PACE MUN 2025

CONFLICTS TO CONSENSUS

BACKGROUND GUIDE

COMMITTEE: ECOSOC (Economic and Social Council)

AGENDA: Addressing the Global Debt Architecture to prevent economic collapse in conflict affected and vulnerable states.

LETTER FROM THE CHAIRS

Dear delegates,

On behalf of the Organizing Committee, it is our honor to welcome you to PACEMUN 2025.

It is a true pleasure to have you represent your respective nations in this dynamic forum dedicated to international peace, security, and cooperation.

We, Avani and Haya, your Chair and Co-Chair, are delighted to welcome you to the Economic and Social Council (ECOSOC), a space where ideas are tested, voices are discovered, and perspectives unite to create meaningful changes.

As you engage in the committee's discussions, remember that diplomacy is not about competition, but collaboration. Every delegate begins somewhere — what truly matters is your willingness to learn, listen, and contribute. Even the smallest effort can ignite greater understanding and lead to impactful outcomes.

Let this committee be a place where ideas transform into action, where respectful dialogue drives innovation, and where the true spirit of diplomacy shines through.

We wish you all the very best for an engaging, insightful, and impactful conference. We cannot wait to witness the intellect, passion, and creativity that each of you brings to the table.

Warm regards,

Avani Menon & Haya Shehna Ansar.
Chair & Co-Chair

INTRODUCTION TO THE COMMITTEE

The Economic and Social Council (ECOSOC) is one of the six principal organs of the United Nations, created under the UN Charter in 1945 to advance international economic and social cooperation and development. It serves as the UN's central forum for addressing global economic, social, and related issues, providing policy guidance and recommendations to member states and the wider UN system.

The Council is composed of 54 member states elected by the General Assembly for overlapping three-year terms, with seats distributed to ensure equitable geographic representation across regions; 14 for Africa, 11 for Asia-Pacific, 6 for Eastern Europe, 10 for Latin America and the Caribbean, and 13 for Western Europe and other groups.

ECOSOC plays a key role in promoting sustainable development, fostering intergovernmental economic cooperation, and tackling pressing social and environmental challenges. It coordinates the activities of the UN's specialized agencies, functional commissions, and regional commissions to ensure policy coherence and collaboration across the global development agenda.

Throughout its history, ECOSOC has been pivotal in advancing the UN's objectives, most notably in steering the implementation of the Sustainable Development Goals (SDGs) and encouraging inclusive economic growth, global social progress, and environmental sustainability.

A DELVE INTO THE AGENDA:

AGENDA: Addressing the Global Debt Architecture to prevent economic collapse in conflict affected and vulnerable states.

Who benefits from economic warfare? Well, certainly not ordinary citizens caught in the crossfire of financial battles between nations. While defense contractors like Lockheed Martin may profit from conflict and political elites may flex their economic muscles, it's the world's most vulnerable populations who bear the real cost of our broken global debt system.

In the realm of international finance, we've abandoned the wisdom of sustainable economic cooperation in favor of more cutthroat approaches that seek profit from others' misfortune. As financial titans have long understood, there's money to be made when economies are bleeding, but at what cost to human dignity and development?

One of the most insidious ways this plays out on the global stage is through the weaponization of debt against developing and conflict-affected nations. Simply put, the current debt architecture is designed where wealthy creditor nations and institutions use their financial leverage to impose harsh conditions on struggling economies, forcing them into cycles of austerity, underdevelopment, and dependency. These nations find themselves trapped in a vicious circle of new borrowing and punitive repayment terms that prioritize debt service over basic human rights and public services.

The trouble is that debt crises are like economic atomic weapons- they devastate the target country while causing massive collateral damage to innocent populations. When developing nations face unsustainable debt burdens, the resulting austerity measures cut funding for healthcare, education, and social protection, hitting the most vulnerable hardest. Meanwhile, creditor nations often emerge unscathed or even enriched by the process.

This system particularly punishes countries trying to navigate multiple crises simultaneously. Nations recovering from conflict, dealing with climate disasters, or facing economic shocks find themselves with no automatic relief mechanisms, forced to negotiate with creditors who hold all the cards. The current non-regime keeps Global South countries perpetually trapped between impossible debt payments and the basic needs of their populations.

The existing debt resolution mechanisms are purely political and heavily skewed toward creditor interests. In an increasingly polarized world, countries facing debt distress have little recourse beyond accepting harsh restructuring terms or risking complete economic isolation. There's no neutral, multilateral framework that puts human rights and development needs on equal footing with creditor demands.

In short, the current debt system is a luxury that benefits wealthy creditor nations while ordinary people worldwide pay the price through reduced public services, stunted development, and prolonged economic hardship. As we approach the Fourth UN Conference on Financing for Development in 2025, it's up to you delegates to fundamentally reform this broken architecture, and that's exactly what the world desperately needs to see at this conference.

HISTORICAL BACKGROUND / TIMELINE

The origins of the global debt system trace back to the post–World War II era, when international financial institutions such as the International Monetary Fund (IMF) and the World Bank were created under the 1944 Bretton Woods Agreement. These institutions aimed to rebuild war-torn economies and promote global economic stability, but over time, their lending practices evolved into mechanisms that deeply shaped the economies of developing nations.

During the 1970s, oil shocks and rising global interest rates triggered widespread borrowing by developing countries seeking to maintain growth and import stability. This borrowing spree led to the Latin American debt crisis of the 1980s, where countries like Mexico and Brazil defaulted on their loans, revealing how vulnerable economies could collapse under unsustainable debt burdens. The IMF and World Bank responded with Structural Adjustment Programs (SAPs)- economic reforms that prioritized debt repayment through austerity, often at the cost of social welfare and public investment.

The 1990s saw repeated crises in Africa and Asia, with the IMF and World Bank introducing the Heavily Indebted Poor Countries (HIPC) Initiative (1996) and the Multilateral Debt Relief Initiative (MDRI) (2005) to provide partial relief. While these programs reduced debt levels for some nations, they were criticized for imposing harsh conditionalities and failing to establish a permanent, fair mechanism for debt restructuring.

The 2008 global financial crisis further exposed the fragility of the international debt architecture, showing how interlinked global markets could transmit economic shocks to developing nations. The crisis reinforced calls for reforming international financial governance and for giving developing countries a greater voice in global economic decision-making.

The COVID-19 pandemic (2020–2022) reignited the debt debate when more than half of low-income countries were pushed into or near debt distress. The G20's Debt Service Suspension Initiative (DSSI) and the Common Framework for Debt Treatments were launched as emergency measures, but limited participation from private creditors and complex coordination delayed relief.

Today, with rising interest rates, climate disasters, and ongoing conflicts, the global debt problem has reached a critical point. The world faces a new "debt trap" era where more than 60% of developing countries spend more on debt repayment than on health or education. This moment calls for a comprehensive reform of the global debt architecture — one that balances economic responsibility with social justice and sustainable development.

KEY ISSUES / AREAS OF CONCERNS:

1. Unsustainable Debt Burdens and Limited Fiscal Space Many conflict-affected and vulnerable states face skyrocketing debt levels due to prolonged instability, falling revenue, and heavy borrowing for reconstruction. This leaves little fiscal space for essential public spending on health, education, or infrastructure. High interest rates, coupled with global economic volatility, have made debt repayment nearly impossible for many developing economies.

2. Dependence on External Financing Countries emerging from conflict often rely on loans from international institutions, bilateral creditors, or private investors. This dependence creates vulnerability to external shocks — especially when global financial conditions tighten or when credit ratings deteriorate due to instability. The lack of diversified financing mechanisms traps countries in cycles of borrowing.

3. Lack of Inclusive Global Debt Governance The current global debt architecture is fragmented — involving multiple lenders (IMF, World Bank, Paris Club, China, private creditors) without a coordinated restructuring mechanism. This absence of a universal framework leads to delays in debt relief, unequal treatment of creditors, and opaque negotiations that disadvantage vulnerable countries.

4. Impact of Conflict and Fragility on Economic Stability Armed conflicts destroy economic infrastructure, disrupt trade, and deter investment. This leads to reduced GDP, inflation, and unemployment, further weakening a country's ability to service debt. Conflict also diverts funds from development priorities to defense or humanitarian needs, perpetuating economic collapse.

5. Currency Instability and Inflation Fragile states often face rapid currency depreciation and hyperinflation. These economic distortions make debt servicing in foreign currencies extremely costly. The lack of stable monetary institutions worsens investor confidence and leads to capital flight.

6. Limited Access to Debt Relief and Restructuring Mechanisms Current debt restructuring initiatives — such as the G20 Common Framework — are criticized for being slow, limited in scope, and not fully addressing the needs of fragile economies. Many low-income states are excluded or face bureaucratic hurdles, delaying economic recovery.

7. Social and Humanitarian Impacts Excessive debt servicing diverts resources away from social sectors, exacerbating poverty, unemployment, and inequality. In conflict zones, this undermines peacebuilding and reconstruction efforts, making sustainable development nearly impossible.

8. Climate Vulnerability and Disaster-Linked Debt Many vulnerable states also suffer from climate-related disasters, forcing them to borrow more for recovery. The absence of debt clauses linked to climate shocks (like "debt-forclimate swaps" or "hurricane clauses") increases their vulnerability.

9. Transparency and Data Gaps Lack of transparency in debt contracts, especially with private and non-Paris Club lenders, makes it difficult to assess the full scale of a country's obligations. This creates mistrust and complicates coordination among creditors.

10. Limited Role of International Cooperation While ECOSOC and the UN system promote sustainable financing, coordination among global institutions (like the IMF, World Bank, and regional banks) remains insufficient. Without multilateral coherence, debt restructuring remains inconsistent and reactive rather than proactive.

MAJOR PARTIES INVOLVED

United States: The U.S. is the largest economy and a major creditor nation, holding significant portions of sovereign and private debt globally. It influences international financial institutions like the IMF and World Bank and plays a pivotal role in shaping global debt policies. The U.S. also extends bilateral loans and participates in debt relief initiatives.

China: China has rapidly emerged as a key creditor, particularly in loans to developing countries through initiatives such as the Belt and Road. China's lending practices, often through state-owned banks, are critical in shaping debt sustainability in many low- and middle-income countries, especially in Africa and Asia.

Japan: Japan is a substantial creditor with high external debt holdings and long-standing involvement in official development assistance and multilateral engagements through the IMF and World Bank. It also supports debt relief and restructuring programs.

European Countries (France, Germany, United Kingdom, Italy): These nations are major creditors in bilateral and multilateral debt arrangements. They contribute substantial capital to international financial institutions and have significant influence over debt-related policies. They also engage in coordinated debt relief efforts for heavily indebted countries.

Debtor Countries: These are primarily low- and middle-income nations, many affected by conflict, economic crises, or natural disasters. Their role involves managing sovereign debt responsibly to finance development, social programs, and reconstruction without jeopardizing fiscal sustainability. They are responsible for transparent reporting, adhering to debt repayment schedules, and engaging proactively with creditors to negotiate debt restructuring when necessary.

Creditor Countries: Wealthy nations often extend bilateral loans or act as guarantors. They influence the terms and conditions of lending and debt relief and have a responsibility to lend prudently to avoid pushing borrowers into unsustainable debt. They participate in multilateral debt relief initiatives and frameworks such as the G20 Common Framework and must coordinate among themselves to avoid fragmented responses.

International Financial Institutions: The IMF and World Bank play critical roles in providing financial support, conducting Debt Sustainability Analyses (DSAs), and facilitating debt restructuring talks. They help design frameworks for responsible borrowing and lending, provide technical assistance to debtor countries, and sometimes act as mediators between debtors and creditors.

United Nations Bodies: ECOSOC coordinates policy discussions on economic and social development, including debt sustainability. UNCTAD contributes research and principles on responsible sovereign lending and borrowing. UNDP supports capacity building and development programs in debtor countries to enhance recovery and sustainable development.

Private Sector Creditors: These include commercial banks, bondholders, and investors who purchase sovereign debt in international markets. Their role involves risk assessment and returns expectations but also increasingly includes responsibility for sustainable investment practices and human rights considerations. They engage in negotiations during debt crises and influence market-based solutions like debt swaps and restructuring.

NGOs and Civil Society: These groups advocate for debt justice, transparency, and equitable treatment of debtor nations. They monitor creditor behaviour, raise awareness on the socioeconomic impacts of debt burdens, and push for inclusive policies that prioritize human rights and development goals.

PRESENT SITUATION AND CHALLENGES

Current debt relief efforts are focused on addressing the unsustainable debt burdens faced by many low and middle income countries, particularly in Africa and Small Island Developing States (SIDS), where debt servicing often exceeds spending on essential public services like healthcare and education. Initiatives such as the G20's Common Framework provide structured pathways for debt restructuring, but progress is slow and partial due to fragmented creditor coordination and bureaucratic delays.

Post-conflict reconstruction programs aim to rebuild infrastructure and social services, yet fiscal instability, declining access to affordable financing, and repeated external shocks such as climate disasters and commodity price fluctuations continue to undermine recovery efforts. Key barriers include inconsistent creditor cooperation across bilateral, multilateral, and private sectors, limited transparency in sovereign borrowing and lending, and a lack of comprehensive, enforceable legal frameworks for sovereign debt restructuring.

These challenges exacerbate the fiscal constraints experienced by debtor nations, hindering investment in development priorities and climate resilience. Efforts to overcome these hurdles emphasize multilayered debt relief approaches, inclusion of debt service suspension clauses during crises, capacity-building for debt management, and greater international cooperation rooted in principles of climate justice and financial transparency.

EMERGING TRENDS/ FUTURE PROSPECTS

Emerging innovative financial solutions in the global debt system include mechanisms such as debt-for-nature and debt-for-health/education swaps. Debt-for-nature swaps involve an arrangement where part of a country's external debt is forgiven or bought at a discount by a third party, often an NGO, which then enables the debtor country to channel funds into environmental conservation projects like forest protection or marine reserves.

Examples include Bolivia's pioneering 1987 swap and recent deals in Ecuador, the Seychelles, and Belize, where these swaps help reduce debt burdens while financing biodiversity and climate resilience initiatives. Debt-for-health and debt-for-education swaps operate similarly, allowing countries to redirect financial resources saved from debt relief into critical social sectors such as healthcare and education, thereby supporting sustainable development goals.

These swaps often require collaboration among debtor governments, creditor nations, NGOs, and multilateral institutions to structure terms that balance debt relief with social and environmental objectives.

Beyond swaps, sustainable borrowing practices emphasize caution and transparency in lending to prevent debt distress. Digital finance tools, including blockchain, are increasingly employed to enhance transparency in debt records and streamline restructuring processes. Finally, global collaboration frameworks seek to unify creditor coordination through legally binding mechanisms and standardized processes, aiming to make sovereign debt management more equitable and resilient worldwide.

PAST ACTIONS TAKEN BY THE COMMITTEE

1) How can the global debt architecture be redesigned to account for the distinct financial vulnerabilities of conflict-affected and post-conflict states?

2) In what ways can international financial institutions (IFIs) be reformed to make debt relief more accessible, rapid, and inclusive for fragile economies?

3) Should the United Nations or ECOSOC play a greater role in establishing a centralized global framework for sovereign debt restructuring — and what might such a framework look like?

4) How can the principles of equity, transparency, and shared responsibility be embedded in future debt negotiations among bilateral, multilateral, and private creditors?

5) What new mechanisms could be introduced to ensure that debt servicing obligations do not undermine essential public services and post-conflict reconstruction efforts?

6) How can states emerging from conflict be supported in building creditworthiness and attracting sustainable, non-extractive investment?

7) To what extent can debt-for-development, debt-for-climate, or debt-for-peace swaps provide viable long-term pathways to sustainable recovery?

8) What policies can be introduced to prevent debt dependency and promote domestic resource mobilization in vulnerable states?

9) How can international actors design crisis-contingent debt instruments that automatically adjust repayment terms during wars, natural disasters, or global recessions?

10) What role can ECOSOC play in fostering collaboration between creditor nations, international institutions, and fragile governments to ensure coordinated debt relief?

11) How can greater debt transparency particularly from private and non-Paris Club creditors — be achieved to prevent hidden or unsustainable borrowing?

12) How can debt sustainability be linked directly to the achievement of the Sustainable Development Goals (SDGs) in conflict-affected and low-income nations?

13) What governance and institutional reforms are necessary within vulnerable states to ensure that debt relief translates into inclusive and resilient economic growth?

14) How can the international community promote preventive financial diplomacy to identify and mitigate debt crises before they escalate into economic collapse?

15) To what extent should future debt relief initiatives integrate peacebuilding, climate resilience, and social protection as core components of economic recovery frameworks?

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See you at the Conference!