E.A.MUNC 2023

Economic and Financial Committee Background Guide

AGENDA

Analyzing the Covid–19 Recession

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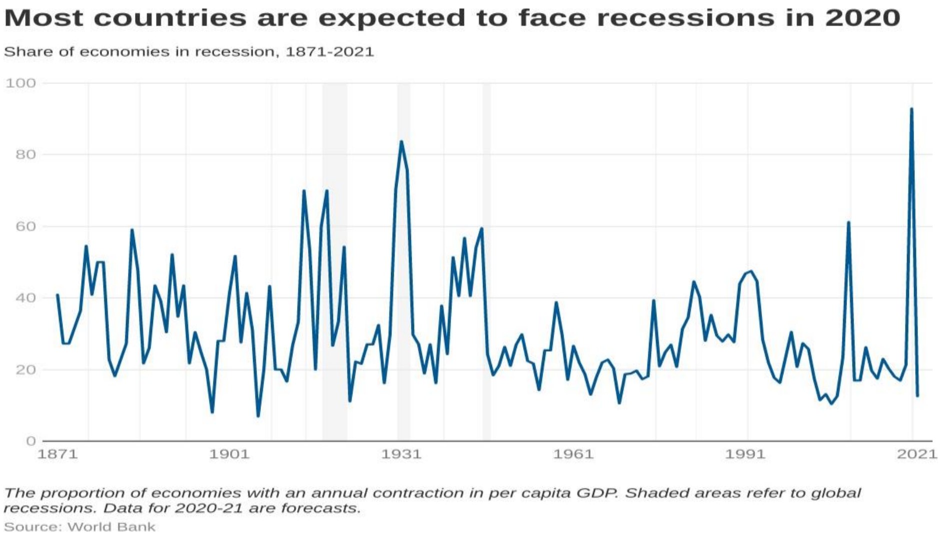
About the Committee

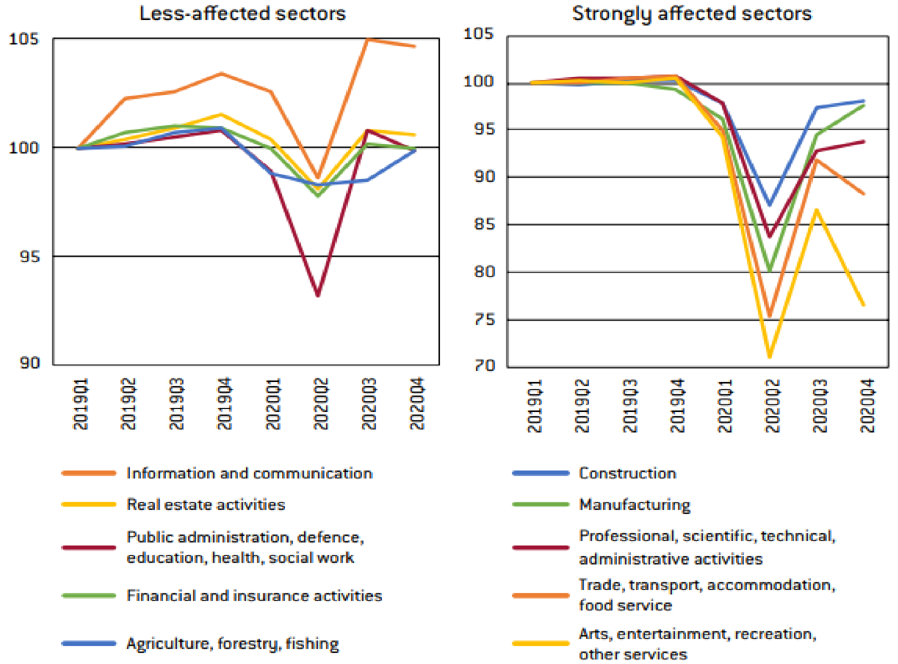
The United Nations General Assembly Second Committee which is also known as The Economic and Financial Committee(ECOFIN) is one of the six communities part of the United Nations General Assembly. It is tasked with the creation of resolutions on the various topics of economic policy, taxation issues and regulation of financial services. It was set up with the establishment of the United Nations after the end of the Second World War and first converged in London in January 1946.

The Economic and Financial Committee conducts its annual council sessions in October at its headquarters in New York, United States of America and aims to pass its resolutions by the end of November. All 193 member states of the United Nations are allowed to take part in the ECOFIN council session. The 76th Session of the Economic and Financial Committee was chaired by Her Excellency Vannessa Frazier, along with along with Ms. Nadja Micael, Ms. Karolina Krywulak and Ms. Claudia Mansfield LaRue as the Vice-Chairs and Ms. Prathma Uprety as the Rapporteur.

Introduction

The COVID-19 outbreak has resulted in the worst worldwide recession since World War II. According to estimations, the European Union will underperform the United States and China economically between 2019 and 2023. Southern European countries have been severely impacted. While the COVID-19 pandemic has shown considerable growth in the Information and Communication Technology sector, industries such as tourism, travel, and services have suffered drastically which has resulted in millions of families who relied on these industries for employment, losing their source of livelihood. In contrast, business insolvencies have decreased. While total employment has nearly rebounded, the young and those with low-level qualifications and experience have lost jobs. Inequality will increase. The pandemic might cause medium to long-term changes in the economy, such as more teleworking, faster productivity growth, and altered consumer behavior.





Effects Of The Covid-19 Recession

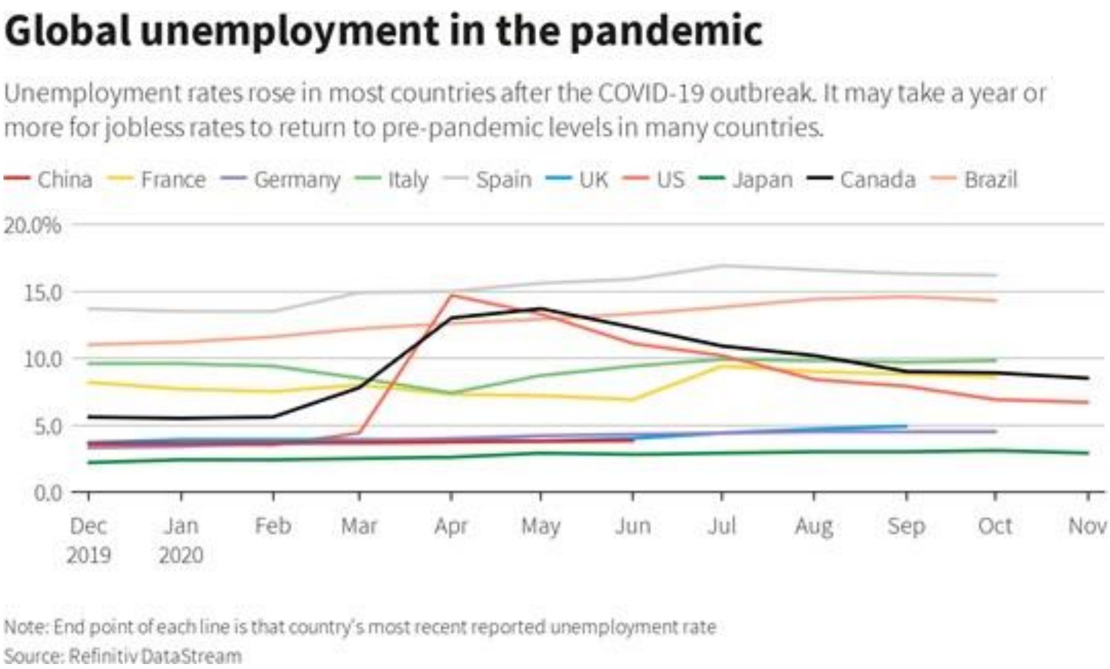
The effects of the COVID-19 recession are unevenly distributed, with low-skilled, low-wage workers, women, migrants, those living in poverty and other vulnerable populations suffering the most. This crisis is estimated to have pushed 131 million people worldwide below the poverty level with recent reports suggesting that almost 800 million people are now expected to remain in extreme poverty by 2030.

Economic forecasts show continuing risks to a sustained global recovery posed by a resurgence of infectious cases and potential inflationary pressures associated with pent-up consumer demand fueled by an increase in personal savings. On the supply side, shortages reflect disruptions to labor markets, production and supply chain obstructions, disruptions in global energy markets, and shipping and transportation constraints that are adding to inflationary pressures.

Major advanced economies, comprising 60% of global economic activity, are projected to operate below their potential output level through at least 2024, which indicates lower national and individual economic welfare relative to pre-pandemic levels

A number of economists and others estimated that pandemic-related disruptions to labor markets in developed and developing economies could have long-lasting effects. Few economists estimate that even after the recession caused by the pandemic recedes and economic activity returns back to normality, firms may not abandon the labor-saving lessons they learned, with fewer jobs created in the service sector such as retail outlets, restaurants, motor dealerships, and meat-packing facilities.

This analysis concluded the pandemic affected cross-border movements of individuals in response to travel restrictions and in trade through a sharp contraction in the global economy. Capital flows into the economy have also dropped due to low corporate earnings, business travel restrictions, negative business prospects, and concerns over global supply chains.



Ramifications of the recession on the Sustainable Development Goals

The latest report according to OECD's latest global outlook on financing for sustainable development, shows that the developing countries would face a shortfall of USD 1.7 trillion in the financing they would need to keep them on track for the 2030 sustainable development goals , as the governments and investors grapple with the health , economic and social impacts of the Covid-19 crisis. A fall in portfolio investments will cause a drop in private finances, foreign direct investments and the decline in remittances sent home by migrant workers.

In the intervening period, 90 out of 122 developing countries are said to be in economic recession as the virus affects sectors like tourism , manufacturing and commodities. The pandemic can cause risks in putting pressure on the flow of development aid from advanced to developing economies . It is stated in the report that reallocating just 1.1% of the total assets held by banks, institutional investors or asset managers is about USD 4.2 trillion which would be enough to fill the gap in SDG financing.

"Financing for sustainable development is at risk of collapse when it is needed more than ever. Covid-19 is erasing years of development progress and causing major setbacks to all sources of finance for developing countries under stress, many of which entered the crises with already severe structural impediments," said OECD Secretary-General Angel Gurría, presenting the report at a high level meeting of the OECD's development assistance committee.

The report also provides better incentives to guide financing, increased transparency and accountability of finance flows, and a systematic solution to developing country debt to avert liquidity problems, ensure access to capital markets and preserve banking stability. The OECD is working with the United Nations in order to design a framework to improve alignment of global finances with the SDG's.

Consequences of the recession to the Less Economically Developed Countries

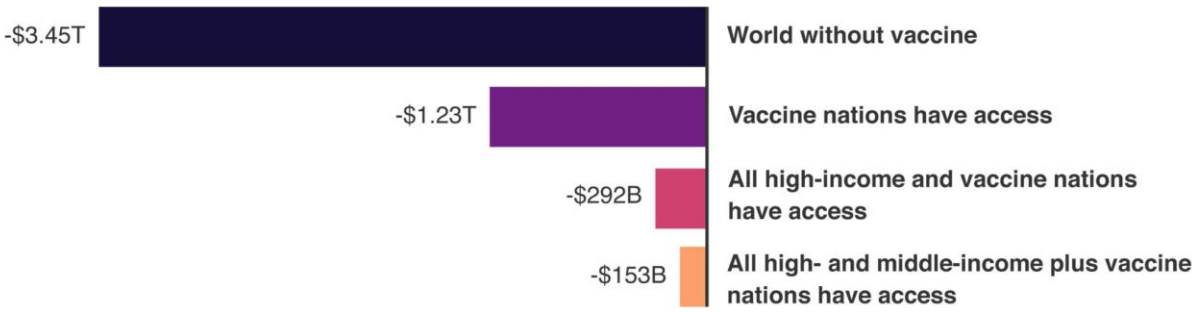
According to estimates, the covid-19 recession is predicted to have a long term effect on less economically developed countries (LEDC) than wealthier nations.

The failure to control the COVID-19 pandemic has had a huge negative impact on the global economy, with global GDP falling by 3.3 percent in 2020 and pushing mankind to the brink of another global recession. Even with the global economy projected to grow by 6 percent in 2021, recovery largely depends on an equitable distribution of the vaccine globally. Failure to achieve this policy could cost the world economy almost $9 trillion, according to the International Chamber of Commerce, with the costs borne equally by the rich and poor nations alike, causing an economic devastation that would be greater than the 2008 financial crisis.

Vaccine access has emerged as the leading determinant of global economic recovery, particularly for low-income and emerging economies. Low-income countries would add $38 billion to their economy forecast for 2021 if they had the same vaccination rate as high income countries

The COVID-19 pandemic erased the equivalent of 255 million jobs in 2020, losses were particularly high in Latin America and the Caribbean, Southern Europe and Southern Asia which further pushed their populations into situations of extreme poverty and less progress on sustainable development goals and climate action.

World Bank President David Malpass warned that the global recession could set back decades of progress in low-income countries, stating that the COVID-19 pandemic would lead to higher infant mortality rates and stunted growth for children.



Measures undertaken by UN and Organs

The central banks are not in a position to solve this crisis alone and an appropriate macroeconomic policy response will need confrontational fiscal spending with significant public investments which include taking care of the economy and the targeted welfare support for unfavorably affected workers, businesses and communities, as stated in the analysis.

The measures adopted by the ECOFIN to help fight the recessions were to protect jobs and incomes, keep business afloat and provide government with support it needs. The central focus was to have an aspiring and well-appointed MFF. Their second priority was to alleviate unemployment risks.

The United States passed a measure on 27 March which included $2.2 trillion in supplemental appropriations to respond to the COVID-19 outbreak - the third and largest stimulus package passed by Congress to tackle the crisis. It provides small businesses and nonprofits with 500 or fewer employees with almost $350 billion in partially forgivable loans. Japan has responded to the impact of COVID-19 with a package of ¥108 trillion (about $1 trillion) - equivalent to 20 per cent of the nation's GDP - to protect lives and livelihoods and move the nation towards post-crisis economic recovery. The United Kingdom has made £330 billion of loans and guarantees available to businesses, equivalent to 15 percent of its GDP.

Additional borrowing during the pandemic and increasing debt-servicing costs, has pushed many nations towards the brink of a total economic crisis. These countries are in urgent need of further and coordinated international support for debt relief to stabilize their economies and provide adequate welfare measures to its people in the context of the pandemic.

The World Bank has passed a resolution for providing $160 billion in financing – the largest response in its history – to help 100 low-income countries respond efficiently to the health, economic and social impacts of COVID-19 pandemic, including $50 billion of resources on grant and highly concessional terms, and $20 billion for vaccine purchase and distribution.

Conclusion

The Covid-19 pandemic has resulted in one of the worst recessions ever seen in recent times. The stock market crashes, the breaking up of trade lines, dissolving of companies and reduced commercial movement has all resulted in the many countries facing a major hit on their developmental and institutional goals. Many families lost their loved ones, their livelihood and their homes which pushed millions into the verge of poverty and homlessness.

The Committee aims to find solutions to the following problems by achieving consensus and successfully passing the resolutions which have been put forward by the different countries. The delegates of each country must recognize their responsibility towards the millions they represent during the committee sessions and put forward and support the resolutions which they believe can have a positive effect in helping the world bounce back from this economic crisis.

Questions a Resolution Must Answer

1) What would be the appropriate solution against the unequal distribution of relief funds?
2) What measures would be taken for the upliftment of Less Economically Developed Nations(LEDCs)?
3) Where would the committee obtain funds to handle its relief policies?
4) Which sectors of the economy should be prioritized for relief funds?
5) What measures should be undertaken to strengthen the existing trade lines that have broken down due to the economic recession?
6) How can countries provide support towards the individuals who have lost their means of livelihood due to the recession?

Position Paper Guidelines

Font: Times New Roman Font
Size: 12
Position Paper Page Limit: One page (excluding bibliography)

Position Paper Format

Page One:

Delegate Name : _____________
Country : _____________
Institution : _____________
Topic :______________

‘A quote is preferred, not compulsory’

Paragraph one: Introduction to the topic and steps taken by the UN on the topic at hand.

Paragraph two: Elaboration on the country’s laws and policies regarding the topic and how it is affected by the topic at hand, its and measures incorporated by the country to combat the problem. Statistical Data is preferred.

Paragraph three: Unique solutions suggested by the delegate to combat the problem.

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Page two:

Bibliography

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