



THE GENERAL ASSEMBLY SECOND COMMITTEE: ECONOMIC AND FINANCIAL

Purview of the Simulation

The Second Committee makes recommendations on means to improve the economic development of Member States and maintain the stability of the international financial and trade network.

The economic issues considered by the Second Committee are distinguished from those considered by the Fifth Committee in that this Committee deals solely with financing the economic

assistance to Member States, whereas the Fifth Committee address the budgetary issues within the UN System. The Second Committee does not address social issues that affect development; such issues are considered by the Third Committee. For more information concerning the purview of the UN's General Assembly as a whole, see page 24.

Website: <http://www.un.org/ga/second/index.shtml>

ROLE OF MICROCREDIT AND MICROFINANCE IN THE ERADICATION OF POVERTY

In recent years, the initiatives of microcredit and microfinance have become inextricably linked to eradicating poverty worldwide. The first Millennium Development Goal (MDG) is to eradicate extreme poverty and hunger; it is largely assumed that the achievement of all the MDGs is dependent on success in fighting poverty. The UN has always been committed to the goal of eradicating poverty; however, it was not until the 1980s that microcredit and microfinance began to gain serious international attention and consideration as an effective measure for combating extreme poverty. The field of microfinance has since grown to include over 3,500 institutions worldwide serving over 155 million people.

In understanding how microcredit and microfinance enable the world's poor, it is essential to differentiate the two terms. Microfinance is an overarching, market-based strategy to fight poverty that includes the provision of a range of financial services such as microcredit, microinsurance, microsavings and micropensions. Microcredit, or small loans aimed at poor and low-income individuals, is the main means of microfinance institutions (MFIs) to promote entrepreneurship and self-employment. A typical microloan is provided at lower-than-normal interest rates, given to an individual or group of individuals. These loans not only enable individuals to prosper but also promote financial education in communities that lack the resources to become financially stable.

The UN General Assembly began to incorporate microcredit and microfinance as a strategies to fight poverty with the launch of the Microcredit Summit in 1997. Observing the heightened success of MFIs such as the Grameen Bank, the UN General Assembly resolved to encourage Member States to incorporate microfinance into their development strategies. In a 1998 resolution, it declared that 2005 would be the International Year of Microcredit. With such increased awareness of microcredit and microfinance efforts, it became clear that financial inclusion for all had become a major priority for developed and developing nations addressing poverty. The World Bank (WB) became heavily involved in the availability of microloans, by requiring it to be addressed in Poverty Reduction Strategy Papers (PRSPs), which the WB requires it to be eligible for debt redemption through the Heavily Indebted Poor Countries (HIPC) Initiative. The World Bank, through the International Finance Corporation (IFC) and the International Monetary Fund (IMF) now provide resources

for microfinance as well as supporting effective implementation of microfinance initiatives at the country level.

A key development since the International Year of Microcredit (2005) is the increased focus on inclusive finance to describe the goals behind microfinance through a broader scope. In a 2009 resolution, the General Assembly outlined the need for more inclusive financial sectors and encouraged states to adopt coherent financial regulatory frameworks. The Secretary-General responded that access to credit alone is insufficient for poverty eradication and that states must take an active role in supporting microfinance initiatives. Policy recommendations include promoting financial literacy, investing in infrastructure and technology, regulation of interest rates and the ever-increasing need for compiling market data to measure effectiveness.

In 2006, the Microcredit Summit Campaign was re-launched to conclude in 2015 and coincide with the MDG timeline. Although the microcredit industry has boomed, the international community has seen little reduction in poverty. To date, this is insufficient evidence to suggest that microcredit reduces poverty levels in the long term. This has caused some states to call for increased regulation and others to turn away from microcredit completely.

Although the fight against poverty has seen setbacks, there remains strong potential of microlending and microfinance services to positively impact the world's poor. Currently, over 70% of microfinance clients are women. However, an important question surrounds the debate concerning for-profit and non-profit MFIs and whether the international community wishes to move in the direction of involving large commercial banks with larger resources. Furthermore, the UN Commission on International Trade Law has outlined legal and regulatory issues surrounding microfinance. In addition, there is continued concern over including the world's poorest in microfinance initiatives.

The UN General Assembly continues to use microcredit and microfinance as a tool to combat poverty. However, actualizing this potential has proven to be more complex. Basic financial services are a necessity to enable poor populations. Challenges the GA will need to address in the future include outreach to the world's poor, increasing the available resources for microfinance, and developing regulatory frameworks. One possible future action includes turning to the World Bank or private commercial banks for increased investment in microfinance. A coordinated international regulatory framework for microfinance would also increase the effectiveness of any funds procured. Member States have been encouraged to find an inclusive

financial system that emphasizes savings and insurance along with borrowing; without these improvements little progress can be made in eradicating poverty will continue sluggishly. Although the international community faces many challenges in eliminating poverty, microcredit and microfinance still have the potential to assist the world's poor.

Questions to consider from your government's perspective on this issue include

- What role should the international community take in promoting microcredit and microfinance?
- What measures are necessary to evaluate the impact of microcredit and microfinance at the national, regional, and international level?
- What roles do large commercial and for-profit banks play in terms of eradicating poverty? What potential do these banks have to change the poverty levels?
- What would be the impact/benefit of an international regulatory framework for microcredit and microfinance?

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A/RES/59/246
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United Nations Millennium Declaration

Additional Web Resources

www.grameen-info.org - The Grameen Bank
www.ifc.org/microfinance - International Finance Corporation
www.imf.org - The International Monetary Fund
www.microcreditsummit.org - The Microcredit Summit Campaign
www.worldbank.org - The World Bank

PROMOTION OF NEW AND RENEWABLE SOURCES OF ENERGY

Energy policy is among the most crucial issues facing the world today. No Member State is unaffected. For developed nations, alternatives to fossil fuels are the route to energy independence and security. In countries that are still developing, new and renewable energy sources hold the promise of a higher standard of living for the population through increased access to electricity, particularly in rural areas where it would be prohibitively difficult to extend the power grid but possible to deliver power through freestanding sustainable energy projects. All nations can benefit from the economic development afforded by new energy projects, whether in the research or implementation stages. A final, overarching goal is mitigation of the effects of climate change.

Renewable energy comes in a myriad of forms, among them solar, wind, hydro, geothermal, tidal, and biomass. This diversity is an invitation to tailor sustainable energy solutions to local situations, considering the resources available in the area and the energy reliability and quantity levels that are acceptable to the population. The energy policies of nations and their subdivisions can have a great effect on the feasibility of energy alternatives within their jurisdiction, and has been an area where the UN has offered guidance in the past. The General Assembly (GA) Second Committee has addressed new and renewable energy as a means for economic development for Member States and has urged Member States to take advantage of the benefits sustainable energy has to offer to advance development.

There are several major UN agreements with sustainable development as a focus. In 1992, the Rio Declaration on Environment and Development and its companion document, Agenda 21, addressed the responsibility of all Member States to develop and operate in a sustainable manner and produced agreements for cooperation in this area. Ten years later, the Johannesburg Plan of Implementation renewed and updated the commitments of Member States to sustainability objectives. Goal 7 of the Millennium Development Goals is to ensure environmental sustainability. The Kyoto Protocol obligates its signatories to take action to cut greenhouse gas emissions and combat climate change. The development and implementation of alternative energy sources is necessary for the international community to fulfill its many sustainability obligations.

The Second Committee reports to the General Assembly on the promotion of new and renewable sources of energy every two years. The next report is due in 2011. The most recent of these reports, A/64/420, was adopted in December 2009. It emphasizes the potential of sustainable energy sources to advance development through expanded access to modern energy for the world's population, but also notes the high cost and level of technological advancement of many new energy sources, urging technology transfer to developing nations.

Other UN agencies are involved in promoting sustainable energy development. The United Nations Industrial Development Organization (UNIDO) has recently established a trust fund for the promotion and implementation of renewable energy projects in developing countries. The Economic and Social Commission for Asia and the Pacific (ESCAP) supervises the Asian and Pacific Centre for the Transfer of Technology (APCTT), which has among its responsibilities helping developing states to acquire the technology necessary to utilize sustainable energy, whether through contact with developed nations or through South-South cooperation among themselves. The Economic Commission for Europe (ECE) has recently addressed renewable energy sources for economic development and rural electrification in Eastern European countries. The African Ministerial Conference on the Environment (AMCEN) notes that most rural African populations are currently using renewable energy in the form of woody biomass, which is undesirable due to the greenhouse gases released during burning. As in so much of the developing world, modernization of energy sources with limited funding and infrastructure available is a priority in Africa.

Despite their obvious appeal in mitigating climate change and an indispensable ingredient for sustainable development, renewable energy sources face many obstacles to widespread use. Foremost on the list is the intermittent and unreliable nature of many renewable energy schemes. Solar power cannot be generated at night, and wind turbines will not turn on a calm day, yet electricity is consumed seconds after it is produced and there is no practically feasible way to store excess generated energy for a community's later needs. For large portions of the world's population, even a periodic supply of energy could effect a significant change in the standard of living. For a truly modern, secure energy supply, however, a mixture of clean energy sources is critical.

Policy barriers to alternative forms of energy are a natural area for UN influence to promote sustainability. Many nations currently have subsidies in place for traditional, fossil fuel based energy, which artificially lower its cost. The gap in cost between renewable and traditional energy sources would close significantly if the subsidies were removed, making sustainable energy projects more commercially viable. However, it is also important to consider the reasons the subsidies came into existence: to increase the affordability of energy. Any efforts to reform energy pricing should take care to ensure the poor are not priced out of the energy they need to support themselves.

The General Assembly has declared 2012 as the International Year of Sustainable Energy for All. The campaign will focus on finding long-term solutions to current issues by raising awareness on energy poverty, establishing world-wide access to clean energy and combining public-private partnerships. The General Assembly will have to address accountability and performance measurement in order to track and evaluate the commitment of the international community. Balancing the challenges involved in developing and implementing renewable energy sources in ways that are appropriate for each region is the task to which Member States must rise.

Questions to consider from your government's perspective on this issue include

- How can the world use the development and implementation of sustainable energy sources as an engine for economic development?

- What is the role of public-private partnerships in developing renewable energy sources? What can the international community do to promote these partnerships?
- What are potential solutions to help developing countries offset the high investments of renewable energy sources?

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 E/ESCAP/67/5
 ECE/ENERGY/WP.4/2011/5
 Rio Declaration on Environment and Development & Agenda 21
 Johannesburg Plan of Implementation
 Kyoto Protocol
 United Nations Millennium Declaration

Additional Web Resources

- www.irena.org - International Renewable Energy Agency
www.undp.org/energy - United Nations Development Program:
 Environment and Energy
esa.un.org/un-energy - UN-Energy