Forum: Political & Economic Committee (PoEcCo)

Issue: Mobilising financial resources of Least Developed Countries for sustainable development

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PERSONAL INTRODUCTION

Dear delegates of the Political & Economic Committee,

It is an honour to welcome you to the inaugural Queen Elizabeth's Grammar School MUN conference. My name is Olivier McClure and I will be your Co-Chair in PoEcCo for the conference.

Although this topic guide serves a purpose, it should not be the only form of research you partake in. It is imperative that delegates conduct their own research on the topic. For example, the bibliography at the end of this study guide serves as a good guide to expanding your understanding of the situation. Furthermore, an effort must be made to gain the necessary knowledge of the geopolitics of the delegation you are assigned.

Finally, and most importantly, I hope that you will all enjoy this conference, and I can not wait to meet all delegates.

Should you have any questions or need any help, please feel free to contact me via the following email: 3010@queenelizabeths.kent.sch.uk,

Yours sincerely,
Olivier McClure,
Co-Chair of the Political & Economic Committee

TOPIC INTRODUCTION

To achieve global sustainable development, mass mobilisation of financial resources would be required, facilitated through spending on the necessary infrastructure to achieve this goal. This goal, although difficult, is completely feasible if global financial resources are allocated efficiently and correctly. Thus, it is imperative for governments, organisations and NGOs (Non-Governmental Organisations) to act together to tackle this issue.

Mobilising financial resources means to fully collect and effectively allocate financial resources in an economy. However, doing this is incredibly difficult for an LDC (Least Developed Countries).[1] In the mobilisation of domestic public finance, specifically taxation, LDCs have trouble with tax avoidance and evasion. This kind of problem is incredibly difficult to fix due to the corruption within these countries, and the lack of infrastructure required to deal with these issues. This systemic issue within the majority of LDCs is not binary and is a necessity to solve the issue presented in this topic guide.

To conclude, for the Political & Economic Committee to reach its goal of meeting the 17 Sustainable Development Goals (SDGs) set out in the 2030 agenda for Sustainable Development, there must be a focus on mobilising financial resources in developing countries for sustainable development. Sustainable development is significant due to its impact on the quality of healthcare, education, and water access. In conclusion, the future of LDCs, particularly in a post-pandemic and lockdown era, should be a positive one; to achieve this, we must tackle the issue of mobilisation of financial resources in the interest of sustainable development.

DEFINITION OF KEY TERMS

LDC

Least Developed Countries (LDCs) are low-income countries confronting severe structural impediments to sustainable development.[2]

NGO

An NGO, meaning a non-governmental organisation, is an organisation that operates independently from the government, which are typically non-profit organisations that seek to address a social or political issue.

[1] https://www.un.org/development/desa/dpad/least-developed-country-category.html
[2] ibid

SDG
SDG is an acronym for sustainable development goals, which were adopted by the UN in 2015 to be used as a universal call of action to protect the planet, end poverty and ensure that by the target year of 2030, the planet is able to enjoy peace and prosperity.[3]

ODA
Official development assistance (ODA) is defined as government aid that promotes and specifically targets the economic development and welfare of developing countries.[4]

Sustainable Development
Development which meets the needs of the present without compromising the ability of future generations to meet their needs.[5]

FDI
An investment reflecting a lasting interest and control by a foreign direct investor, resident in one country, in an enterprise resident in another economy (foreign affiliate).[6]

Financial Resources
The resources from which the enterprises obtain the funds they need to finance their investments, capital and current activities.[7]

BACKGROUND INFORMATION

Sustainable Development
The concept of sustainable development was first discussed in 1972 at a UN conference held in Stockholm, although it may not have been discriminately mentioned. However, almost 15 years later, through a report published by the World Commission on Environment and Development, it gained an official definition and wider recognition. The United Nations (UN) conference on 'Environment and Development' held in Rio de Janeiro in 1992 was the first conference to have a very specific focus on sustainable development and set goals based upon this concept. Whilst

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[3] https://www.undp.org/sustainable-development-goals#:~:text=The%20Sustainable%20Development%20Goals%20(SDGs)%2C%20also%20known%20as%20the,people%20enjoy%20peace%20and%20prosperity

[4] https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/official-development-assistance.htm

[5] United Nations Brundtland Commission, http://www.un-documents.net/our-common-future.pdf

[6] https://ec.europa.eu/eurostat/web/economic-globalisation/globalisation-in-business-statistics/foreign-direct-investments#:~:text=Foreign%20direct%20investment%20(FDI)%20is,enterprise%20resident%20in%20another%20economy

[7] https://www.igi-global.com/dictionary/financial-problems-of-the-small--and-medium-sized-enterprises-and-solution-suggestions/45245

the topic has remained incredibly relevant over the years, the UN made a groundbreaking effort to achieve this through the imposition of SDGs in 2015.

Conferences for financing development

There has been a multitude of conferences which have attempted to solve the issue. These are covered in more detail below in the 'previous attempts' section below. International cooperation is a necessity in solving the issue, with the involvement of MDCs being a prerequisite to the sustainable development of LDCs. Conferences are a powerful method of such cooperation, yet previous attempts have often fallen short and failed to lead to the implementation of a concise and globally supported strategy to tackle the question at hand. From Monterrey to Addis Ababa, conferences have been ineffective as tools of diplomacy, merely setting an outline for action without actual means of enforcement or actual global support.

MAJOR COUNTRIES AND ORGANISATIONS INVOLVED

World Bank

The world bank has a hand in this effort, as seen by their attendance at the conferences involved. They specifically have had a focus on better governance, with the cutting of illicit financial flows specifically being on their agenda, to enable countries, communities and individuals to benefit from economic activity. On the sustainable development side of things, the World Bank has been incredibly involved as sustainable development goes hand in hand with their twin goals of ending poverty and boosting shared financial prosperity. They have been working with client countries in this area on three subjects: finance, data, and implementation.

World Trade Organisation

The primary way in which the World Trade Organisation (WTO) is involved in this topic is through its research. For example, a report was published by them on the importance of trade policy in the mobilisation of financial resources for development. The WTO is heavily involved in the agenda for achieving the SDGs by 2030. It typically works in conjunction with ECOSOC to monitor progress, furthermore providing an annual report on how successful the UN has been in this.

TIMELINE OF EVENTS

Date of Event	Description of event
18-22 March 2002	The first International Conference for Financing Development was held in Monterey, Mexico. This Conference was the first UN-sponsored summit on the issues of this topic guide. The result of this conference was an unprecedented level of co-operation from LDCs and MDCs and the creation of the 'Monterrey Consensus'. This conference identified 'six areas of Financing for Development'.
29th of November to the 2nd of December 2008	The second ever conference for Financing Development was held in Doha, Qatar. The result of this conference was a more extensive aim to concretely plan to improve the mobilisation of financial resources for LDCs. These plans included a call to action of richer countries to put an end to shadow banking and tax havens, along with a further call to improve gender equality.
9th of July 2009	On this date, a conference was held in New York City, USA to address the issues of financing for development in correspondence to the global financial crisis. Some plans were set down specifically on: Making stimulus better for all, increasing global resilience in the future and containing the effects of the crisis, better monitoring and, reforming the global financial and economic system.
13-16 July 2015	The third, and most recent conference for financing development, held in Addis Ababa, Ethiopia. The result of this conference was the following commitments: creating an enabling environment for business, harnessing the private sector, attracting investment via the creation of responsible, sustainable opportunities, and a recognition that businesses can provide information and technology to accelerate development.
25-27 September 2015	On this date at the UN office in New York the UN created Sustainable Development Goals (SDGs), along with committing to reaching them in 2030.
24th of September 2018	Again, in New York the UN held a meeting specifically on financing for development in relation to the SDGs, in which they released a 4-year strategy for financing development.
26th of September 2019	The UN holds a dialogue as a follow-up of the Addis Ababa conference to assess how well they have done, and any new issues that may have arisen since.

PREVIOUS ATTEMPTS TO SOLVE THE ISSUE

Monterrey Conference

The first conference for financing development led to the Monterrey consensus. This led to initiatives by the UN to reach the SDGs by 2030, the way in which they were to attempt this is through the improvement of the mobilisation of financial resources. Furthermore, a target of 0.7% of Gross National Income (GNI) to be given as ODA by developed countries to LDCs was brought in to fund the improvement of infrastructure in LDCs to attempt to solve this issue. However, there were some issues with the 0.7% GNI provision, mostly consisting of a lack of want by MDCs to give away that much money, and party politics, as the majority of these countries, are democratic. This can be seen by the controversy caused by the US not abiding by the consensus and only giving 0.19% in the year after the conference. This lacking enforcement of international law is of utmost importance in this topic and is an issue which must be addressed.

Doha Conference

The Doha conference was simply a follow-up to the Monterrey conference to check how well LDCs were doing in the wake of the financial crisis and to highlight any outdated or new issues that needed to be brought to light. The Doha Declaration on financing for development was a very specific attempt to solve this issue. With messages being for countries to keep up their 0.7% GNI provision of ODA per year. Main attempts to solve the issue at the Doha Conference include a want to promote national ownership of development strategies, an inclusive financial sector and expanding private flows in the hope they would reach LDCs. To further explain the expansion of financial flows, one must look at the issues with attempting to direct FDI. After all, the majority of FDI is done in the pursuit of profit, and the profit-maximising nature of investors typically is not in the best interest of LDCs. For example, many companies branch out for cheaper labour, tax breaks or other reasons that will limit the financial gains. As such, although an attempt was made in this conference, it was a weak attempt which should be confronted.

Addis Ababa conference

One of the main things put into place by the Addis Ababa conference was a forum for global infrastructure; this was a significant attempt to achieve a better mobilisation of financial resources. Infrastructure, particularly in taxation is a monumental reason why LDCs can not effectively mobilise all the financial resources them. Yet another attempt that was made at this conference was further pledging to limit illicit financial flows, improve the collection of taxation and in general improve governance. However, as is a common theme in this topic the majority of the previous solutions seem to consist of a lot more saying than doing.

POSSIBLE SOLUTIONS

Better Governance

One way in which this issue can be resolved is through better governance. Better governance in a less economically developed country means preventing issues like corruption and tax evasion. Due to the corruption in LDCs, tax revenue can be hidden from the public and squandered by the people in political power. Corruption also breeds tax evasion; politicians may receive bribes to keep quiet about taxes owed to richer individuals. Although corruption is difficult to tackle, it is a necessity to pursue this goal as it results in necessary finances being diverted away from sustainable development.

An improvement in infrastructure is also needed to achieve sustainable development in LDCs, without the correct taxing infrastructure and institutions to facilitate paying and collecting taxes, it is very easy to miss out on large amounts of money. Furthermore, another possible way to work towards solving this problem is by ensuring freedom for the people. There must be freedom, peace, security and free market initiatives to allow for development to occur through the financial freedom of the citizens of LDCs.

Tax Reform

Tax reform is also another incredibly simple solution to this plan, as one of the main reasons less developed countries can't mobilise their financial resources to the same extent as more developed countries is because of the complexity of the tax system and the difficulty they have identifying the amounts that people need to pay. Furthermore, their systems are typically outdated and have many taxes that cost more to employ than the revenue gained from them. Although internet access in LDCs may prevent the adoption of a fully modern system, a better allocation of resources used to collect taxes could go a long way.

Another form of tax reform that could be useful is the adoption of a 'large tax-payers office, which focuses on some of the richer people, whose tax bills should be much higher than the average person in these countries. After all, sustainable development is only possible when an LDC has the means to achieve it.

Eradicate External Debt

Due to the majority of LDCs being unable to support themselves, they have taken huge amounts of foreign loans. The paying back of these loans becomes a huge burden and many LDCs are trapped in a cycle of debt. To make sustainable development available, these external debts must be dealt with, whether this is through eradicating the external debt or by other means.

Encourage FDI

FDI has been seen worldwide as an engine for development and economic growth, and although it has already been addressed in previous conferences on the mobilisation of financial resources, it must have a further focus thrust upon it due to the profit-maximising nature of the majority of MDC investors. National policies are an amazing way to encourage FDI, and as such urging LDCs to create these policies would be an excellent way to bring more money into these countries. Furthermore, a new wave of investment could facilitate LDCs to improve their infrastructure and their taxation systems.

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