest, banking, valuation, and federal intervention being implemented. Countries simultaneously grew at unprecedented rates, with the population following the common trend of remaining unbanked, unintegrated into financial

[92] Larry Neal, *A Concise History of International Finance: From Babylon to Bernanke* (Cambridge University Press, 2015).
[93] Ibid.
[94] Ibid.
[95] Ibid.

systems, and unable to effectively leverage the financial resources in their communities and nations.[96] This continued to occur until it was officially recognized by the World Bank in the early 2000s. According to the World Bank, financial inclusion has a direct correlation to poverty, which means that as financial inclusion increases, the percentage of those in poverty and extreme poverty decreases[97]. Through the official recognition of the World Bank of financial inclusion as one of the utmost economic priorities moving forward, the further attention of the international community was quickly positioned towards the topic. In fact, in December 2003 the then-UN Secretary General stated the following:

> "The stark reality is that most poor people in the world still lack access to sustainable financial services, whether it is savings, credit or insurance. The great challenge is to address the constraints that exclude people from full participation in the financial sector."[98]

The notion of financial inclusion has further manifested itself in the UN Sustainable Development Goals (SDGs), although not as its own SDG. As a component of the various SDGs, it is listed as a core function of eight out of the seventeen goals, such as SDG 1: eradicating poverty and SDG 5: on achieving gender equality and economic empowerment of women.[99] The bottom-line is that financial inclusion does not remain an isolated issue, but is rather interwoven into many of the existential issues of the modern financial and economic systems. From ending hunger to reducing inequality to profiting health and well-being, the international community has recognized financial inclusion as a critical step forward in pushing our society in the best possible direction possible. As such, delegates are strongly encouraged to grapple with the far-reaching consequences of the topic and work towards the greater good which can be achieved accordingly.

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[96] Sergio de Sousa, "The Role of Payment Systems in Reaching the Unbanked," *Journal of Payments Strategy & Systems* 4, no. 2 (June 1, 2010): 145–55.
[97] "World Bank Financial Inclusion Overview," Text/HTML, World Bank, n.d., https://www.worldbank.org/en/topic/financialinclusion/overview.
[98] "GENERAL ASSEMBLY GREENLIGHTS PROGRAMME FOR THE INTERNATIONAL YEAR OF MICROCREDIT 2005 | Meetings Coverage and Press Releases," n.d., https://www.un.org/press/en/2003/dev2452.doc.htm.
[99] "THE 17 GOALS | Department of Economic and Social Affairs," accessed September 8, 2020, https://sdgs.un.org/goals.

[100]

[100] "United Nations Sustainable Development Goals : OpenReference," accessed October 21, 2020, https://orwiki.org/t:UNSDG.

Past Actions

The United Nations Capital Development Fund (UNCDF) is one of the largest steps forward in terms of developing financial inclusion across the world. The UNCDF was founded as an autonomous UN organization which is affiliated to the UN Development Program (UNDP). By providing "last-mile financing", the UNCDF works to enable private and public financial resources across all regions and demographic segments in order to support local economic development.[101] One of the two channels through which this is accomplished is financial inclusion: by expanding economic opportunities for citizens, families, and small and medium businesses (SMBs), greater access to financial systems is fostered and more capital can be developed to stimulate the local economies.[102] The UNCDF provides risk capital (i.e. funds used for high-risk investments with the hope of receiving a larger return) to the private sector in order to develop financial instruments which can assist the under-served and financially excluded segments.[103] One manner through which this is accomplished is developing new microfinance loan dispersal, creative remittance strategies, and innovative new ways to expand the reach of mobile network operators.[104] For context, microfinance loans revolve around the concept of small lump-sum loans provided to members of the community to facilitate entrepreneurship efforts, which are then paid back in time. Microfinance loans have historically been heavily implemented for minorities and women to improve their ability to take on business endeavors in regions where they are often hampered from such opportunities. Furthermore, the UNCDF works extensively with large data sets to reach "data-driven financial inclusion diagnostics", which allow national strategies to be more accurate about what is being targeted and potential solutions.[105] Delegates should note that the dais will look favorably upon achieving data-driven solutions and analyzing original data sets to develop new strategies. That being said, entirely new solutions revolving around technical formulas and complex engineering solutions will not garner the most credit; rather, the goal should be to adapt previous ideas to different contexts and bring new perspectives to this incredibly difficult topic.

[101] "Executive Summary - UN Capital Development Fund (UNCDF)," n.d., https://www.uncdf.org/bfldcs/executive-summary.
[102] Ibid.
[103] "Risk Management - UN Capital Development Fund (UNCDF)," n.d., https://www.uncdf.org/f4f/risk-management.
[104] Ibid.
[105] Ibid.

In Kenya, the telecommunications company Safaricom launched a mobile money transfer company named M-Pesa.[106] This product allows anyone with a SIM card and working phone to transfer money to contacts, receive money, and even pay for goods and services – down to something as fundamental as a taxi ride or a trip to the grocery store.[107] M-Pesa grew at rapid rates and became one of Kenya's most widely used products, servicing around 7% of the total national payments in 2014 in terms of throughput and 67% of the total national payments in terms of volume.[108] The benefit of such a product extends beyond the sheer convenience – it removed an extensive number of barriers to integrating into the financial system, such as the burden of carrying large amounts of cash on-hand. There is no doubt that financial inclusion was significantly perpetuated by the development and subsequent growth of M-Pesa, but one product alone will not suffice: 90% of transactions in Kenya are still conducted in cash.[109] Comprehensive strategies to capture the largest possible percentage of those financially excluded should be devised in order to remain effective in today's nuanced set of circumstances.

[106] Rajiv Lal, Lisa Cox, and Sarah McAra, "M-Pesa: Financial Inclusion in Kenya," March 8, 2016, https://www.hbs.edu/faculty/Pages/item.aspx?num=50788.
[107] William Jack and Tavneet Suri, "Mobile Money: The Economics of M-PESA," Working Paper, Working Paper Series (National Bureau of Economic Research, January 2011), https://doi.org/10.3386/w16721.
[108] Ibid.
[109] Ibid.

Banking regulations have also adapted towards the various needs of the unbanked and others which are not entirely integrated into the financial system. Newly-developed No Frills Accounts (NFAs) and Basic Savings Bank Deposit Accounts (BSBDAs) were designed to remove the barrier of mandating an opening balance, and normally have either a zero or incredibly small required balance to open and maintain.[110] Overdraft fees on NFAs/BSBDAs are additionally intentioned to be as small as possible in order to incentivize the use of these accounts for personal and commercial use for the unbanked. Another set of banking regulations which is heavily considered while integrating the unbanked is "Anti-Money Laundering Know Your Customer" (AML KYC) compliance. The objective of AML KYC is to verify the customer's identity and status, monitor and assess customer risk, and ensure that legal requirements are met to combat money laundering.[111] These regulations require banks to conduct a significant set of due diligence for each new customer, which is often burdensome and sometimes impossible with the unbanked. As such, banks have started to relax their AML KYC regulations in order to further financial inclusion – some banks in India have even started to only require the referral of an account holder which has undergone the full AML KYC screening.[112]

The private sector, especially the technology sector, has become heavily invested in the development of financial inclusion. Financial technology (fintech) companies have been one of the most rapidly growing industries in the world, with an expected compound annual growth rate of 23.8% from 2019-2025.[113] Fintech is being used to deliver digital and remote banking services to those in rural and inaccessible regions of nations, furthering the inclusion of the unbanked. Because of the development of these technologies in some of the most security-centric markets in the world (e.g., Silicon Valley, the EU, etc.), these technologies necessarily have to maintain compliance with strict regulations such as the European General Data Protection Regulation (GDPR), ultimately ensuring consumer protection. GDPR has stringent guidance on different privacy rights, such as the

[110] S Thyagarajan and Jayaram Venkatesan, "Cost-Benefit and Usage Behaviour Analysis of No Frills Accounts: A Study Report on Cuddalore District," n.d., 54.
[111] "KYC and AML — the Difference and Best Practices | SumSub.Com," *Sumsub* (blog), October 1, 2018, https://sumsub.com/blog/kyc-and-aml/.
[112] K.C. Chakrabarty, "Financial Inclusion | A Road India Needs to Travel," n.d., https://www.rbi.org.in/scripts/BS_SpeechesView.aspx?Id=607.
[113] "FinTech Market Size, Share, Industry Analysis, Growth, Forecast 2025," n.d., https://reports.valuates.com/market-reports/QYRE-Othe-2W194/fintech-market.

right to erase data which organizations hold and restrictions on profiling and AI-driven assumptions based on personal data.[114]

In 2018, the International Monetary Fund (IMF) took advantage of the fintech sector, ripe with innovation and development, through the Bali Fintech Agenda.[115] This Agenda provided a framework by which fintech could become effectively integrated into national strategies for financial inclusions, promoting greater coalescence between the public and private sector efforts. Some of the components of the Bali Fintech Agenda include reinforcing competition and free, contestable markets within the fintech space through enabling policy frameworks, promoting fintech as a method to increase financial inclusion efforts, and ensuring the stability of domestic monetary and financial systems.[116] The framework set henceforth by the IMF has enabled governments to move forward with a greater sense of where the implications of fintech lie and the benefits which can be reaped through this surge of innovation and disruption. Through the concerted effort of the IMF to bring fintech to the forefront of the international community, partnerships have developed – such as that between the IMF and World Bank to use fintech to deepen financial markets, improve the state of technologies for cross-border transfers, and ensure that financial inclusion is as effectively improved as possible.[117]

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[114] Baker, Alice, "The GDPR: Consumer Rights for Your Personal Data," IT Governance Blog En, August 18, 2020, https://www.itgovernance.eu/blog/en/the-gdpr-consumer-rights-for-your-personal-data.
[115] Sonja Davidovic et al., *Strategy for Fintech Applications in the Pacific Island Countries* (International Monetary Fund, 2019).
[116] "The Bali Fintech Agenda: A Blueprint for Successfully Harnessing Fintech's Opportunities," IMF, accessed September 24, 2020, https://www.imf.org/en/News/Articles/2018/10/11/pr18388-the-bali-fintech-agenda.
[117] Ibid.

Possible Solutions

The rise of technological prowess in even the most remote corners of the world show an essential path forward towards achieving greater financial inclusion. With over 5 billion people connected to telephones, and emerging markets adopting new technologies at unprecedented speeds, it is foolish to overlook the impact technology can have.[118] As mentioned previously, fintech is developing innovative solutions towards financial inclusion, from traditionally under-served demographic segments like minority groups in developing nations to more "unorthodox" segments such as recovering drug addicts and senior citizens unable to operate technology and manage their finances effectively.[119] The deployment of such technologies can be interwoven with national strategies followed by federal, local, and municipal governments to bring together the resources of both the public and private sector. Furthermore, the public sector can often facilitate greater fintech growth by promoting innovation and education in these fields, such as through re-designed vocational training.[120] Encouraging fintech technologies, however, is not without risk: there is always a risk when investing in new technologies that they will not achieve product-market fit and will return nothing on investment. For example, the Indian government opened up 240 million digital bank accounts for citizens, but over a quarter of them maintained an empty balance after a few years.[121] Consumer adoption of fintech technologies must be accomplished in order to make this strategy effective in the long run, potentially prompted by strategies such as clearly delineated household economic incentives, hitting a critical mass of users, and an increase in consumer choices for competition.

The enablement of auto-enrollment policies has proven to be successful by working with both the rational thinking of humans and their psychology.[122] Oftentimes those facing poverty will have the

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[118] Marnik G. Dekimpe, Philip M. Parker, and Miklos Sarvary, "Staged Estimation of International Diffusion Models: An Application to Global Cellular Telephone Adoption," *Technological Forecasting and Social Change*, The Emerging Role of Telecommunication, 57, no. 1 (January 1, 1998): 105–32, https://doi.org/10.1016/S0040-1625(97)00085-1.
[119] Julapa Jagtiani and Catharine Lemieux, "Fintech Lending: Financial Inclusion, Risk Pricing, and Alternative Information," SSRN Scholarly Paper (Rochester, NY: Social Science Research Network, July 18, 2017), https://papers.ssrn.com/abstract=3005260.
[120] Ibid.
[121] Neha Abraham, "Over 80% of Indians Now Have Bank Accounts. How Many Are Actually Using Them?," *Scroll.In*, May 18, 2019, https://scroll.in/article/923798/over-80-now-indians-have-bank-accounts-how-many-are-actually-using-them.
[122] Chris Curry, "The Introduction of Auto-Enrolment and Personal Accounts to the UK in 2012," *Pensions: An International Journal* 13, no. 4 (October 1, 2008): 237–45, https://doi.org/10.1057/pm.2008.31.

largest issues with their finances, experiencing high interest rates on loans, poor retirement policies, and general insecurity in their financial status.[123] This is not always due to the lack of potential resources offered by the government, but rather a lack of awareness on the part of the citizen of these programs. By being automatically enrolled in these programs, whether it's 401K plans in the United States, pension plans in the UK, or Neyber for debt consolidation through employee payrolls, citizens immediately benefit from the programs.[124] That being said, delegates should ensure that they are not being overly paternalistic and prescriptive with the way that citizens engage with their respective financial systems and allow for autonomy and agency.

New forms of credit for citizens in developing nations is a natural way to encourage financial inclusion and economic development simultaneously. In developed nations, there are predetermined and well-documented credit markets which citizens can access; however, in emerging markets, these credit markets are much more obscure and inaccessible.[125] As such, informal credit markets can be formed, with unnecessary physical and financial dangers ramifications necessarily following. The first step in creating more robust credit markets is to determine who the regulators for these sources and markets should be – whether central banks, credit regulators, international agencies, etc., a decision must be made on that front.[126] Once that has been accomplished, adequate competition in credit markets must be facilitated through enough data transparency, relatively standardized interest rates, and reducing the cost of credit by determining creditworthiness of potential clients.[127] Finally, innovative solutions to distributing credit across communities must be implemented, such as through credit cooperatives which are increasing their prevalence in credit markets (up to 7.6% of total assets in the Brazilian financial system). [128] Credit cooperatives is a form of financial institution which is owned, managed, and operated by the members which comprise it.

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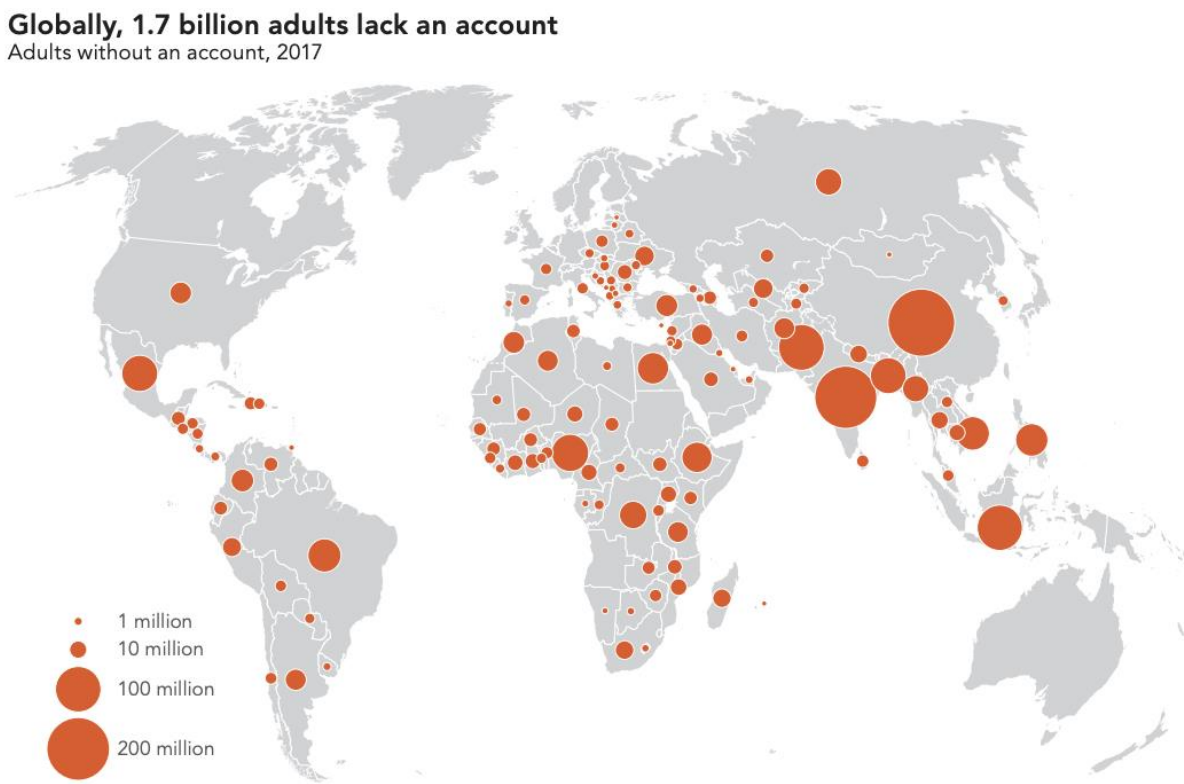
[123] Donald Hirsch, "Addressing the Poverty Premium: Approaches to Regulation," report (Loughborough University, January 1, 2013), https://repository.lboro.ac.uk/articles/report/Addressing_the_poverty_premium_approaches_to_regulation/9598631.
[124] Ibid.
[125] Ibid.
[126] "World Bank Policy Note: Brazil - Improving the Efficiency of Credit Markets.Pdf," accessed September 8, 2020, http://pubdocs.worldbank.org/en/252851536597936709/Policy-Note-Credit-Markets.pdf.
[127] Ibid.
[128] Ibid.

By pooling the capital of the members together, the cooperative can function as a traditional bank and maintain competitive interest rates to win further business.

The primary takeaway of this section should not be a strict set of solutions which can be promulgated, but rather prove that the range of solutions in the financial inclusion space is vast and ripe for creative solutions. From auto-enrollment policies to assist in retirement planning and financial stability to credit cooperatives, the world of fintech and financial inclusion is critical for assisting people around the world. When considering the set of solutions to bring to the table as a delegate, hyper-focusing on one segment of this problem will not be the foundation for a strong resolution. The three core pillars of financial inclusion – integrating financially excluded citizens into the financial system, comprehensive financial literacy curriculums, and financial consumer protections – are all fundamental to developing a more robust formal set of financial institutions. By spanning those three categories, an effort can be made to both ensure that citizens are well-equipped to navigate the financial system and protected from any potential exploits and parties which are looking to take advantage of new consumers.

Bloc Positions

When considering the various bloc positions across the globe towards financial inclusion, there is no clear-cut story to be told. One cannot simply draw a straight-line correlation between developing economies and financial inclusion (or a lack thereof), as the data does not support that hypothesis. Similarly, there is no singular geographic region where the problems are heavily concentrated – rather, the problem of financial inclusion is a universal one with its ramifications felt in every corner of the globe. As seen in the graphic below, while there are certain countries in which financial inclusion is a greater issue, most regions must grapple with this issue and reconcile rural and socioeconomically disadvantaged populations with their financial system.



Source: Global Findex Database

Asia & Oceania

This region faces incredible difficulty with their unbanked population and with financial inclusion efforts at large, ranging from economies such as China and India to Southeast Asian economies like Indonesia and Vietnam. That being said, other countries in the region, such as Malaysia and Australia, have significantly less issues. The key takeaway from this bloc of countries should be that even within a region, local issues and domestic economic policies can greatly distinguish the end result of financial inclusion. Another consideration when comparing countries in the Asia & Oceania geography is the population size: the Chinese population of 1.4 billion and India's population of 1.35 billion require materially different regulations and efforts than Laos or Singapore.

Middle East

The Middle East is working tirelessly to increase the level of financial inclusion within their population, with certain countries taking the lead on this front. Iraq, for example, has developed an electronic payment system for roughly 7 million citizens, has been an incredible push forward by a country whose banking and financial sectors have been ravaged by internal conflict.[129] Many of the companies playing in the financial and fintech spaces in these countries, however, are state-owned, adding additional complexity and bureaucracy to the efforts underway.[130] Delegates representing countries from this region may want to consider the benefits and trade-offs of state-owned enterprises and how greater projects can be spurred within the context of the heavy government influence.

Africa

Historically one of the largest regions for unbanked and those not integrated into formal financial systems, Africa has been making incredible leaps in recent decades through the heavy adoption of technology. One example of this, of course, is Kenya's M-Pesa, but other examples include Egypt's Commercial International Bank, which has developed predictive analytic software to gain a more

[129] Chloe Cornish, "Iraq's Financial Inclusion Drive Boosted by Homegrown Fintech," April 24, 2019, https://www.ft.com/content/19b10528-4b36-11e9-bde6-79eaea5acb64.
[130] Ibid.

comprehensive understanding of any given individual's ability to repay loans.[131] However, underlying norms have caused some roadblocks towards greater progress, such as the heavily-predominant "cash culture" that keeps many citizens from engaging with digital or formal financial institutions.[132]

Europe

Europe has been a bastion for consumer protection and financial inclusion for decades, working to ensure that citizens are both integrated into formal financial systems yet also protected from exploitation of personal data as technology has developed. This can especially be seen in Western countries, such as Germany, Spain, and the U.K., which have been strong advocates for these types of projects. That being said, it is by no means at an ideal state – many eastern European countries, such as the Ukraine, countries in the Balkan regions, Poland, etc., still have problems achieving the same level of financial inclusion. This divide is a major friction point between the two geographic halves of Europe and requires delegates to think both within the context of the EU and Europe at large.

Latin and South America

Unfortunately, in recent years, the Latin and South American geographies have not made major advances towards financial inclusion – in fact, one report shows that as compared to countries with a similar degree of development, the gap of financial inclusion has actually increased.[133] Some of the underlying drivers of this are the lack of enforcement of the rule of law which reduce trust in formal financial systems, insufficient competition in the banking sector, and minimal policies focused on increasing financial inclusion[134]. Countries in Latin and South America must determine an understanding of how to cope with these prevalent institutional weaknesses before instituting forward-looking financial inclusion measures.

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[131] Sarah Murray, "How Developing Nations Use Tech to Reach the 'Underbanked,'" April 24, 2019, https://www.ft.com/content/0c6ddd3c-4b36-11e9-bde6-79eaea5acb64.
[132] Ibid.
[133] "Financial Inclusion in Latin America: Facts, Obstacles and Central Banks' Policy Issues," n.d., https://publications.iadb.org/en/publication/12496/financial-inclusion-latin-america-facts-obstacles-and-central-banks-policy-issues.
[134] Ibid.

North America

As a historical hub of innovation, much of the fintech sector has been stimulated by entrepreneurs and programs set out by countries such as the U.S. and Canada. The heavy adoption of digital alternatives to traditional banks has led to a significant increase in the financial inclusion of its citizens. However, looking past the urban hubs of New York, San Francisco, Toronto, etc., rural populations in North America face similar problems due to a lack of technological access to these services.[135] Minorities also tend to have a more difficult time integrating into the formal financial systems, often being less able to explain financial outcomes of savings and consequently having less incentive to engage with these institutions.[136]

[135] Nathaniel Karp and Boyd W Nash-Stacey, "Technology, Opportunity & Access: Understanding Financial Inclusion in the U.S.," 2015, 70.
[136] Ibid.

Glossary

Consumer Protection: Regulations and standards which protect the assets of each citizen, as well as their personal information and data

Credit Line: A source of capital which a citizen can access under pre-defined conditions, such as a specified interest rate and/or payback period

Credit Market: The set of offerings to citizens for sources of capital, where different creditors offer cash or other forms of capital, usually with an interest rate and a pre-defined payback period

Electronic Commerce: Utilization of the Internet and other technology to conduct business and transactions remotely

Financial Inclusion: The inclusion and integration of citizens into the formal financial institutions and regulations in a country.

Financial Literacy: Provision of the necessary skills and information to be able to make informed and rational decisions regarding one's financial resources

Financial Technology (Fintech): The use of new technological developments to provide new solutions to citizens to manage their wealth more effectively

Liquid and Illiquid Assets: Liquid assets are tangible or intangible possessions which can be easily converted into cash or cash equivalents; illiquid assets are tangible or intangible possessions which cannot readily be converted into cash or cash equivalents

Overleveraged: Taking on too much debt, to the point where it is either financially burdensome or to the point where a citizen's assets cannot repay the debt which they have been issued

Unbanked: Citizens who have no access or currently do not have any engagement with the banking sector, such as possessing a bank account.

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