FORUM: Economic and Social Council
QUESTION OF: Addressing debt problems of developing countries
MAIN-SUBMITTED BY: The Russian Federation

THE ECONOMIC AND SOCIAL COUNCIL,

Noting with deep concern that the international debt of developing countries has grown dramatically since the 1980s, with an increasing amount of nations struggling with unsustainable debt that causes economic recession and hinders development,

Affirming the Heavily Indebted Poor Countries (HIPC) initiative by the International Monetary Fund (IMF) and World Bank in 1996, which provides low interest loans and debt relief to an eligible group of 37 developing countries experiencing high levels of debt and poverty,

Conscious of the fact that the lack of monitorization of developmental loans on a global scale has caused ineffective expenditures, with approximately 20% wasted on the military, failed infrastructure projects and government corruption,

Alarmed by the fact that a study from the World Bank in 2010 found the debt of developing countries to be totaled at approximately $4 trillion, surmounting to an average of 21% of the Gross National Income (GNI) of these countries and reaching as high as 43% in Europe and Central Asia's developing nations,

1. <u>Recommends</u> More Economically Developed Countries (MEDCs) and international institutions such as the World Bank and the International Monetary Funds to increase facilitation of external debt and relief in developing countries to ensure the effective expenditure of development assistance through ways such as but not limited to:
    a. implementing the Digital Accountability and Transparency Act (DATA) in developing country governments with the objective of:
        i. making expenditures accessible and transparent by establishing a system of financial data sharing online and to other official organizations
        ii. having records and receipts listed and archived so that unaccounted expenditure can be controlled;
    b. curbing government corruption of external loans through the construction of stricter regulations through ways, such as but not limited to:
        i. promoting transparency of government expenditures and freedom of press,
        ii. reforming legal framework and policies to end government impunity

    iii. performing mandatory audits on governmental loan expenditures by a neutral third party (UN branch)
    iv. collaboration between governments and non-profit non-governmental organizations (NGOs) such as the International Monetary Fund (IMF) or the World Bank in order to track external debt and relief expenditures;
  c. the monitorization and management of social and economic progress and funds provided by the IMF, the World Bank, and other international organizations for the HIPC on the developing nations by the UN, specifically on aspects of education, infrastructure, health, and various social and public services;

2. <u>Expresses its hope</u> for MEDCs and international organizations to continue and increase debt relief initiatives/developmental assistance to LEDC in order to propagate social development and debt sustainability through means, such as but not limited to:
  a. a wider range of qualification conditions for the HIPCs initiative, not only considering debt traps and GDP but other factors in the consideration of picking nations who are eligible for assistance by the International Monetary Fund (IMF) and the World Bank such as but not limited to:
    i. consideration of the economic history and background of the nation
    ii. consideration of political and social implication domestically and internationally of such debt situations
    iii. regularly reassessing the HIPCs threshold requirements in order to be certain any nation in need of such aid are considered, and that no effort is wasted on countries not in need benefitting from the HIPC Initiative;
  b. reiterating the Multilateral Debt Relief Initiative (MDRI) to supplement the HIPC initiative with the objectives of:
    i. improving living standards in in-debt third world countries through poverty reduction strategies, macroeconomic policies and more
    ii. providing more debt relief to HIPCs to reach economic sustainability
    iii. aiding recovering developing nations to reach debt full self-sustainability;
  c. encouraging the IMF and World Bank to negotiate further on interest rates and loan rescheduling and restructuring with countries that have the risk of loan default through ways not limited to:
    i. the extension of payment deadlines for struggling countries
    ii. the increase in intervals of payment
    iii. the reduction of payment amounts;

3. Further recommends LEDCs to take action regarding sustainable economic and social development in order to increase their ability to repay debts and decrease loan default risk through ways such as but not limited to:
    a. suggesting MEDCs help improve and increase education resources such as but not limited to facilities and books in order to educate the young citizens of LEDCs through means such as but not limited to:
        i. collaboration through NGOs that hold educational resource fundraisers and redistribute them to LEDCs
        ii. incentivize collaboration between nations through multilateral trade agreements
        iii. providing education in the STEM fields to further set up opportunities in technological and medical development;
    b. collaboration between the member states to help LEDCs to construct Social Overhead Capital (SOC) such as but not limited to:
        i. highways
        ii. railways
        iii. power plants;

4. Advises HIPCs and other developing nations to promote the constructive use of debt/equity swaps in order to facilitate economic growth and reverse capital flight through means such as but not limited to:
    a. surveying and applying the success of Chile in 1987 according to circumstances of developing countries through:
        i. examination of the discrepancies between the market value of native and international currencies
        ii. analyzation of the financial and investment climate of the country by government financiers and third parties;
    b. attracting foreign investment and capital investment through the:
        i. financial regulation reforms that incentivize foreign investment
        ii. decrease of state interference through taxation, regulation and subsidies in capital markets;

5. Encourages developing nations to reduce the size of the public sector in its economy and privatize state-owned enterprises to stimulate economic growth and decrease government expenditures through means such as but not limited to:
    a. creating and expanding capital markets by:
        i. reforming economic policies to incentivize foreign investment
        ii. popularizing capitalism in developing countries by making wider sharing of ownership available to the public

iii. promoting financial literacy and understanding of the benefits of capitalism to the public;
b. ensuring economic liberalization through ways such as but limited to:
    i. lessening the government economic restrictions and regulations
    ii. lowering taxes for business
    iii. decreasing government intervention with supply and demand to create unrestricted competition;
c. preserving property rights of private business' by:
    i. strengthening property laws that protect private sectors
    ii. government enforcement of property right laws;

6. Emphasizes the need for ameliorated global monitoring and accountability mechanisms to ensure the compliance of external debt principles by in debt developing countries through means such as but not limited to:
    a. creation of an international monitoring system under the United Nations Conference on Trade and Development (UNCTAD) with the duties of:
        i. creating cross-country analysis to compare the debt expenditures performances of countries
        ii. analyzing the best developmental practices and sharing this with other countries
        iii. introducing a system of sustainable lending and borrowing based on the ability of a country to repay loans;
    b. introducing self-monitoring of debt expenditures in developing countries through ways such as but not limited to:
        i. the conduction of annual debt audits by chosen third parties
        ii. monitoring of debt expenditures by local and national officials.