**Forum:** *United Nations Development Programme (UNDP)*

**Issue:** *Measures to ensure equitable recovery from economic instability caused by the pandemic*

**Student Officer:** *Esther Duann*

**Position:** *President*

---

## Introduction

In the year 2020, the global community encountered a pandemic that disrupted the status quo, generating or worsening existing issues that urgently require amelioration. The world witnessed the catastrophic scale of its impact on universal health, social welfare, and political aspects. Among them, the international economy endured an especially significant shock following the outbreak. Since January, disease prevention efforts, such as lockdown and travel restrictions, have in one way or another disrupted economic activities. The shock on the supply and demand has led to material shortages, a decrease in manufacturing output, and the sabotaging of small or infant businesses. Additionally, job insecurities generated by lockdowns and other economic uncertainties have caused widespread income reduction, leading to decreased purchasing power and consumer confidence. Service industries, namely tourism, hospitality, and catering businesses suffered from the scarcity of customers, which forced the closing of these businesses and resulted in more instability in the labor market. Aside from the direct impact on the domestic economy, the pandemic has also caused an economic crisis globally. Travel restrictions and the decrease in transportation use directly affected the oil industry, an intricately balanced industry that acts as essential fuel for particular countries' economies. As the demand for oil decreases, so does the price. Experiencing an aggravation in their existing socio-economic issues, countries such as Venezuela, Bolivia, and Middle East countries are unable to acquire essential government funding. As a consequence of all the aforementioned disruptions, the World Bank Group estimated that the global Gross Domestic Product (GDP) could shrink by 5.2%.

In times where financial support from the government waiss most needed, the economic ruin directly threatens the operation of vital public services, namely those of healthcare, education, and compensating payments for unemployed workers. For developing countries that already bear massive foreign debts, the deficit that poured down on the government following the pandemic's outbreak puts social welfare programs in jeopardy. The responsibility of the international community, which includes

both member states and other fiscal organizations, is to design intricate solutions that can effectively and efficiently achieve recovery from economic instabilities. Whilst progressing toward post-pandemic recovery, it is also necessary to note that the threat of another pandemic outbreak still exists. Delegates should especially pay attention to the balance between health, safety, and economic recovery.

## Definition of Key Terms

### Recession

A recession refers to a period in which a stalemate or a decline in the economy occurred. Trade, exchange activities, import, and export are all affected. The commonly used benchmark to determine a recession is using the Gross Domestic Product (GDP) and examining whether the nation is experiencing a decline in its total product output.

### Liquidity

Although it varies slightly differently in banking, business, and family-wise, liquidity essentially refers to the ease of transforming assets into cash without losing value during the process. The assets being mentioned here could vary from saving accounts, cash, or mutual funds.

### Deficit

Deficit is a state in which expenditure exceeds revenue or income. In this case of economic instability, this term was mostly referring to the mismanagement of government spending.

### Stagnation

Stagnation in the economy refers to the state where there is little, slow, or no economic growth. Unemployment usually occurs simultaneously with this phenomenon. As the unemployment rate increases, consumers' purchasing power simultaneously decreases, resulting in a prolonged cycle of economic ruin. Note the difference between stagnation and stagflation, the latter of which is referring to inflation in addition to slow economic growth.

## Background

Since last January, COVID-19 has created a global trend of public health deprivation and economic ruins. Originating from China, the coronavirus spread rapidly across the country, and no

country escaped the devastating impact of the disease. Now, the number of infection cases has reached over a significant 62.3 million worldwide, causing over 1.45 million deaths and still counting. Although the rate of infection varies according to the region, it is evident that the pandemic has driven the collapse of the economy worldwide. As numerous countries began to soften the restrictions and the population to develop a dread attitude toward the situation, the second wave of infections hit, aggravating the economic downturn. It was evident that the lack of balance between disease prevention and maintaining the economy's prosperity required solutions.

## Key Issue

### Lockdown

To prevent the rapid spread of the pandemic, governments mandated strict lockdowns for prolonged periods of time. For instance, the United States of America, one of the biggest economic bodies globally, declared a state emergency by the time of mid-March. While people were ordered to be quarantined at home, refrain from public gatherings, and socially distance themselves, businesses were compelled to shut down. Despite the good intention behind this governmental policy, the shut down undoubtedly posed major disruptions to a nation's economy by ways of causing the malfunctioning of manufacturing industries, weakening consumer confidence, and increasing the unemployment rate.

#### Supply and Demand Shocks

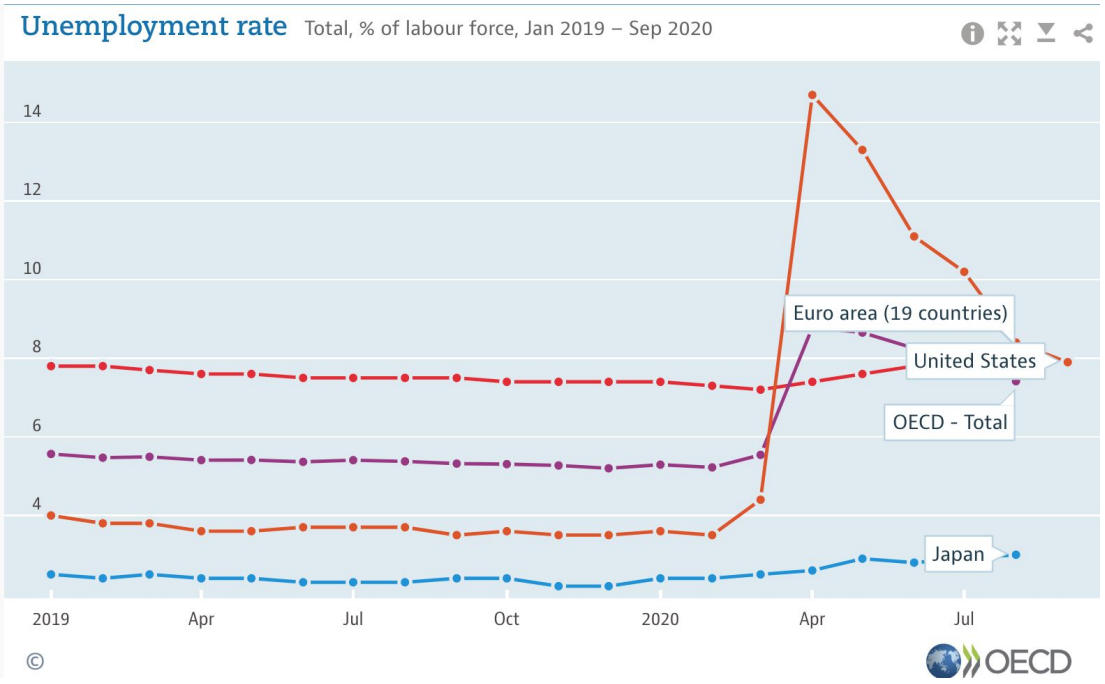
Simultaneously, lockdown stimulated a series of supply and demand shocks, resulting in a negative feedback loop that involved consumer confidence, manufacturing output, and uncertainties in the global stock market. Due to lockdowns, as well as transportation and communication restrictions, firms were forced to stay closed and remain out of business. Hence, a global supply chain that operates based on interconnected exchanges was heavily disrupted. Especially for manufacturing powerhouses such as China, which supplies countless businesses with materials, the pandemic has obstructed this mode of operation. The disrupted supply chain then created other socio-economic issues, namely job insecurities and a drop in consumer confidence, which resulted in lesser spending on service, goods, and entertainment, thus aggravating the economic downfall.

#### Job Insecurities

The primary victims of the pandemic are the workers who were laid off as stores, businesses, and manufacturing industries struggled to survive. Lockdown policies, avoidance of

physical contact, and the fear for infection, in general, are all possible factors that contributed to the waves of unemployment across the globe. In the United Kingdom, the unemployment rate continues to rise and is expected to reach 2.6 million, which resembles 7.5% of the working age population by mid-2021. From February to September of 2020, the number of jobs available in the United States reduced by 4.6%. The number continues to rise, pulling closer to the 5.3% reduction as seen in the Great Recession. Job insecurities and physical working difficulties have also spurred the widespread necessity of furlough schemes and payment programs backed by the government. For instance, 12.6 million Italian workers are currently under the furlough program that provides financial support of up to 80% of their monthly salary. Even if the individual remains employed, it is very likely that they face certain degrees of work hours reduction, either experiencing a pay cut or being assigned to a part-time position under the economic standstill.

Industries linked with tourism, catering, and hospitality, are especially one of the most hardly hit businesses under the lockdown. In young age groups, where the majority partake in said businesses, people are experiencing extreme difficulties in finding a job. This is evidenced by the reduction of over 174 thousand aged 16 to 24 years old in employment from July to September in 2020.



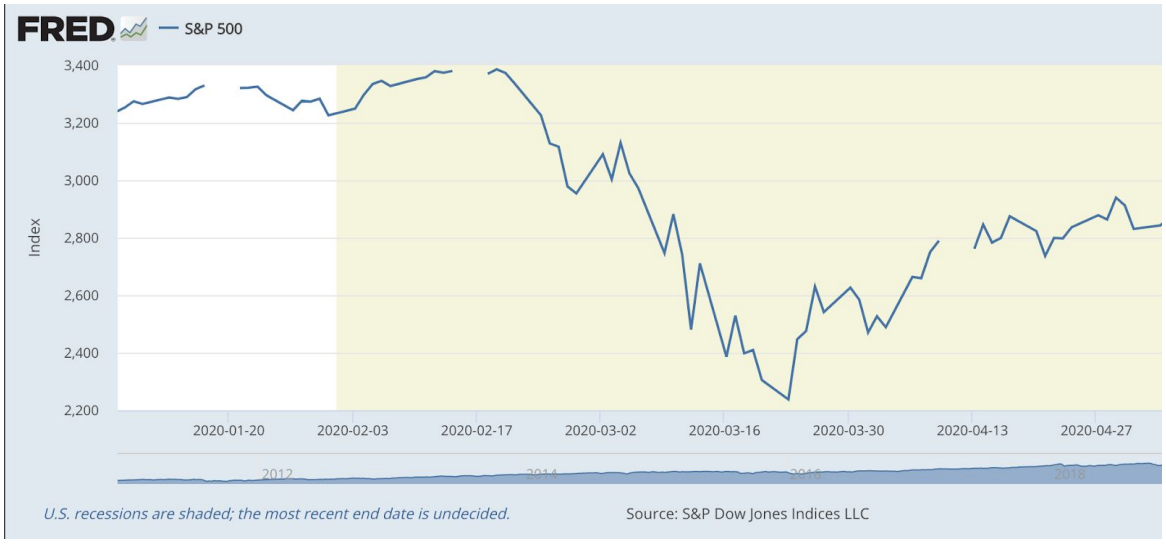

***Caption #1: A diagram demonstrating the rate of unemployment recorded by the Organisation for Economic Co-operation and Development***

### *Income Reduction*

Job insecurities have led to a reduction in workers' earnings, directly prompting domestic socio-economic issues. In September 2020, the Pew Research Center discovered that approximately 1 out of 4 adults in the United States are having difficulties compensating for their bills. The decrease in consumer activities that follows could further pose threat to consumer confidence and the circulation of the money supply.

### Impacts on the Stock Market

The global recession, loss of confidence in the market, fear of inflation, and many other factors all lead up to a series of stock market crashes. Since the outbreak of the pandemic, stock prices have suffered from irregular but devastating downfalls. Especially in March 2020, the global stock market experienced one of the most devastating declines since the financial crisis, symbolizing the loss of confidence in the market and also the economic instability that would ensue. The Dow Jones Industrial Average reported a single-day fall of near 3,000 points on the 16th, again breaking its former record of a 2,300 points contraction that was just being set a few days ago. In the following month, the stock market continues to experience irregular downfalls. The Financial Times Stock Exchange(FTSE) and the Nikkei Index both reported dramatic falls as the pandemic continues to worsen.




***Caption #2: This diagram shows the stock prices of the S&P 500, an index that tracks major existing firms***

### The Effects on the Oil Industry

Pandemic lockdowns have an overwhelming impact on both oil exports and imports, threatening the livelihood of many oil-rich countries across the globe. In countries where the domestic economy is primarily fueled by oil exports, namely Middle Eastern countries, Venezuela, and Bolivia, the drop in oil price can completely topple the nation's economic stability. As strict lockdowns are imposed in most nations and the people are deterred from traveling, the demand for oil fuel has decreased significantly. Brent crude oil, a standard benchmark for the oil market activities that involve major countries from Northern Europe, has experienced the lowest price level in 18 years, in which the price dropped to a low point of $20. Fortunately, travel restrictions are beginning to be lifted in some countries, and the oil price has started recovering slowly. However, note that seeing from past trends, it is reasonable to assume that there can be a third major wave of infection due to the relieving of restrictions, posing further odds of instability in the future of the oil industry and countries profoundly dependent on it.

### The Debt Crisis and Sustainable Development

For countries that already endure massive amounts of foreign debts prior to the pandemic, the pandemic has increased financial burden on them. In fact, the accumulation of bilateral foreign debts may generate a potential crisis that includes the collapse of health care, education, and other social welfare systems. For instance, Zambia has struggled to relieve itself from the burden of foreign debts that have reached 12 billion, as the number continues to grow due to its spendings during the pandemic. Although buffer periods are often given to the countries in debt, the accumulation of debt continues to push the country to the brink of bankruptcy and, most importantly, jeopardize its social responsibility to the pandemic. Additionally, the pandemic has posed a threat to developing countries' plans for sustainable development. The Sustainable Development Goals, a set of agendas aiming to achieve multiple targets by 2030, fell short under the virus's outbreak. Programs for poverty eradication, for example, are challenging to implement given the economic uncertainties of the country itself. It is estimated that 71 million more people would fall under the extreme poverty line due to COVID-19. The disruption of other targets, such as safe drinking water and sanitation, is also major amidst the pandemic.

### Global Recession

With all the aforementioned issues at play, the pandemic has had notable impacts on various countries' productivity and the international economy as a whole. Amidst the pandemic's spread, the global market is collectively bearing one of the most severe crises since the Great Depression. According to the World Bank, despite the differing levels of severity in different regions, the global

economy would likely shrink by 5.2% in 2020. In terms of Gross Domestic Product (GDP), it is forecasted that there would be a 2.4% reduction in the United States alone and a 4.5% contraction on the global scale.

## Major Parties Involved and Their Views

### The United States of America

The United States, being one of the largest economic bodies on a global scale, has suffered tremendous economic ruin as a result of the pandemic. Amidst this global crisis, the Federal Reserve has taken several courses of action to maintain the country's balance and operation, with one of the policies being the reduction of interest rates. In March 2020, when the Dow Jones experienced its lowest dip, the Federal Reserve responded by lowering the interest rates to almost zero, and at the same time, launching an economic relief program funds of $700 billion to ease the impact on small and infant businesses. Simultaneously, numerous financial relief programs were enacted under the Department of Treasury's coordination, one of which is the Economic Impact Payment; US citizens who are eligible for the payment can obtain a certain amount of money directly from the government. Later in the same month, President Trump approved the passing of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to generate emergency payment delivery to its population using 2.2 $trillion of government funds.

### China

On the other hand, although it experienced the devastating first shock of the pandemic, China miraculously managed to recover its economy at a rapid speed. During the first wave of the outbreak, China experienced a 6.8% contraction in its Gross Domestic Product(GDP). However, between July and September of 2020, official figures recorded a 4.9% growth in China's economy. Liu Shangxi, an adviser for the Chinese government, suggested in a forum that China should raise a special fund that consists of 700 billion USD to stimulate economic recovery and facilitate investments. In the 13th National Committee of the Chinese People's Political Consultative Conference (CPPCC), President Xi stressed the importance of the "six priorities," namely the focus on job opportunities, living standards, the functioning of exchanges in the market, ensuring the stability of food and energy supply, strengthening the chain of supply, and the enhancement of regional and provincial government. According to Xi, the recovery from the pandemic requires a long-term and reformative model of growth.

### International Monetary Fund (IMF)

Being a primary global fund, the IMF also aims to assist its member states with advice for policies and financial support. Under the request of many of its member states, the Rapid Credit Facility(RCF), an emergency fund service, was established to relieve the urgent needs of payment balance for countries in need. In addition to financial assistance, the IMF also pushed for debt relief for the more financially deprived countries, who cannot sustain the heavy financial burden plus a load of debt accumulated upon them. In March 2020, the Debt Service Suspension Initiative (DSSI) came into force. Countries agreed to suspend debts on member states who have requested this extension until the end of the year.

## Timeline of Relevant Resolutions, Treaties, and Events

| Date | Description of event |
|---|---|
| January 5th, 2020 | **WHO published the first disease outbreak news**<br>After sending several regional agents to conduct field investigations, the World Health Organization published its first report on the unidentified pneumonia cases in Wuhan City, China. The information publicized the number of identified issues at that time (44 infected) and warned member states of the potential health crisis. However, based on the currently obtained information, the report specifically stated that it does not recommend imposing travel restrictions on Chinese citizens. |
| January 13, 2020 | **First confirmed case of COVID-19 infection outside of China reported by Thailand.**<br>In January, the officials in Thailand reported its first COVID-19 confirmed case. This was the first overseas case of infection. Soon after, numerous countries all reported confirmed cases as the virus spread its way across the globe. |
| January 23, 2020 | **First lockdown imposed in Hubei, China**<br>As the threat of mass infection continued to intensify, the Chinese government imposed the first round of lockdown restrictions in Hubei province, the region where Wuhan City was located. |

| | |
|---|---|
| February 28, 2020 | **The most significant single-week decline in the stock market since the 2008 financial crisis**<br>The global stock market experienced one of the most devastating declines since the financial crisis, symbolizing the loss of confidence in the market and the economic instability that would unfold. In the preceding month, especially in March, the stock market would continue to experience irregular downfalls. |
| March 8, 2020 | **Brent crude oil price dropped by 30%**<br>Brent crude oil, a standard benchmark for the oil market activities that involved major countries from Northern Europe, experienced the lowest price level in 18 years, in which the price dropped to a low point of $20. |
| July 2020 | **The unemployment rate in the Organisation for Economic Co-operation and Development (OECD) areas reached 7.7%**<br>The OECD member states, which included France, Germany, Netherlands, Switzerland, and the other 37 countries, had experienced a significant increase in their unemployment rate. As up to this point in time, the unemployment rate from these OECD areas was confirmed to be 7.7%, constituting a 2.5% increase since February. |
| September 29, 2020 | **Debt Service Suspension Initiative (DSSI) received 46 applications**<br>The debt relief program was agreed upon by member states in the G20 convention and officially put into practice. Applicant countries were allowed to have a suspension in their payment of foreign debt so that funds could be allocated to more urgent use. |

## Relevant UN Treaties and Events

- Comprehensive and coordinated response to the coronavirus disease (COVID-19) pandemic, 10 September 2020 **(A/74/L.92*)**
- United response against global health threats: combating COVID-19 **( A/74/L.57)**
- Statement of United Nations Committee for Development Policies: Covid-19 and graduation from the LDC category, 12 May 2020
- Summary by the President of the Economic and Social Council of the forum on financing for development follow-up, 10 June 2020 **(A/75/93–E/2020/64)**
- Joining Forces: Effective Policy Solutions for Covid-19 Response, 11 May 2020

- Resolution adopted by the Economic and Social Council, 2 July 2020 **(E/RES/2020/10)**
- Socio-Economic Response to COVID-19: ESCAP Framework, 20 May 2020

## Evaluation of Previous Attempts to Resolve the Issue

### Employment Intensive Investments (EIIP)

A recovery strategy that was utilized was the mobilization of labor programs in an effort to generate more job opportunities. The Employment Intensive Investments, headed by the International Labor Organization (ILO), has been operating for decades since 1975. The program regularly coordinates construction programs, environmental works, and other cleaning projects. This includes the cleaning of railroads, the dredge of waterways, the clearing of forestry, and many others. The goals of this coordination are to improve regional infrastructures and simultaneously produce more job opportunities. Under the Covid-19 pandemic and given the suffering of the informal economy and its large population of workers, the importance of providing immediate relief to unemployed personnel was once again called to attention. The UN framework for the immediate socio-economic response to COVID-19 that was published in April 2020 called on the strengthening and reimplementation of the said program. Despite the novelty of this program in terms of its contribution to ameliorating the economic instability, regional-specific progress had already been recorded. During the pandemic, the ILO continues to expand and assure its workforce despite lockdowns in Jordan by issuing over 500 ATM pay cards to its labor workers.

### Debt Service Suspension Initiative (DSSI)

Another attempt to alleviate the economic burden of developing countries was through programs such as the Debt Service Suspension Initiative. Led by the International Monetary Fund and the World Bank Group, the aforementioned initiative was officially agreed upon by the G20 countries in September. Up until now, 73 member states are entitled to a debt suspension that would last until the later part of the year. The suspension would allow countries to focus their spending on more pressing issues, namely healthcare, education, sustainable development, and other dimensions that were under the threat of the pandemic.

# Possible Solutions

## Enforcing a National Program of Universal Basic Income

A national program of universal basic income that ensures the basic living standard of its citizens should be considered as a solution amidst the uncertainties spurred by the pandemic. The implementation of universal basic income will be a measure to alleviate poverty, increase consumer confidence, and at least achieve a fundamental benchmark of living standard. Especially for regions that endured high unemployment rates and were at the brink of falling behind poverty lines, this policy will be crucial for their social welfare and future recovery. Despite the benefits of this solution, there are still some external factors to consider. First of all, the question of whether the states are capable of implementing this financial welfare program should be at the core of the discussion, as different regions have distinct economic situations. If not being assessed properly, the program could potentially become another financial burden for the member state.

## Promoting and Expanding Job-creating Investments

Another solution to consider is the promotion and expansion of job-creating investments. The issue of unemployment directly relates to further socio-economic dilemmas, namely poverty, consumer confidence, the suffering of vulnerable populations, and many others. In the post-pandemic era, the key to recovery is to restore those unemployed to their positions or generate new job opportunities. This could be done in ways such as initiating state-led public sector projects, issuing employment subsidies for firms, and establishing educational training programs that focus on redirecting and finding new career paths for the individuals. However, given that conditions could differ depending on the region, solutions must be evaluated thoroughly before implementation.

## Redirecting and Focusing Support on Vulnerable Groups and Small Firms

Youths new to the labor market, women, and the elderly are often most hardly hit when firms face the pressure of laying off. Likewise, in contrast to individuals in large corporations with richer resources, those who depend on informal markets and small firms for their livelihood face additional hardships. Small entities, lacking monetary immensity to sustain through recessions, encounter the fate of bankruptcy and collapse. Yet, these issues are often overlooked when countries determine the course of government policies. Delegates should consider a more specific and targeted framework capable of reaching these vulnerable populations to achieve equitable and sustainable recovery.

## Global Cooperation

Above all, international cooperation and partnership should be at the core of equitable recovery. To achieve growth and sustainable development, multilateral partnerships should be encouraged and promoted. More economically capable countries should provide support for countries that were enduring development challenges. Instead of unilateral financial support, subsistence can come in technological exchange, human resources, and many other forms.

## Bibliography

"An Early View of the Economic Impact of the Pandemic in 5 Charts." *IMF Blog*, 9 Apr. 2020, blogs.imf.org/2020/04/06/an-early-view-of-the-economic-impact-of-the-pandemic-in-5-charts/.

"A Guide to COVID-19 Economic Stimulus Relief." *Consumer Financial Protection Bureau*, 7 July 2020, www.consumerfinance.gov/about-us/blog/guide-covid-19-economic-stimulus-checks/.

"A UN Framework for the Immediate Socio-Economic Response to COVID-19." *Unsdg.un.org*, Apr. 2020, unsdg.un.org/sites/default/files/2020-04/UN-framework-for-the-immediate-socio-economic-response-to-COVID-19.pdf.

Cheng, Jeffrey, et al. "What's the Fed Doing in Response to the COVID-19 Crisis? What More Could It Do?" *Brookings*, Brookings, 11 Dec. 2020, www.brookings.edu/research/fed-response-to-covid19/.

"Comprehensive and Coordinated Response to the Coronavirus Disease (COVID-19) Pandemic." *A/74/L.92 - E - A/74/L.92 -Desktop*, undocs.org/A/74/L.92.

"COVID 19: Debt Service Suspension Initiative." *World Bank*, www.worldbank.org/en/topic/debt/brief/covid-19-debt-service-suspension-initiative.

*Employment Intensive Investments (Employment Intensive Investment)*, www.ilo.org/global/topics/employment-intensive-investment/lang--en/index.htm.

"Employment-Intensive Investment Programme (EIIP) Guidance." *Ilo.org*, 5 May 2020, www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_743537.pdf.

Foimbert. "How the U.S. Economic Response to the Coronavirus Pandemic Stacks up to the Rest of the World." *CNBC*, CNBC, 29 Sept. 2020, www.cnbc.com/2020/09/28/how-the-us-economic-response-to-the-coronavirus-pandemic-stacks-up-to-the-rest-of-the-world.html.

"Furlough: How Other Countries Are Supporting Workers through the Covid Crisis." *The Big Issue*, 17 Nov. 2020, www.bigissue.com/latest/furlough-in-other-countries-supporting-workers-through-the-covid-crisis/.

"Global Economic Stability Could Be Difficult to Recover in the Wake of COVID-19 Pandemic, Finds Study." *ScienceDaily*, ScienceDaily, 26 June 2020, www.sciencedaily.com/releases/2020/06/200626114759.htm.

Hensher, Martin. "Covid-19, Unemployment, and Health: Time for Deeper Solutions?" *The BMJ*, British Medical Journal Publishing Group, 8 Oct. 2020, www.bmj.com/content/371/bmj.m3687.

*How Decent Work Supports Jordan's Most Vulnerable Communities*, 20 Oct. 2020, www.ilo.org/beirut/media-centre/fs/WCMS_758479/lang--en/index.htm.

Lora Jones, Daniele Palumbo & David Brown. "Coronavirus: A Visual Guide to the Economic Impact." *BBC News*, BBC, 29 June 2020, www.bbc.com/news/business-51706225.

Online, FE. "Economic Instability: The Pandemic's Complex Cocktail." *The Financial Express*, The Financial Express, 15 Oct. 2020, www.financialexpress.com/opinion/economic-instability-the-pandemics-complex-cocktail/2105882/.

Pak, Anton, et al. "Economic Consequences of the COVID-19 Outbreak: the Need for Epidemic Preparedness." *Frontiers*, Frontiers, 18 May 2020, www.frontiersin.org/articles/10.3389/fpubh.2020.00241/full.

*(PDF) The Potential Impact of COVID-19 on Commonwealth ...* www.researchgate.net/publication/342926034_The_Potential_Impact_of_COVID-19_on_Commonwealth_Trade_Recovery_and_Resilience.

Pettinger, Tejvan, et al. "Economic Instability." *Economics Help*, 13 Jan. 2018, www.economicshelp.org/blog/1795/economics/economic-instability/.

"Pneumonia of Unknown Cause – China." *World Health Organization*, World Health Organization, 30 Jan. 2020, www.who.int/csr/don/05-january-2020-pneumonia-of-unkown-cause-china/en.

"Socio-Economic Response to COVID-19 : ESCAP Framework." *Unescap.org*, www.unescap.org/sites/default/files/ESCAP-COVID-19_Framework_Brochure.pdf.

"Socio-Economic Response to COVID-19: ESCAP Framework." *ESCAP*, www.unescap.org/resources/socio-economic-response-covid-19-escap-framework.

"The Impact of Coronavirus (COVID-19) and the Global Oil Price Shock on the Fiscal Position of Oil-Exporting Developing Countries." *OECD*, 30 Sept. 2020,

www.oecd.org/coronavirus/policy-responses/the-impact-of-coronavirus-covid-19-and-the-global-oil-price-shock-on-the-fiscal-position-of-oil-exporting-developing-countries-8bafbd95/.

"UNSDG | A UN Framework for the Immediate Socio-Economic Response to COVID-19." *United Nations*, United Nations, unsdg.un.org/resources/un-framework-immediate-socio-economic-response-covid-19.

*Will the COVID-19 Pandemic Threaten the SDGs? - The Lancet ...* www.thelancet.com/journals/lanpub/article/PIIS2468-2667(20)30189-4/fulltext.

"World Bank Group's Operational Response to COVID-19 (Coronavirus) – Projects List." *World Bank*, www.worldbank.org/en/about/what-we-do/brief/world-bank-group-operational-response-covid-19-coronavirus-projects-list.

(www.dw.com), Deutsche Welle. "Africa's New Debt Crisis: DW: 24.10.2018." *DW.COM*, www.dw.com/en/africas-new-debt-crisis/a-46020639.