FORUM: Economic and Social Council

ISSUE: Measures to Mobilize Financial Resources for Developing Countries for Sustainable Development

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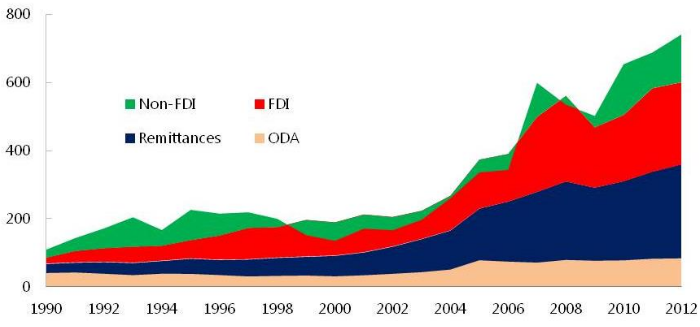
Introduction

Financial resources are funds, capital, or assets that a person, organization, or government may use at will to finance various activities, projects, or initiatives. These resources may include money, investment, savings, subsidies, loans and other financial instruments that may be used for economic and development purposes.



Financial flows to Developing countries: 1990-2012

In an era when global interdependence and shared responsibility are common, narrowing the gap between the rich and the poor in developing countries has become an important factor for global sustainable development. This stands as a pivotal force shaping the trajectory of developing countries in a society based on numerous challenges and opportunities. The global community, including the United Nations, emphasizes the help and exchange of neighboring countries, including financial support, to support each country's efforts to combat poverty, promote economic growth, improve infrastructure, and solve social and environmental problems. Recognizing the urgency of these efforts, governments and international organizations are actively seeking ways to open up the resources necessary to revitalize the community. By providing a solid foundation for financial support, developing countries can build resilient economies and strengthen social inclusion. The realization of inclusive and sustainable development depends on the ability to mobilize appropriate financial resources to boost communities, boost economic growth, and address pressing social and environmental issues. However, there are some things that need to be recognized for a successful and effective solution.

Indeed, it should be borne in mind that developing countries face numerous obstacles in their development journey, including limited access to capital, inadequate infrastructure, and institutional challenges. These obstacles hinder the achievement of the UN's goals for sustainable development. Nor should developing countries increase their dependence on external financing. For effective development, domestic policy correction, such as strengthening domestic collection, is essential.

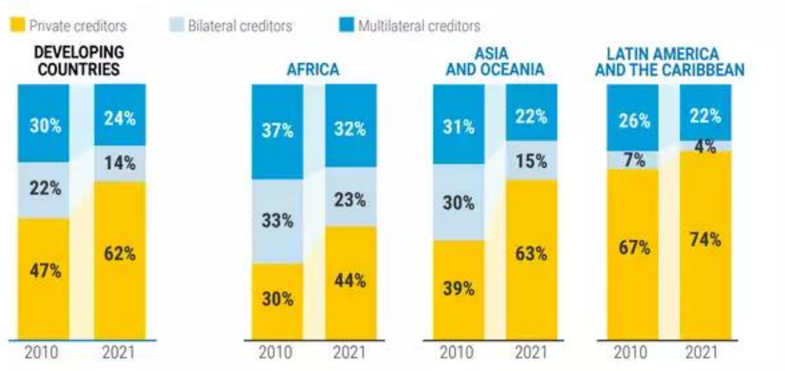
This report seeks key measures and strategies that can be implemented to mobilize financial resources and promote inclusive growth so that developing countries can seek a path to prosperity.

Background

In a developing society developing countries face significant financial gaps, hindering their ability to implement sustainable development plans. These gaps arise in a state of economic uncertainty, such as a lack of domestic resources or capital, inadequate access to international financial markets, and national debt. The major factors that put developing countries in this situation are the following:

Limited domestic resources

Limited domestic resources can pose significant challenges to the state's ability to provide essential facilities and services. When governments face funding constraints, it becomes increasingly difficult to allocate enough funds to these important sectors. As a result, the quality of education can be reduced, access to healthcare can be reduced, infrastructure development can be delayed, and social safety nets can be strained.



Developing countries now rely more on private creditors, making credit more expensive debt restructuring complicated

Inadequate access to the international financial market

Developing countries may have difficulty accessing international financial markets for a number of reasons including limited financial infrastructure, high levels of debt, economic and political instability, and limited creditworthiness. The reason is the high risk of financial transactions resulting from political instability in developing countries, weak governance, and poor creditworthiness, such as inadequate legal framework. This falling creditworthiness makes the country's repayment performance poor and makes it difficult for developing countries to secure loans or get help from international financial institutions.

High national debt

It is obvious that most developing countries have high levels of debt. This severely hinders the financial support they can receive. Foreign debt accumulated when a country borrows from foreign lenders or international financial institutions can consume a significant portion of the national budget when repaying these debts with related interest, reducing room for domestic investment. The burden of high debt causes development priorities among countries to be relegated.

Problems Raised

Global Economic Imbalances

Financial resource constraints in developing countries have far-reaching implications that can lead to economic imbalances at the international level. This stifles the economic potential of infrastructure development, innovation, and enterprise development. These imbalances cloud the priorities of necessary international issues, such as education, the environment, and healthcare, and lead to inadequate access. Their cross-border imbalances perpetuate the cycle of economic dependence and limit their ability to diversify. Their underdeveloped infrastructure poses a significant obstacle to international trade and economic cooperation.

Migration and Refugee Crises

People in many developing countries had to leave their hometowns

Limited economic opportunities and income gaps within developing countries lead individuals to pursue better livelihoods in richer countries. It can also affect the delivery of essential services, including healthcare, education, and social support systems. Inadequate access to quality healthcare and education, coupled with a lack of social safety nets, can lead individuals and families to seek refuge in countries that provide better access to these services. The effects of this immigration and refugee crisis extend beyond the borders of developing countries. Receiving countries often face challenges related to the integration of migrants and refugees, including the burden of infrastructure, public services and social cohesion.

Global Health Concerns

Financial resource constraints can hinder developing countries' ability to effectively address public health problems. This could lead to a state-funded shortage of healthcare infrastructure, vaccination campaigns, and disease prevention. This leads to a lack of ability to provide adequate care and respond quickly to public health crises. In developing countries, insufficient resources to contain and manage these outbreaks can lead to uncontrolled transmission, putting neighboring and distant countries at risk.

International Actions

Debt Relief and Debt Restructuring

Debt relief helps ease the debt burden on countries facing economic difficulties. There are restructuring programs that help countries renegotiate debt terms or extend repayment periods. Typically, there are renegotiation of debt terms and extension of repayment period. Debt terms renegotiation refers to renegotiating a country's debt terms. This not only makes debt more manageable by adjusting factors such as interest rates, repayment periods, and payment schedules, but also allows debtor countries to gain some relief in fulfilling their debt obligations.

The extension of the repayment period involves extending the period during which the debtor country has to repay the debt. Extending the repayment period could reduce the burden of paying debts in the short term, giving the country more time to stabilize the economy and improve its financial situation. It also manages debt obligations by lowering interest rates. But it should be remembered that debt relief can provide immediate relief, but it is not a long-term solution. It should also be borne in mind that debt relief initiatives generally involve conditions such as policy reforms or poverty reduction strategies to ensure effective resource use by debtor countries and promote economic stability.

Revitalize the global partnership for sustainable development

Official development aid (ODA) flows in 2021 rose 3.3% to $177.6 billion on a real basis, accounting for 0.33% of donors' gross national income (GNI). However, it still fell short of the target of 0.7%. 150 countries and regions reported implementing national statistical plans, with ODA for data and statistics reaching $650 million. Total external debt stocks in low- and middle-income countries rose to $8.7 trillion, and long-term debt increased significantly. The flow of remittances to medium and low income countries was $605 billion, up 8.6% from 2020. Global foreign direct investment flows rebounded strongly to reach $1.58 trillion in 2021, with developing countries experiencing a 30% increase.

Representatives from East and South Africa learn from India's experience to turn cotton byproducts into clean energy and jobs

South-South Cooperation

South-South cooperation refers to cooperation between developing countries to share resources, knowledge, and expertise. Financial resources are often mobilized through bilateral agreements, technical cooperation programs, and resource pooling. Initiatives such as the Indo-Brazilian-South Africa (IBSA) Fund and the China-Africa Development Fund are examples of South-South cooperation mechanisms that provide financial support for development projects. It provides opportunities for developing countries to learn from each other's experiences, exploit their collective strengths, and promote mutual growth and development.

Key Players

Multilateral Development Banks (MDBs)

MDBs such as the World Bank, the International Monetary Fund, and the Regional Development Bank play an important role in mobilizing resources from developing countries. They provide loans, grants, and technical support to support development projects and programs. These institutions also work with governments to improve governance, policy frameworks, and institutional capabilities.

United States

Flag of the United States

The United States has historically been a major contributor to development finance. It is also one of the largest shareholders of the World Bank. It provides substantial funding through a variety of channels, including bilateral aid programs such as the United States Agency for International Development (USAID) and multilateral development agencies such as the World Bank and the International Monetary Fund (IMF).It plays an important role in funding institutions and shaping policies. The World Bank provides loans, grants and technical support to developing countries for a wide range of development projects, including infrastructure development, poverty reduction programs, and capacity building plans. The United States contributes significant funds to the World Bank's International Development Association (IDA), which focuses on financial support for the world's poorest countries.

Oxfam International

Oxfam is an international Non-Governmental Organization (NGO) focused on poverty alleviation, inequality mitigation, and social justice. They work to mobilize financial resources for development projects, advocate fair trade, and promote sustainable economic practices in developing countries. They are currently focusing on many activities and seeking ways for Less Economically Developed Countries (LEDCs) countries and More Economically Developed Countries (MEDCs) countries to develop sustainable financial chains together. For example, their current goals include “Unlocking sustainable development in Africa by addressing unpaid care and domestic work” and “Mobilizing domestic resources to help Mali’s poorest populations.”

Possible Solutions

Easing financial resource constraints

Financial resource constraints in developing countries have far-reaching implications that can lead to economic imbalances at the international level. To alleviate these problems, efforts to ease financial resource constraints in developing countries are first needed. International cooperation and support in the form of development aid, debt relief, and investment in sustainable development can play a decisive role in empowering these countries to overcome economic imbalances. Promoting access to cheap credit, promoting fair trade practices, and facilitating technology transfer can also contribute to improving the economic capabilities of developing countries. By addressing fiscal resource constraints, the international community can promote more inclusive and sustainable global economic growth while promoting fair development worldwide.

International Medical Cooperation

Global health issues require international cooperation, resource allocation, and support to address fundamental issues. International organizations, governments, and non-governmental organizations play an important role in providing financial support, technical expertise, and capacity building initiatives. Development assistance and funding for health programs and initiatives such as the World Health Organization's Global Health Security Agenda can help strengthen health care systems, improve access to health care, and improve disease monitoring and response capabilities in developing countries.

Microfinance and Financial Inclusion

Microfinance refers to providing financial services such as microloans, savings accounts, insurance, and payment services to low-income and underprivileged people such as small business owners, farmers, and female entrepreneurs. The primary goal of microfinance is to allow these individuals and companies to access financial resources that are not available through traditional banking channels. Financial inclusion refers to the broader goal of providing access to a variety of financial services to all citizens, including those without or lacking banks. Beyond simply providing credit, it includes services such as savings accounts, insurance, and digital payment solutions. Microfinance and financial inclusion have proven effective in improving the lives of low-income individuals and driving economic growth in many developing countries. Governments, international organizations, and microfinance institutions will continue to work together to expand access to financial services, ultimately contributing to sustainable development and poverty alleviation.

Glossary

Developing Countries

a country which, relative to other countries, has a lower average standard of living

Domestic

Refers to the financial resources generated within a country through activities such as taxation, natural resource revenues, and domestic savings.

USAID

United States Agency for International Development; USAID is leading international development and humanitarian efforts to save lives, reduce poverty, strengthen democratic governance, and help people develop beyond aid.

IMF

International Monetary Fund: IMF monitors the international monetary system and global economic development to identify risks and recommend policies for growth and financial stability

ODA

Official development assistance: Government aid designed to promote economic development and welfare in developing countries.

Microfinance

Banking services offered to low-income individuals or groups who otherwise do not have access to financial services

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