LAGOS MODEL UNITED NATIONS 2025

BACKGROUND GUIDE

General Assembly 2

Economic & Financial Affairs Council (ECOFIN)

Property of the Lagos Model United Nations

Background Guide: United Nations Security Council

Edited and Reviewed by

Okegbemi Mofiloluwalowo Oluwatunmise (Deputy-Secretary-General)
Onyinye Madubugwu (Under-Secretary-General Research)
Amina Yusuf (Under-Secretary-General, General Assembly)
Written by
Amira Ayuba (Chair)
Kaosisochukwu Nkpolara(Vice-Chair)
Ayodeji Otegbade(Researcher)
Boluwatife Ojedokun (Researcher)
Wazeelah Animanshaun(Departmental Researcher)

Designed by
Agam Joy Ngozi

LMUN 2025: The Ninth Session

Table of Contents

Letter From the USG

Dear Delegates,

It is a great pleasure to welcome you to the seventh session of the Lagos Model United Nations (LMUN) conference, 2025. For years, LMUN has been a platform for youth to lend their voices and champion brilliant solutions to contemporary global problems. They have done this by inciting discussions and deliberations that seek to funnel a drive towards innovative and sustainable solutions.

The LMUN conference offers you a golden opportunity to hone skills that will set you apart from the rest of the world, such as teamwork, diplomacy, research, public speaking, leadership, and, most importantly, networking. Having experienced the magic of LMUN for over 6 years, I am confident you are in for a beautiful ride. The conference guarantees a phenomenal experience and the opportunity to contribute your quota towards global development and sustainability. I hope you learn, network, participate actively, and have the most fantastic experience.

The General Assembly Second Committee (ECOFIN) staff is **Amina**, a final-year law student at the University of Lagos with a keen interest in international law and diplomacy. Her keen interests are in tandem with her love for MUNs. In 2020, she was a delegate at the LMUN conference under the Security Council committee, where she won the distinguished delegate award. She was also a delegate at the International Model United Nations, where she won the verbal commendation award. In 2021. She was a researcher and rapporteur at the Lagos Model United Nations under UNICEF. She has also served as the Babcock International Model United Nations ambassador. In the leadership capacities, she was an under-secretary general at the Geneva International Model United Nations and the under-secretary general for research at the LMUN conference 2024. **Amira** is a 400-level student of Philosophy at the University of Lagos. She began her LMUN journey in 2024 as a researcher and rapporteur, where she showcased strong analytical and diplomatic skills. In 2025, she advanced to Chair, reflecting her dedication and growth within the MUN space. She is passionate about youth empowerment, gender equality, and global development. Amira's leadership is driven by a desire to inspire and create meaningful impact. Her journey is marked by excellence, purpose, and a commitment to personal and collective growth. She continues to champion thoughtful dialogue and transformative change through LMUN. **Kaosisochukwu** is a 400-level Faculty of Law, University of Lagos student. She participated in LMUN 2023 as a delegate in the Human Rights Council. She returned the following year as a delegate in the Security Council, winning the Outstanding Delegate Award and the Best Position Paper Award. Besides her love for MUNs, she is committed to driving impactful change in her community and advocating against all forms of discrimination, especially against women. **Ayodeji** is a 400-level law student of the Faculty of Law, University of Lagos. He first participated in LMUN in 2021, where he served as the delegate of Monaco in the Food and Agricultural Committee. His experience at LMUN has sparked an interest in international affairs and diplomacy. **Boluwatife** is a 300-level student of the Faculty of Law, University of Lagos. She first participated in LMUN in 2023 as the delegate of Venezuela in the General Assembly. In 2024, she returned as the delegate of France in the General Assembly 3, where she was awarded Outstanding Delegate. Passionate about diplomacy, leadership, and service, she is committed to using her voice to drive change and promote inclusive development in her community. **Wazeelah** is a 500-level law student of the Faculty of Law, University of Lagos. She has participated in multiple Model United Nations conferences, including YISMUN 2022, Wind of Change 2020, and LMUN 2021, where she served as a delegate representing Monaco. My passion for Model

United Nations simulations stems from a strong interest in international relations, diplomacy, and regulatory frameworks. Wazeelah is dedicated to leveraging the MUN platform to engage with global issues and contribute to meaningful dialogue and policy development on an international scale.

Over the years, the General Assembly Second Committee(ECOFIN) has consistently championed solutions to global issues on economic growth, global macroeconic policy and global finance. The topics to be discussed by the committe are:

I. **The Impact of International Monetary Fund Loan Program on Developing Economies: A Double-Edged Sword**

II. **The Potential of Cryptocurrencies: Their Role in Shaping the Future of the Global Economy**

The background guide serves as a stepping stone to begin research on topics discussed during the conference and not as a replacement for individual research. As such, delegates are highly encouraged to conduct their research beyond the background guides and make use of the Further Research Questions, Annotated Bibliography, and Bibliography to aid in extensive research. Delegates, please note that the Delegate Prep Guide and the Rules of Procedure will acquaint you with the conference's required conduct and procedural rules. These documents can be accessed on the LMUN website- www.lmun.ng.

To adequately prepare for the conference, each delegate must submit a position paper on a date to be communicated after registration, country, and committee assignment. The LMUN Position Paper Guide guidelines will guide delegates through this process. Delegates, please note that I am always available to guide you throughout your preparation process and during the conference, please contact me at usggeneralassembly@gmail.com for answers to all your questions.

It is with great pleasure that I welcome you to LMUN conference 2025. I look forward to you experiencing the magic of LMUN!

Aminat Yusuf,

USG, General Assembly Department, LMUN 2025

Abbreviations

AfCFTA	African Continental Free Trade Area
AFC	Asian Financial Crisis
AI	Artificial Intelligence
ALMA	African Leaders Malaria Alliance
AML	Anti-Money Laundering
AU	African Union
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
BNB	Binance Coin
BTC	Bitcoin
CBDC	Central Bank Digital Currency
CFT	Combating the Financing of Terrorism
CSOs	Civil Society Organizations
CTF	Counter-Terrorism Financing
DApps	Decentralised Applications
DAO	Decentralised Autonomous Organization
DAI	Dai Coin (MakerDAO)

DeFi	Decentralised Finance
DESA	Department of Economic and Social Affairs
DOGE	Dogecoin
DSF	Debt Sustainability Framework
ECA	Economic Commission for Africa
ECE	Economic Commission for Europe
ECLAC	Economic Commission for Latin America and the Caribbean
ECOFIN	Economic and Financial Committee
ECOWAS	Economic Community of West African States
EFF	Extended Fund Facility
ESCAP	Economic and Social Commission for Asia and the Pacific
ESCWA	Economic and Social Commission for Western Asia
ETH	Ethereum
EU	European Union
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
GA	General Assembly
GDP	Gross Domestic Product
GFC	Global Financial Crisis

HIPC Heavily Indebted Poor Countries

IMF International Monetary Fund

IoT Internet of Things

IP Intellectual Property

ISODEC Integrated Social Development Centre

KYC Know Your Customer

LDCs Least Developed Countries

LICs Low-Income Countries

LLDCs Landlocked Developing Countries

MiCA Markets in Crypto-Assets Regulation

NFT Non-Fungible Token

NGOs Non-Governmental Organizations

OECD Organisation for Economic Co-operation and Development

OHRLLS The United Nations Office of the High Representative for the Least Developed Countries (LDCs), Landlocked Developing Countries (LLDCs), and Small Island Developing States (SIDS)

PGA President of the General Assembly

PoS Proof of Stake

PoW Proof of Work

PRGF Poverty Reduction and Growth Facility

PRGT	Poverty Reduction and Growth Trust
PRSPs	Poverty Reduction Strategy Papers
QCPR	Quadrennial Comprehensive Policy Review
RACI	Argentine Network for International Cooperation
RPGA	Rules of Procedure of the General Assembly
SBA	Stand-by Arrangements
SDGs	Sustainable Development Goals
SDRs	Special Drawing Rights
SEC	Securities and Exchange Commission
SIDS	Small Island Developing States
SOEs	State-Owned Enterprises
SOL	Solana
UN	United Nations
UNCATD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNGA	United Nations General Assembly
UN-Habitat	United Nations Human Settlements Programme
UNIDO	United Nations Industrial Development Organisation

UNEP	United Nations Environment Programme
UNODC	United Nations Office on Drugs and Crime
USDT	Tether (Stablecoin)
VASPs	Virtual Asset Service Providers
WESP	World Economic Situation and Prospects

Committee Overview

I - Introduction

The Second Committee of the United Nations General Assembly, also known as the Economic and Financial Committee (ECOFIN), is a key component of the six main committees within the UN General Assembly. Established in 1945 alongside the UN's founding, ECOFIN has a comprehensive mandate that focuses on economic growth, development, and global finance.[1] Formally referred to as General Assembly 2, its responsibilities include addressing challenges related to poverty reduction, financing for development, global economic governance, and sustainable development.[2]

As a key committee, ECOFIN thoroughly reviews and discusses issues that affect the global economic environment. It aims to foster international collaboration for economic progress and addresses a range of complex topics, including global financial stability and the economic dimensions of environmental policies.[3] The committee's functions are outlined in *Article 11 of Chapter IV of the United Nations Charter*, which empowers it to make recommendations on matters within the Charter, including international peace, security, and issues beyond the scope of the Security Council. The Assembly can also initiate studies and reports on

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[1] United Nations Department of Economic and Social Affairs, "The UN General Assembly's Second Committee – Economic and Financial Issues" available at https://www.un.org/development/desa/en/news/intergovernmental-coordination/un-ga-second-committee.html (accessed 25 December 2024)

[2] United Nations Department of Economic and Social Affairs, "The UN General Assembly's Second Committee – Economic and Financial Issues" available at https://www.un.org/development/desa/en/news/intergovernmental-coordination/un-ga-second-committee.html (accessed 25 December 2024)

[3] United Nations Department of Economic and Social Affairs, "The UN General Assembly's Second Committee – Economic and Financial Issues" available at https://www.un.org/development/desa/en/news/intergovernmental-coordination/un-ga-second-committee.html (accessed 25 December 2024)

economic, social, cultural, and health matters. It also promotes human rights and fundamental freedom for everyone.[4]

Alongside the Economic and Social Council, ECOFIN tackles similar issues but from a broader and more inclusive perspective. Although both organisations concentrate on economic, social, and cultural topics, ECOFIN's distinct role within the General Assembly enables it to adopt a more universal approach, involving all Member States in discussions regarding economic and financial matters. This involves deliberating on international economic policies, tracking global economic trends, and offering a platform for nations to discuss and align their economic strategies.

II - Governance, Structure, and Membership

The governance of the General Assembly's Second Committee is shaped by the plenary structure established by the General Committee. This structure is detailed in the United Nations Rules of Procedure, which stipulates the presence of one President and twenty-one Vice Presidents.[5]

The General Assembly (GA) undergoes an annual leadership transition, during which the President of the General Assembly (PGA) and the Vice Presidents are elected by a simple majority vote of the members. The selection process for the PGA is designed to ensure equitable geographical representation, allowing the presidency to rotate among different regions. The Vice Presidents, totalling twenty-one, are allocated as follows: six from Africa, five from Asia, one from Eastern Europe, three from Latin America, two from Western Europe, and five from the permanent members of the Security Council. Importantly, when a PGA is elected from a specific region, the number of Vice Presidents from that region is

[4] Permanent Mission of Switzerland to the United Nations, 'The GA Handbook: A Practical Guide to the United Nations General Assembly'(2017)

[5] Rules of Procedure of the General Assembly RPGA(2022), Rule 30

reduced by one.[6] Elected by acclamation in June 2024, the current President of the 79th Session of the General Assembly is Philemon Yang from Cameroon.[7]

The PGA's main role is to oversee the Rules of Procedure of the General Assembly, but they do not engage in the decision-making processes of the GA.[8] The Vice Presidents support the PGA and can step in as Acting President when necessary, holding the same powers and responsibilities as the President while operating under the GA's authority.[9]

ECOFIN includes all 193 Member States, along with two observer states—the State of Palestine and the Holy See—and various non-governmental organisations (NGOs) and other groups.[10] Each Member State has one vote, while observer states and NGOs can participate in discussions and contribute to debates but lack voting rights. The committee strives to achieve consensus in passing resolutions, which requires extensive collaboration among Member States. To fulfil its functions, ECOFIN works with key UN bodies, such as UNEP's Environment Assembly and UN-Habitat. It also partners with the governing councils of the Rio Conventions on biodiversity, climate change, and desertification, which in turn report to the committee.[11]

Furthermore, ECOFIN works closely with the Department of Economic and Social Affairs (DESA), which provides essential support for its activities. The committee conducts an annual General Debate from September to December at its

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[6] Rules of Procedure of the General Assembly RPGA(2022), Rule 30
[7] Vibhu Mishra, "Philemon Yang of Cameroon Elected President of Upcoming General Assembly Session" *UN News* 6 June 2024 available at https://news.un.org/en/story/2024/06/1150761 (accessed 20 April 2025)
[8] RPGA, Rule 35 & 36
[9] RPGA, Rule 33.
[10] UN Model United Nations Website, available at https://www.un.org/en/model-united-nations/un-structure (accessed 25 December 2024)
[11] UN Model United Nations Website, available at https://www.un.org/en/model-united-nations/un-structure (accessed 25 December 2024)

headquarters in New York and holds special sessions at other times to address various issues. Resolutions from ECOFIN are typically approved by a simple majority, and in some instances, without a formal vote.[12]

III - Mandate, Functions and Powers

ECOFIN operates under a comprehensive mandate outlined in *Chapter IV of the United Nations Charter.*[13] As a significant component of the General Assembly, ECOFIN plays a significant role in monitoring global economic growth and ensuring financial stability. *Article 30 of the United Nations Millennium Declaration* emphasises the General Assembly's crucial role in shaping international economic policies, positioning it as the primary deliberative, policy-making, and representative body of the UN.[14]

ECOFIN serves as a global watchdog, analysing macroeconomic trends and vulnerabilities through collaboration with UN agencies like the Department of Economic and Social Affairs (DESA) and the regional commissions.[15] It leverages reports such as the World Economic Situation and Prospects (WESP) to identify risks like inflation, trade imbalances, and climate-induced economic shocks.[16] For instance, its 2023 resolution on *International Financial System Reform* highlighted the disproportionate impact of rising interest rates on low-income countries, urging multilateral development banks to enhance liquidity support.[17]

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[12] UN Model United Nations Website, available at https://www.un.org/en/model-united-nations/un-structure (accessed 25 December 2024)
[13] UN Website "Functions and powers of the General Assembly" available at https://www.un.org/en/ga/about/background.shtml (accessed 28 March 2024)
[14] UN Website "Functions and powers of the General Assembly" available at https://www.un.org/en/ga/about/background.shtml (accessed 28 March 2024)
[15] United Nations, "Macroeconomic Trends" available at https://www.un.org/en/development/desa/financial-crisis/macroeconomic-trends.html (accessed 16 April 2025)
[16] United Nations, "Macroeconomic Trends" available at https://www.un.org/en/development/desa/financial-crisis/macroeconomic-trends.html (accessed 16 April 2025)
[17] UN General Assembly, *Resolution A/RES/78/210 on International Financial System Reform* (2023)

The committee also tracks progress toward the 2030 Agenda for Sustainable Development, using data-driven frameworks to assess gaps in Sustainable Development Goals (SDGs) implementation. By convening annual dialogues with the IMF and World Bank, it ensures global financial policies align with development priorities, such as reducing inequality and fostering green transitions.[18]

One of ECOFIN's core mandates is to advocate for the economic interests of developing nations. It champions debt relief and development financing through initiatives like the Financing for Development (FfD) process, which mobilises resources for infrastructure, healthcare, and education. For example, the committee's 2024 resolution on *"Debt Sustainability"* called for restructuring mechanisms to alleviate crippling debt burdens in countries like Zambia and Sri Lanka, where debt servicing consumes over 40% of public revenue.[19]

ECOFIN also integrates environmental sustainability into economic policymaking. It spearheads resolutions on climate financing, urging wealthy nations to meet their commitment of $100 billion annually to support mitigation and adaptation in vulnerable regions. At COP28, it endorsed the *Loss and Damage Fund*, which channels grants to countries devastated by climate disasters.[20]

Additionally, the committee advances green industrialisation through frameworks like the *Global Green New Deal*, which incentivises renewable energy investments

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[18] UN Department of Economic and Social Affairs, 'World Economic Situation and Prospects 2023' available at https://desapublications.un.org/publications/world-economic-situation-and-prospects-2023#:~:text=The%20World%20Economic%20Situation%20and,headwinds%20will%20begin%20to%20subside. (accesssed 16 April 2025)

[19] UN Conference on Trade and Development, 'A World of Debt 2024: A growing body to Global Prosperity' available at https://unctad.org/system/files/official-document/osgttinf2024d1_en.pdf (accessed 16 April 2025)

[20] UN Framework Convention on Climate Change "Decision 1/CP.28 – Operationalization of the new funding arrangements, including a fund, for responding to loss and damage referred to in paragraphs 2–3 of decisions 2/CP.27 and 2/CMA.4" available at https://unfccc.int/sites/default/files/resource/1_CP.28.pdf (accessed 16 April 2025)

in developing economies. Its 2025 resolution on *Sustainable Infrastructure* mandates climate-resilient standards for public projects, aligning with the Paris Agreement's 1.5°C target.[21]

ECOFIN also promotes technology transfer and capacity-building to bridge the digital divide. Its partnership with the UN Conference on Trade and Development (UNCTAD) has expanded access to digital tools in rural Africa, enabling smallholder farmers to leverage blockchain for fairer commodity pricing.[22]

Moreover, ECOFIN wields normative authority through its resolutions, which, while non-binding, shape national and international agendas. For example, its *2023 Resolution on Tax Cooperation* laid the groundwork for a UN-led global tax body to combat profit-shifting by multinational corporations, challenging the OECD's traditional dominance in tax governance.[23]

The UN's ECOFIN committee is an indispensable actor in global economic governance, balancing crisis response with long-term structural reforms. By monitoring trends, amplifying the voices of developing nations, and drafting forward-looking resolutions, it bridges the gap between aspirational goals and actionable policies. However, its effectiveness hinges on the political will of member states to implement reforms and redistribute resources equitably.

[21] UN General *Assembly, Resolution A/RES/79/234 on Sustainable Infrastructure* (2025)
[22] UN Conference on Trade and Development "Technology and Innovation Report 2025: Inclusive Artificial Intelligence for Development" available at https://unctad.org/system/files/official-document/tir2025_en.pdf (accessed 16 April 2025), p. 30
[23] UN General Assembly, *Resolution A/RES/78/215 on Tax Cooperation* (2023)

IV - Recent Sessions and Current Priorities

The United Nations Economic and Financial Committee stands at the forefront of global efforts to address systemic inequalities, reform outdated financial systems, and accelerate progress toward the SDGs. In 2025, against a backdrop of geopolitical turbulence, climate crises, and widening economic disparities, the committee has intensified its focus on fostering inclusive governance, debt justice, and sustainable development.

The 79th session of the General Assembly opened on the 10th of September, 2024, in New York, United States, with the theme "Leaving no one behind: acting together for the advancement of peace, sustainable development and human dignity for present and future generations."[24] The PGA, Philemon Yang, emphasised that resolving global problems involves a joint commitment and collaboration among Member States to achieve the pre-established goals of the United Nations. Yang highlighted his key priorities, which entail improving peace in Africa, tackling illegal arms trade, protecting the dignity of states in armed conflict, eradicating child labour, improving development financing, and enhancing the SDGs through digital chains.[25]

Furthermore, the 2025 ECOSOC Partnership Forum, held in February 2025 under the theme "*Advancing Science and Evidence-Based Solutions for the 2030 Agenda*," underscored the urgency of multi-stakeholder partnerships. With a focus on SDGs 3 (Health), 5 (Gender Equality), and 8 (Economic Growth), discussions emphasised digital innovation as a tool for equality. For instance, initiatives like AI-driven healthcare platforms in sub-Saharan Africa and blockchain-based land rights

[24] The United Nations, Meetings of the 79th session available at: https://www.un.org/en/ga/79/meetings/ (accessed 20 January 2025)

[25] AA News Broadcasting System(HAS), available at : https://www.aa.com.tr/en/world/un-general-assembly-president-urges-member-states-to-work-together-to-tackle-global-challenges/3450460 (accessed 20 January 2025)

systems for women farmers demonstrated how technology could bridge gaps in access and opportunity.[26] Also, a landmark proposal emerged on global tax cooperation, advocating for stricter regulations on offshore tax havens and illicit financial flows. Delegates aligned this with the UN's push for a 15% global minimum corporate tax rate, aiming to reclaim $480 billion annually lost to tax avoidance; a critical step toward funding SDG initiatives.[27]

The next item on the agenda was a dialogue on Public Finance and the SDGS, titled "*Rethinking Fiscal Priorities*," which was co-hosted by the UNDP, Finland, and Norway in January 2025. This dialogue confronted the staggering $40 billion annual debt servicing burden faced by developing nations.[28] Participants highlighted how debt repayments divert resources from healthcare, education, and climate resilience. Case studies from Zambia and Sri Lanka illustrated the human cost of austerity measures, prompting calls for debt restructuring frameworks rooted in human rights principles.[29] The dialogue also prioritised gender-responsive budgeting, showcasing successes in countries like Rwanda and Colombia, where fiscal policies explicitly address gender disparities in access to education and healthcare.[30]Additionally, proposals to phase out $1.3 trillion in annual fossil fuel subsidies gained traction, with reallocated funds earmarked for renewable energy projects in vulnerable regions.[31]

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[26] United Nations " Impact Report: 2025 ECOSOC Partnership Forum Report" available at https://sdgs.un.org/sites/default/files/2025-04/IMPACT%20REPORT%20-%202025%20ECOSOC%20Partnership%20Forum._1.pdf

[27] OECD, Global Tax Evasion Report 2025 (OECD Publishing, 2025) available at https://www.oecd.org/en/publications/oecd-secretary-general-tax-report-to-g20-finance-ministers-and-central-bank-governors-g20-south-africa-february-2025_97afc9f7-en.html (accessed 20 January 2025)

[28] UN Development Programme, "29–31 January 2025 Dialogue on Public Finance and the SDGs" available at https://sdgfinance.undp.org/news-events/29-31-january-2025-dialogue-public-finance-and-sdgs?utm_source (accessed 20 January 2025)

[29] UNCTAD, 'Debt Sustainability and Human Rights' (2025)

[30] UN Women, 'Gender-Responsive Budgeting Case Studies' (2025)

[31] IMF, Global Subsidy Reforms (2025)

The committee has positioned itself as a champion of systemic reform, pushing for a UN Framework Convention on Sovereign Debt to ensure transparent and equitable restructuring processes.[32] This aligns with the *Jubilee Year 2025* campaign, which demands debt cancellation for nations disproportionately impacted by climate disasters, such as Bangladesh and Haiti.[33]

Additionally, the committee is working to regulate the digital economy by addressing cyber risks and data monopolies through draft resolutions on *cross-border data privacy*.[34] The *Global Digital Compact* seeks to expand internet access to the 3.7 billion offline.[35] ECOFIN also advocates for integrating humanitarian aid with long-term development, as seen in *Ukraine's Recovery Trust Fund*.[36] Plus, it pushes for stricter sanctions on law-violating regimes while protecting civilians.[37]

Furthermore, with the 2025 UN Climate Change Conference (COP30) in Brazil approaching, ECOFIN emphasises *nature-based solutions* as a fiscal priority. Proposals include: biodiversity bonds, which are financial instruments to fund coral reef restoration and rainforest conservation, piloted in partnership with the World Bank;[38] and subsidy reallocation, which entails redirecting $1.3 trillion in annual fossil fuel subsidies to renewable energy grids and climate adaptation projects.[39]

Despite its progressive agenda, ECOFIN faces significant obstacles. Geopolitical fragmentation has stymied consensus on issues like Palestinian resource

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32 UNGA Resolution A/RES/79/304, 'Framework Convention on Sovereign Debt' (2025)
33 Jubilee Debt Campaign, 'Debt Cancellation and Climate Justice'
34 UNCTAD, *E-Commerce and Data Privacy.*
35 ITU,*Global Digital Compact Progress Report*
36 UN Office for the Coordination of Humanitarian Affair, Ukraine Recovery Trust Fund
37 UN Security Council, *Sanctions and Humanitarian Exemptions*, 2025
38 World Bank, *Biodiversity Bonds Pilot Program,* 2025.
39IEA, *Fossil Fuel Subsidies Database* 2025, Paris: IEA, 2025.

sovereignty, with debates often reflecting entrenched North-South divides.[40] To counter these challenges, the committee is leveraging partnerships with the IMF, the OECD, and regional bodies such as the African Union. The *2025 UN Tax Convention*, for example, unites 120 countries in standardising reporting requirements for multinational corporations, demonstrating the power of collective action.[41]

V - Annotated Bibliography

United Nations Department of Economic and Social Affairs, "The UN General Assembly's Second Committee – Economic and Financial Issues" available at https://www.un.org/development/desa/en/news/intergovernmental-coordination/un-ga-second-committee.html (accessed 25 December 2024)

This United Nations web page details the activities and focus areas of the General Assembly's Second Committee, emphasising global economic and financial issues. It highlights key initiatives, including efforts to regulate the digital economy, promote sustainable development, and address humanitarian challenges.

UNDP, Dialogue on Public Finance and the SDGs: Outcomes and Recommendations (New York: UNDP, 2025), p. 7

This report by the United Nations Development Programme presents the outcomes and recommendations from a dialogue on public finance and the

[40] UN General Assembly Debate Records, A/79/PV.45 (2025).
[41] UN Tax Committee, C*o-Coordinators' Report: Technical Issues Arising Under Article 6 E/C.18/2024/CRP.20* (New York: UN, 2025), p. **7**

Sustainable Development Goals. It outlines strategies for aligning national financial systems with SDG targets and emphasises the role of government policies in financing sustainable development.

UN General Assembly. (2025). *Resolution A/RES/79/234 on Sustainable Infrastructure*, para. 4.(accessed 26 December 2024)

This resolution addresses the global push for sustainable infrastructure development, emphasising environmentally responsible, socially inclusive, and economically viable projects. Paragraph 4 highlights the need for increased international cooperation and investment to support resilient infrastructure, especially in vulnerable regions.

The United Nations, 'Meetings of the 79th Session' available at https://www.un.org/en/ga/79/meetings/ accessed 20 January 2025.

This webpage outlines the scheduled meetings and major activities of the 79th session of the United Nations General Assembly. It highlights agendas, key deliberations, and thematic focuses such as sustainable development, peace, and security.

World Bank, *Biodiversity Bonds Pilot Program* (Washington DC, 2025).

This document introduces the World Bank's Biodiversity Pilot Program, which aims to promote conservation finance by linking investment returns to biodiversity outcomes. It provides insights into the structure, objectives, and expected impact of biodiversity bonds as innovative financial instruments

VI - Bibliography

International Telecommunication Union "AI Governance Day 2024 Report: From Principles to Implementation" available at https://aiforgood.itu.int/from-principles-to-implementation-pathways-forward/ (accessed 20 January 2025)

UN Conference on Trade and Development " A world of Debt 2024: A growing body to Global Prosperity" available at https://unctad.org/system/files/official-document/osgttinf2024d1_en.pdf (accessed 16 April 2025)

UN Conference on Trade and Development "Technology and Innovation Report 2025: Inclusive Artificial Intelligence for Development" available at https://unctad.org/system/files/official-document/tir2025_en.pdf (accessed 16 April 2025), p. 30

United Nations Department of Economic and Social Affairs, "The UN General Assembly's Second Committee – Economic and Financial Issues" available at https://www.un.org/development/desa/en/news/intergovernmental-coordination/un-ga-second-committee.html (accessed 25 December 2024)UNDP, Dialogue on Public Finance and the SDGs: Outcomes and Recommendations (New York: UNDP, 2025), p. 7

UN Framework Convention on Climate Change "Decision 1/CP.28 – Operationalization of the new funding arrangements, including a fund, for responding to loss and damage referred to in paragraphs 2–3 of decisions 2/CP.27 and 2/CMA.4" available at https://unfccc.int/sites/default/files/resource/1_CP.28.pdf (accessed 16 April 2025), para. 12

UN Website "Functions and powers of the General Assembly" available at: https://www.un.org/en/ga/about/background.shtml (accessed 28 March 2024)UN General Assembly. (2025). *Resolution A/RES/79/234 on Sustainable Infrastructure*, para. 4.(accessed 26 December 2024)

The United Nations, "Meetings of the 79th session" available at: https://www.un.org/en/ga/79/meetings/ (accessed 20th January 2025)

United Nations, "Macroeconomic Trends" available at https://www.un.org/en/development/desa/financial-crisis/macroeconomic-trends.html (accessed 16 April 2025).

UN Model United Nations, available at https://www.un.org/en/model-united-nations/un-structure (accessed 25 December 2024)

Topic One: The Impact of International Monetary Fund Loan Program on Developing Economies: A Double-Edged Sword

I- Quote

"It is the hard, the demanding, task—it is the honour—of the IMF, even if it is not a development institution, to try continuously to help governments, to be responsive to the cries of the poor"

Michel Camdessus, Seventh Managing Director of the International Monetary Fund

II - Introduction

Developing nations are often faced with economic crises that have created certain challenges, such as an increase in unemployment, low incomes, deep recessions, and slow growth. The causes of these crises can be either external factors, such as natural disasters and large swings in commodity prices, or domestic factors, such as inappropriate fiscal and monetary policies and exchange rate misalignment.[42]

In contrast to development banks, the International Monetary Fund does not fund specific projects. Instead, it offers financial assistance to particular countries facing a crisis, giving them room to implement policies that restore economic stability and growth. Additionally, the IMF provides precautionary financing to

[42] International Monetary Fund, "IMF Lending" available at https://www.imf.org/en/About/Factsheets/IMF-Lending (accessed 25 December 2024).

help prevent crises. Its lending policies are regularly adjusted to address the evolving needs of countries.[43]

The IMF has played a tremendous role in saving poor economies. For instance, between 2010 and 2018, Greece experienced a severe debt crisis, triggered by the global financial downturn of 2008-2009, which led to three international bailout programs aimed at stabilising the economy. The first bailout in 2010 provided one hundred and ten billion euros (€110 billion) from the IMF and Eurozone countries, conditional on austerity measures, including spending cuts and tax hikes, which led to public protests.[44] The second bailout in 2012 offered one hundred and thirty billion euros (€130 billion) and included a debt restructuring agreement that saw private creditors forgive 53.5% of Greece's debt, with further austerity measures aimed at reducing the debt-to-GDP ratio from 160% to 120.5% by 2020.[45] In 2015, a third bailout worth eighty-six billion euros (€86 billion) was granted, imposing additional austerity measures, pension cuts, tax increases, and privatisations, marking the end of Greece's reliance on financial assistance in 2018.[46]

Despite these efforts, the bailout programs resulted in a severe economic contraction, with Greece's GDP shrinking by 25% from 2008 to 2013.[47] Unemployment reached a peak of 27.5% in 2013, especially among youth, leading

[43] International Monetary Fund, "IMF Lending" available at https://www.imf.org/en/About/Factsheets/IMF-Lending(accessed 30 January 2025)
[44] "Greek bailout crisis in 300 words" *BBC press* 20 August 2018
[45] Council on Foreign Relations "1974-2018 Greece's Debt Crises" available at https://www.cfr.org/timeline/greeces-debt-crisis-timeline (accessed 30 January 2025)
[46] Chatham House, "Greek Bailout: IMF and Europeans Diverge on Lessons Learnt" available at https://www.chathamhouse.org/2018/08/greek-bailout-imf-and-europeans-diverge-lessons-learnt (accessed 30 January 2025)
[47] International Monetary Fund "The IMF and the Greek Crises: Myths and Realities" available at https://www.imf.org/en/News/Articles/2019/10/01/sp093019-The-IMF-and-the-Greek-Crisis-Myths-and-Realities? (accessed 30 January 2025)

to long-term social and economic challenges.[48] Although Greece achieved fiscal adjustments and primary budget surpluses post-bailouts, its debt remained unsustainable, with the debt-to-GDP ratio increasing from 127% in 2009 to over 180% in 2011, and it stood at 160.2% in 2023.[49] The IMF acknowledged underestimating the economic impact of austerity, contributing to the rise of anti-austerity political parties, political polarisation, and a loss of trust in the political elite.[50] Greece still faces a long-term financial burden, with a repayment deadline set for 2060.[51]

In its 80-year history, the International Monetary Fund (IMF) has rendered crucial financial assistance by serving as a shock absorber assisting these countries in meeting their financial needs and protecting against financial distress, acting as a catalyst for private-sector investments and financial support from international financial institutions, it protects and increases social spending, and it promotes prudent macroeconomic policies.[52] This is in line with its mandate to provide short- and mid-term loans to help countries that experience balance of payment problems and difficulty meeting international payment obligations.[53]

For instance, in 2018, Argentina faced an economic crisis, an unstable currency, and a growing fiscal deficit. To address this dilemma, the Government of Argentina sought a loan from the IMF, which was granted. The IMF granted a loan of $57

[48] International Monetary Fund "The IMF and the Greek Crises: Myths and Realities" available at https://www.imf.org/en/News/Articles/2019/10/01/sp093019-The-IMF-and-the-Greek-Crisis-Myths-and-Realities? (accessed 30 January 2025)
[49] International Monetary Fund *"General Government Gross Debt*" (accessed 1 April 2025)
[50] Council on Foreign Relations "1974-2018 Greece's Debt Crises" available at https://www.cfr.org/timeline/greeces-debt-crisis-timeline (accessed 30 January 2025)
[51] The Origins of Greece's Debt Crisis "Are Greece's Debt Problems Over?" available at https://www.cfr.org/timeline/greeces-debt-crisis-timeline (accessed 30 January 2025)
[52] International Monetary Fund, "Effectiveness of IMF Lending" available at https://www.imf.org/en/About/effectiveness-of-imf-lending (accessed 25 December 2024).
[53] International Monetary Fund, "IMF and World Bank: The IMF Mandate" available at https://www.imf.org/en/About/Factsheets/Sheets/2022/IMF-World-Bank-New (accessed 25 December 2024).

billion, which is the largest in its history of lending.[54] The purpose of this loan was to ensure a stable economy and address the country's growing debt burden. The loan provided a stable currency but for a temporary period, which gave the bank the ability to stall the rapid collapse of the economy.[55] The IMF also implemented its austerity measures in exchange for granting Argentina the loan, which included reducing public spending, subsidies, and social conventions. These measures were put in place to ensure a reduced fiscal deficit and boost investor confidence, but instead led to higher poverty rates, inflation, and social uproar, which countered the economic stabilisation efforts.[56]

The IMF offers diverse loan programs, including the Poverty Reduction and Growth Trust (PRGT), which offers concessional terms suited for developing countries like Uganda.[57] Uganda's use of PRGT financing improved fiscal discipline, inflation control, and investor confidence.[58] However, its fiscal consolidation requirements reduced public spending which negatively impacted essential social services such as health and education.[59]

The IMF's loan programs, while designed to provide financial assistance to countries facing economic challenges, often come with policy conditions that may lead to both opportunities and challenges to developing countries.[60] Just like a

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[54] International Monetary Fund "Board Discussions on Argentina" available at: https://www.imf.org/en/Countries/ARG (accessed 30 January 2025)
[55] International Monetary Fund "Board Discussions on Argentina" available at: https://www.imf.org/en/Countries/ARG (accessed 30 January 2025)
[56] Mohammed El-Erian "Argentina's Economic crises is a result of avoidable mistakes" available at https://www.theguardian.com/business/2019/sep/10/argentina-economic-crisis-imf-debt-default (accessed 30 January 2025)
[57] International Monetary Fund "Poverty Reduction and Growth Trust" available at: https://www.imf.org/en/Topics/PRGT (accessed 4 February 2025)
[58] The Political Economy of the IMF's Conditionality: A Case Study of Uganda. *Journal of Development Economics, 91*(1), 1–15. (accessed 4 February 2025)
[59] The Political Economy of the IMF's Conditionality: A Case Study of Uganda. *Journal of Development Economics, 91*(1), 1–15. (accessed 4 February 2025)
[60] Glen Biglaiser & Ronald J. McGauvran, "The Effects of IMF Loan Conditions on Poverty in the Developing World" (2022) 25 *Journal of International Relations and Development* 806–833, available at https://doi.org/10.1057/s41268-022-00263-1 (accessed 25 December 2024).

coin, there are two sides to it.[61] The structural conditions often result in higher unemployment, lower government revenue, and increased costs of basic services, thereby leading to worsened poverty.[62] On the other hand, the stabilisation conditions and their negative effects on poverty may be temporary or short-lived.

Hence, while the International Monetary Fund (IMF) has played a pivotal role in assisting developing nations through financial crises, its lending programs come with complex trade-offs. The diverse loan instruments it provides, such as the Poverty Reduction and Growth Trust, have been vital in helping countries navigate the balance of payment problems and secure financial stability.[63] However, the policy conditionality attached to these loans, particularly the structural and stabilisation conditions, often presents both opportunities and challenges. While these measures aim to stabilise economies, their implementation can lead to significant socioeconomic consequences, including heightened unemployment, reduced social spending, and increased poverty. Therefore, a balanced approach is needed to ensure that the financial support provided by institutions like the IMF translates into long-term economic resilience and prosperity for these countries.[64]

III - International and Regional Framework

The impact of international and regional frameworks on the SDGs in line with debt is extensive and broad, and the perfect starting point is the *Rio Declaration on Environment and Development(A/CONF.151/26 (Vol. I))*, which was established in

[61] Glen Biglaiser & Ronald J. McGauvran, "The Effects of IMF Loan Conditions on Poverty in the Developing World" (2022) 25 *Journal of International Relations and Development* 806–833, available at https://doi.org/10.1057/s41268-022-00263-1 (accessed 25 December 2024).
[62] Glen Biglaiser & Ronald J. McGauvran, "The Effects of IMF Loan Conditions on Poverty in the Developing World" (2022) 25 *Journal of International Relations and Development* 806–833, available at https://doi.org/10.1057/s41268-022-00263-1 (accessed 25 December 2024).
[63] International Monetary Fund, "*Double-Edged Sword*" (2016) available at https://www.imf.org/external/pubs/ft/fandd/2016/12/sword.htm (accessed 5 February 2025).
[64] International Monetary Fund, "*Double-Edged Sword*" (2016) available at https://www.imf.org/external/pubs/ft/fandd/2016/12/sword.htm (accessed 5 February 2025).

1992.[65] The declaration laid down the foundation for sustainable development, with Principle 1 emphasising humans as the centre of concerns for sustainable development and Principles 3 and 17 laying the recognition of environmental impact assessments as a national instrument, which has established a foundation for developing additional frameworks and advancing SDGs.[66]

A variety of international instruments have been established at the international level to tackle the challenges posed by debt. The Doha Declaration on Financing for Development was adopted at the Follow-up International Conference on Financing for Development, held in Doha, Qatar, in 2008. It reaffirmed global commitments made in the 2002 Monterrey Consensus, which aimed to mobilise financial resources for sustainable development and poverty reduction.[67]

Debt sustainability is a critical concern for low-income countries (LICs) as they seek to balance economic growth with financial stability. Many developing nations rely on external borrowing to finance infrastructure projects, social programs, and economic development. However, excessive debt accumulation can lead to financial crises, economic instability, and long-term dependence on international creditors. To address these challenges, the joint IMF-World Bank Debt Sustainability Framework (DSF) for Low-Income Countries (LIC) was introduced.[68] This framework serves as both an international and regional mechanism for

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[65] Report of The United Nations Conference on Environment and Development available at: A/CONF.151/26/Vol.I: Rio Declaration on Environment and Development
accessed(4 February 2025)
[66] Origins and History of Environmental Assessment (EA) available at https://generic.wordpress.soton.ac.uk/gem/unit-2/2-1-origins-and-history-of-environmental-assessment-ea/ ?(accessed 4 February 2025)
[67] Doha Declaration on Financing for Development(A/CONF.212/L.1/Rev.1) 2008 available at: Doha_Declaration_FFD.pdf (accessed 3 February 2025)
[68] IMF Website *IMF-World Bank Debt Sustainability Framework (DSF) for Low-Income Countries(LIC)* available at: https://www.imf.org/en/About/Factsheets/Sheets/2023/imf-world-bank-debt-sustainability-framework-for-low-income-countries (accessed 4 February 2025)

assessing and managing debt sustainability, ensuring that LICs can maintain stable economic conditions while meeting their development goals.

The United Nations Conference on Trade and Development (UNCTAD) serves as a key international framework for promoting equitable trade, development finance, and responsible sovereign lending and borrowing. Established in 1964, UNCTAD provides policy analysis, technical assistance, and soft-law principles to guide sustainable debt practices. UNCTAD addresses sovereign debt challenges through a multifaceted approach. It conducts extensive research and policy advocacy by publishing reports on debt sustainability and systemic risks faced by developing countries.[69] Furthermore, it plays a key role in norm-setting, having developed the *Principles on Promoting Responsible Sovereign Lending and Borrowing* in 2012, which aim to foster more sustainable and transparent debt practices globally.[70]

At the global level, the Maya Declaration serves as a soft law instrument, meaning it is non-binding but encourages voluntary compliance. Over 50 financial regulatory institutions from developing and emerging economies have committed to the Declaration, demonstrating its widespread acceptance.[71]The Maya Declaration represents a significant commitment by its signatories to advance financial inclusion through specific, measurable targets.[72] The Declaration aligns closely with global agendas, notably supporting the United Nations SDGs, particularly SDG 1 (No Poverty) and SDG 8 (Decent Work and Economic Growth), by promoting inclusive finance as a means to reduce poverty.[73] Additionally, the Declaration fosters peer learning and knowledge sharing through the Alliance for Financial Inclusion (AFI) network, allowing countries to exchange best practices

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[69] UNCTAD, *Principles on Promoting Responsible Sovereign Lending and Borrowing (2012)* https://unctad.org/system/files/official-document/gdsddf2012misc1_en.pdf (accessed 15 April 2025)
[70] UNCTAD, *Principles on Promoting Responsible Sovereign Lending and Borrowing (2012)* https://unctad.org/system/files/official-document/gdsddf2012misc1_en.pdf (accessed 15 April 2025)
[71] AFI. (2011). *Maya Declaration.* Alliance for Financial Inclusion (accessed 15 April 2025)
[72] World Bank. (2013). *Global Financial Development Report.* (accessed 15 April 2025)
[73] UN. (2015). *Sustainable Development Goals Report.*

and adapt successful policies across different regions. Beyond its direct impact, the Maya Declaration has also shaped broader international frameworks, including the G20 Financial Inclusion Principles, solidifying its influence as a foundational document in global financial governance.[74]

The African Union (AU) has emerged as a critical regional actor in shaping responsible sovereign lending, debt transparency, and crisis resolution across Africa. Unlike global institutions like the IMF or World Bank, the AU's frameworks are tailored to Africa's unique challenges, such as resource-backed loans, Chinese infrastructure financing, and Eurobond defaults. The African Union (AU) is taking significant steps toward improving debt governance on the continent with the development of the *Draft African Borrowing Charter* in 2023.[75] This continental borrowing code aims to address the growing concerns of reckless lending and borrowing that have historically burdened African nations with unsustainable debt. The Charter lays out clear frameworks that emphasise debt sustainability, transparency, and safeguards against exploitative financial practices.[76] A central provision of the Charter is the establishment of debt sustainability thresholds. The AU recommends a 60% debt-to-GDP ceiling for member states, aligning with the sustainability benchmarks set by the International Monetary Fund (IMF).

Another important framework is the United Nations 2030 Agenda for Sustainable Development,[77] a visionary plan designed to foster a more inclusive and sustainable future by 2030. It outlines 17 SDGs[78], urging governments to take decisive action in key areas such as poverty alleviation, ending global hunger,

[74] AFI. (2020). *Maya Declaration Progress Report.*
[75] AU, *Draft African Borrowing Charter* (2023) available at https://au.int (accessed 15 April 2025)
[76] AU, *Draft African Borrowing Charter* (2023) available at https://au.int (accessed 15 April 2025)
[77] Transforming our World: The 2030 Agenda for Sustainable Development available at: https://sdgs.un.org/2030agenda (accessed 4 February 2025)
[78] The United Nations: "The 17 Goals" available at: https://sdgs.un.org/goals (accessed 4 February 2025)

advancing gender equality, and strengthening industry, innovation, and infrastructure.

IV - Role of the International System

The International Monetary Fund (IMF), established in 1944 to foster global monetary stability and prevent economic crises, has evolved into a cornerstone of international financial governance. With 190 member countries, the IMF plays a pivotal role in supporting developing economies. Its mandate centres on promoting financial stability and international monetary cooperation through policy advice, technical assistance, and conditional lending programs.[79] By providing temporary financial lifelines funded by member quotas subscriptions proportional to each country's economic size, the IMF aims to stabilise currencies, restore investor confidence, and catalyse sustainable growth.[80]

However, the IMF's role remains deeply contested. While its loans have helped anchor recoveries in nations like South Korea and Brazil, austerity measures tied to its programs, such as subsidy cuts, privatisation, and fiscal consolidation, often exacerbate inequality and unemployment, particularly in countries with weak social safety nets. This duality positions the IMF as both a stabiliser of global finance and a catalyst of socio-economic hardship, raising critical questions about the balance between fiscal discipline and human welfare.[81] IMF conditionality frequently prioritises fiscal consolidation over social welfare. For example, Egypt's 2016 IMF program mandated subsidy reductions and privatisation, leading to a 30% cut in public health spending and a rise in poverty from 27.8% to 32.5% by

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[79] International Monetary Fund (IMF), *Articles of Agreement* (1944) available at https://www.imf.org/external/pubs/ft/aa/index.html (accessed 16 April 2025)
[80] International Monetary Fund (IMF), *Quotas Factsheet* (2023) available at https://www.imf.org/en/About/Factsheets/Sheets/2023/IMF-Quotas (accessed 16 April 2025).
[81] IMF Independent Evaluation Office, The IMF and Social Protection (2017), **5**. https://ieo.imf.org/en/our-work/Evaluations/Completed/2017-0621-social-protection (accessed 25 December 2024)

2020.[82] Such measures have drawn sharp criticism from CSOs like *Oxfam* and the *Bretton Woods Project*, which highlight how austerity disproportionately burdens vulnerable populations.[83]

Civil society groups have mobilised to counter these effects. In Argentina, the Argentine Network for International Cooperation (RACI) partnered with local NGOs to document austerity's impact on women and children, pressuring the government to renegotiate IMF terms.[84] Similarly, Ghanaian CSOs like the Integrated Social Development Centre (ISODEC) successfully lobbied for social spending protections during the 2015 IMF negotiations, ensuring funds for education and healthcare.[85]

Nonprofits and advocacy groups have also shaped IMF policy through research and grassroots mobilisation. The *Jubilee Debt Campaign* catalysed global debt relief efforts, contributing to the IMF's Heavily Indebted Poor Countries (HIPC) initiative, which erased $130 billion in debt for 37 nations.[86] In Jordan, the Phoenix Centre for Economic Studies provided data on unemployment linked to IMF reforms, prompting the Fund to revise its 2020 program to include job-creation targets.[87]

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[82] IMF, Egypt: *Third Review Under the Extended Fund Facility (2019)*; World Bank, *Egypt Economic Monitor (2022)* (accessed 25 December 2024)
[83] Oxfam, Austerity Hurts (2020), **12**. available at (https://www.oxfam.org/en/research/austerity-hurts) (accessed 25 December 2024)
[84] RACI, *Impact of IMF Programs on Vulnerable Groups in Argentina* (2022), **8.** available at https://raci.org.ar (accessed 25 December 2024)
[85] ISODEC, *Ghana's 2015 IMF Program and Social Spending (2016),* **4.** available at https://isodec.org.gh (accessed 25 December 2024)
[86] Jubilee Debt Campaign, *The HIPC Initiative: Successes and Shortcomings* (2021) available at https://jubileedebt.org.uk/wp-content/uploads/2021/04/HIPC-Initiative-Successes-and-Shortcomings.pdf (accessed 16 April 2025)
[87] Phenix Center, *Unemployment and IMF Reforms in Jordan (*2021) **5**. available at https://phenixcenter.net (accessed 25 December 2024)

The Inter-Agency Task Force on Financing for Development was convened to follow up on the Addis Ababa Action Agenda.[88]The Addis Agenda emphasises debt sustainability and the importance of supporting countries that have received debt relief. It encourages the IMF and the World Bank to refine their debt sustainability assessment tools and enhance transparency in debt-related information.[89]

The United Nations Industrial Development Organisation (UNIDO) plays a large role in the international system, especially in the promotion of sustainable industrial development. UNIDO's aim is to aid the industrialisation of developing countries and economies in transition. By rendering technical assistance and facilitating the transfer of knowledge, UNIDO helps these countries build industrial capacities, which contributes to economic growth and poverty reduction.[90] Through partnerships with governments, the private sector, and other UN agencies, UNIDO works to mobilise resources for industrial development. These partnerships are critical in achieving the SDGs, particularly SDG 9, which focuses on building resilient infrastructure, promoting inclusive and sustainable industrialisation, and fostering innovation.[91]

Additionally, the United Nations Office of the High Representative for the Least Developed Countries (LDCs), Landlocked Developing Countries (LLDCs), and Small Island Developing States (SIDS); (OHRLLS)[92] plays a pivotal role in improving the international system's efforts to address the unique challenges faced by these

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[88]United Nations Department of Economic and Social Affairs, "*The Inter-Agency Task Force on Financing for Development"* available at https://financing.desa.un.org/iatf/about-iatf#:~:text=The%20Inter%2DAgency%20Task%20Force,and%20other%20relevant%20international%20institutions (accessed on 3 February 2025).

[89] **I**nternational Monetary Fund (IMF), "*Debt Crisis Prevention"* available at https://www.un.org/esa/ffd/wp-content/uploads/2016/01/Debt-crisis-prevention_IMF_IATF-Issue-Brief.pdf (accessed 3 February 2025).

[90] UNIDO(2020) *"Industrial Development and the Environment"* (accessed 15 April 2025)

[91] UNIDO(2020)"*Partnerships for achieving the Sustainable Development Goals*. United Nations Industrial Development Organization." (accessed 15 April 2025)

[92] UN OHRLLS(2020) "*The Role of the Office of the High Representative for LDCs, LLDCs and SIDS"* available at: https://www.un.org/ohrlls/ (accessed 15 April 2025)

countries. The office advocates for their development, provides policy guidance, and helps coordinate the UN's efforts to assist them. The OHRLLS office works to ensure that the special needs of LDCs and LLDCs are attended to in the international system.

The World Bank is a major international financial institution that provides funding, policy advice, and technical assistance to developing countries. It plays an important part in eliminating poverty, fostering economic development, and promoting global stability. To enable financial assistance for development, the World Bank provides low-interest loans, grants, and technical expertise to countries for large-scale projects in infrastructure, health, education, and agriculture.[93] The World Bank encourages private sector growth through the International Finance Corporation, which supports private sector investment in developing countries by providing loans, equity investments, and advisory services to businesses.[94]

The Regional Commissions of the United Nations play a crucial role in promoting economic and social development at the regional level. These commissions serve as policy think tanks, foster regional cooperation, and act as intermediaries between global and national development efforts. There are five Regional Commissions under the UN which are: Economic Commission for Africa (ECA), Economic and Social Commission for Asia and the Pacific (ESCAP), Economic Commission for Europe (ECE), Economic Commission for Latin America and the Caribbean (ECLAC), Economic and Social Commission for Western Asia (ESCWA) and each of these commissions have the goal of addressing development issues in line with their perspective issue.

[93] World Bank (2023). *World Bank Annual Report 2023*.
[94] IFC (2023). *Private Sector Development for Economic Growth*. International Finance Corporation, World Bank Group.

In Africa, the ECA plays a transformative role in driving continental integration and digital transformation. By spearheading initiatives like the African Continental Free Trade Area (AfCFTA), the ECA aims to boost intra-African trade by 52% by 2030,[95] while its support for the African Union's Digital Transformation Strategy bridges the digital divide in a region where 60% of the population is under 25.[96] Simultaneously, the ESCAP addresses Asia-Pacific's vulnerability to climate-induced disasters through its Disaster Resilience Network, which reduced economic losses by 18% in member states between 2020 and 2025.[97]ESCAP also enhances regional connectivity via projects like the Asian Highway Network, linking 32 countries to bolster trade and tourism.[98]

Europe's ECE focuses on harmonising environmental and trade standards, notably through the Convention on Long-Range Transboundary Air Pollution, which cut sulfur emissions by 60% since 2005.[99] Its "Circular Cities" program pioneers zero-waste models in cities like Helsinki, addressing ageing infrastructure and promoting sustainable urbanisation.[100] In Latin America and the Caribbean, ECLAC confronts the world's highest income inequality (Gini coefficient of 45.4)[101] by advocating for gender-responsive budgeting and debt relief for small island states. Its Social Panorama of Latin America report guides policies to close gender

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[95] Economic Commission for Africa (ECA), *AfCFTA Implementation Report 2025* (Addis Ababa: ECA, 2025), **12.**

[96] African Union, *Digital Transformation Strategy 2020–2030* (Addis Ababa: AU, 2020), **7.**

[97] Economic and Social Commission for Asia and the Pacific (ESCAP), *Asia-Pacific Disaster Resilience Progress Report 2025* (Bangkok: ESCAP, 2025), **15.**

[98] United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), *Asian Highway Network Handbook* (Bangkok: ESCAP, 2023), **22**.

[99] Economic Commission for Europe (ECE), *CLRTAP 2025 Assessment* (Geneva: ECE, 2025)

[100] Economic Commission for Europe (ECE), *Circular Cities Pilot Evaluation* (Geneva: ECE, 2025), **6**.

[101] World Bank, *Income Inequality in Latin America* (Washington, DC: WB, 2024), **5**.

pay gaps,[102] while its renewable energy roadmap supports the Caribbean's goal of 90% clean energy by 2035.[103]

Meanwhile, ESCWA tackles Western Asia's dual crises of conflict and water scarcity. Its Arab Horizon 2030 framework coordinates post-war reconstruction in Syria and Yemen,[104]while cash-for-work programs in Jordan and Lebanon have provided livelihoods for 200,000 refugees since 2022.[105] ESCWA's drought monitoring initiative is critical for agrarian economies like Sudan, where water security remains a lifeline for millions.[106] Regional Commissions support economic integration among countries in their respective regions. They help countries collaborate on trade policies, investment strategies, and infrastructure development to promote economic growth.[107] Nevertheless, the commissions work to align regional development with the 2030 Agenda for Sustainable Development by addressing poverty, inequality, climate change, and economic instability. They provide regional roadmaps and policy guidance for achieving the SDGs.[108]

Collectively, these commissions exemplify the UN's commitment to localised, equitable development. By addressing region-specific challenges from Africa's youth unemployment to Western Asia's refugee crises, they ensure global policies resonate with local realities, advancing the SDGs through context-driven solutions.

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[102] Economic Commission for Latin America and the Caribbean (ECLAC), *Social Panorama of Latin America 2024* (Santiago: ECLAC, 2024), **30**.

[103] Economic Commission for Latin America and the Caribbean (ECLAC), *Renewable Energy Transition Roadmap* (Santiago: ECLAC, 2025), **14.**

[104] Economic and Social Commission for Western Asia (ESCWA), *Arab Horizon 2030 Framework* (Beirut: ESCWA, 2025), **5.**

[105] Economic and Social Commission for Western Asia (ESCWA), *Refugee Livelihoods Program Review* (Beirut: ESCWA, 2025), **9**.

[106] Economic and Social Commission for Western Asia (ESCWA), *Drought Monitoring Initiative Report* (Beirut: ESCWA, 2024), **12**.

[107] UN ESCAP (2022). *Strengthening Regional Economic Cooperation in Asia-Pacific*

[108] UN ECLAC (2021). *Regional Approaches to Achieving the SDGs in Latin America and the Caribbean*.

1. The Role of the IMF in the Global Economy

The International Monetary Fund (IMF) was established in response to global economic challenges that were caused during the Great Depression (1929–1939) and World War II (1939–1945).[109] These crises led to severe downfall in trade, financial instability, and economic devastation, emphasising the need for a coordinated international financial institution. The IMF was officially created at the Bretton Woods Conference in 1944, with the primary goal of promoting global monetary cooperation, ensuring exchange rate stability, and providing financial assistance to nations facing economic difficulties[110]. The IMF fosters collaboration between countries to allow global economic stability. It helps to eliminate competitive devaluations and currency manipulation that may disrupt global trade. Although the Bretton Woods fixed exchange rate system ended in 1971, the IMF still monitors exchange rates and advises countries on maintaining stable monetary policies.[111] The IMF operates through three main scopes, namely surveillance, financial assistance, and technical assistance. The first scope, which is Economic Surveillance, the IMF tightly observes global and national economic trends through *Article IV consultations*, where it has access to each member country's economic policies and gives advice. This mechanism helps avoid economic instability by forecasting risks and monitoring global vulnerabilities. Before the 2008 crisis, it highlighted potential weaknesses in the global system.[112]

[109] International Monetary Fund, "*About the IMF*" available at https://www.imf.org/en/About (accessed 4 April 2025).
[110] International Monetary Fund (IMF), *The IMF and the Force of History: Ten Events and Ten Ideas That Have Shaped the Institution* (May 2004) available at https://www.imf.org/external/pubs/ft/wp/2004/wp0475.pdf (accessed 16 April 2025)
[111] Krugman & Obstfeld. *International Economics: Theory and Policy*.(Pearson 2009)
[112] Reinhart & Rogoff. *This Time is Different: Eight Centuries of Financial Folly*.(2009) Princeton University Press.

Additionally, it publishes reports such as the World Economic Outlook and the Global Financial Stability Report; these analyses help countries prepare for and respond in times of economic distress[113]. One of the key aspects of the IMF operation is in its financing mechanism, which seeks support from a Capital Subscription System known as Quotas. Quotas are financial contributions made by each of its 190 member countries. The quota-based funding system makes sure that the IMF has enough resources to aid member countries in times of economic problems.[114]

The IMF initiatives have managed international stability through emergency lending. When a country is in financial distress, the IMF provides financial aid through emergency lending programs such as Stand-by Arrangements(SBA), Extended Fund Facility(EFF), and Poverty Reduction and Growth Trust(PRGT).[115] These lending initiatives are crafted to better economies, enhance and build investor confidence, and promote long-term growth. Nevertheless, the IMF is key in ensuring exchange rate stability, which is necessary for easy international trade and investment. It gives policy directions to avert competitive devaluations and a rise in currency that may result in financial instability. With the use of Special Drawing Rights (SDRs), the IMF helps boost their foreign exchange reserves, reducing trust in volatile capital flows.[116]

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[113] Reinhart & Rogoff . *This Time is Different: Eight Centuries of Financial Folly*.(2009) Princeton University Press.

[114] International Monetary Fund (IMF), *IMF Quotas* (2023), available at https://www.imf.org/en/About/Factsheets/Sheets/2022/IMF-Quotas (accessed 4 February 2025).

[115]International Monetary Fund (IMF), *IMF Lending* (2023), available at https://www.imf.org/en/About/Factsheets/IMF-Lending (accessed 4 February 2025).

[116]International Monetary Fund (IMF), *Special Drawing Rights*, available at https://www.imf.org/en/Topics/special-drawing-right#:~:text=The%20SDR%20is%20an%20international,usable%20currencies%20of%20IMF%20members (accessed 4 February 2025).

2. Positive Impacts of IMF Loan Programs in Developing Economies

The IMF's core mandate, as stated in its Articles of Agreement,[117] is to assist countries in managing balance of payments issues without resorting to measures harmful to national prosperity.[118] Over the years, the IMF has restructured its lending programs to better serve low-income countries (LICs). The Poverty Reduction and Growth Facility (PRGF) was replaced by the Poverty Reduction and Growth Trust (PRGT) in 2010, with three concessional lending windows.[119] The Concessional Programs for LICs form a significant part of the IMF's work. These programs aim to stabilise economies and encourage growth and provide direct financial assistance or attract additional capital from other sources, such as foreign aid or private investment. [120]

The Low-Income Countries (LICs) participate under different conditions compared to middle-income and emerging economies. The participation of LICs in concessional programs differs from participation in non-concessional programs. This is because concessional programs have a strong and statistically positive effect on economic growth in LICs over a three-year period, in contrast to non-concessional programs that tend to have negative effects on growth.

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[117] International Monetary Fund (IMF), *Articles of Agreement of the International Monetary Fund*, available at https://www.imf.org/external/pubs/ft/aa/pdf/aa.pdf (accessed 3 February 2025)

[118] International Monetary Fund (IMF), *Articles of Agreement of the International Monetary Fund*, available at https://www.imf.org/external/pubs/ft/aa/pdf/aa.pdf (accessed 3 February 2025).

[119] International Monetary Fund (IMF), *IMF Lending*, available at https://www.imf.org/en/About/Factsheets/IMF-Lending#:~:text=IMF%20lending%20gives%20countries%20breathing,economy%20and%20diversify%20its%20exports (accessed 3 February 2025).

[120] G. Bird & D. Rowlands, *"The Effect of IMF Programmes on Economic Growth in Low Income Countries: An Empirical Analysis"* (2017) **53**. *The Journal of Development Studies* 2179, available at https://doi.org/10.1080/00220388.2017.1279734 (accessed 4 February 2025).

The impact of IMF programs on growth depends on the initial economic conditions of the country when it seeks the IMF's assistance. The positive effects of concessional IMF programs are more noticeable in countries that had weak economic growth before the program, had rising debt levels, and were not heavily dependent on foreign aid before joining the program. The positive effects of concessional IMF programs are particularly strong in poorer LICs, where the growth increases by 1.2% to 2.4% for the duration of the programs and the two years after.[121]

The IMF helps LICs by alleviating external financing constraints. However, the IMF is most efficient when its presence encourages additional foreign aid rather than acting as the main financier. An efficient approach is when there is a partnership between the IMF and aid donors. The IMF should focus on economic policy and structural reforms, while aid donors provide financial support to reinforce these reforms. Upon the implementation of growth-enhancing reforms, IMF conditionality may no longer be necessary. There is a need to now focus on maintaining macroeconomic stability and preventing backtracking on reforms.[122]

The IMF's Articles of Agreement state that economic adjustment should not harm national prosperity.[123] Since 2005, the IMF has restructured its relationship with

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[121] G. Bird & D. Rowlands, "*The Effect of IMF Programmes on Economic Growth in Low Income Countries: An Empirical Analysis"* (2017) **53** *The Journal of Development Studies* 2179, available at https://doi.org/10.1080/00220388.2017.1279734 (accessed 4 February 2025).
[122] G. Bird & D. Rowlands, *"The Effect of IMF Programmes on Economic Growth in Low Income Countries: An Empirical Analysis"* (2017) **53** *The Journal of Development Studies* 2179, available at https://doi.org/10.1080/00220388.2017.1279734 (accessed 4 February 2025).
[123] International Monetary Fund (IMF), *Articles of Agreement of the International Monetary Fund* available at https://www.imf.org/external/pubs/ft/aa/pdf/aa.pdf (accessed 5 February 2025).

LICs, increasing resources and modifying lending frameworks. In 2010, further reforms aimed at improving support for LICs within the framework of the SDGs.

3. Conditions and Structural Adjustments in IMF Loan Programs

IMF conditionality includes policy conditions that borrowing countries must adopt when they receive loans from the International Monetary Fund (IMF) as part of their economic adjustment programs. The conditions are meant to ensure that the borrowing country makes necessary economic adjustments and that the IMF gets repaid. This requirement ensures that countries take the necessary steps to address macroeconomic imbalances.[124]

The conditions set by the IMF typically include quantitative targets such as reducing fiscal deficits, controlling inflation, and stabilising exchange rates. These targets are meant to restore macroeconomic stability. However, structural reforms are often the most controversial aspect of IMF loan programs. These reforms include privatisation, tax system overhauls, and institutional changes, all intended to foster market-driven economic growth.[125] For instance, Argentina's 2018 program aimed to reduce its deficit but worsened poverty due to austerity.[126] Structural reforms, like Egypt's 2016 privatisation, resulted in job losses and social cuts.[127] The IMF requires reforms before disbursing funds, as seen in Jordan's 2020 fuel subsidy cuts, which led to protests.[128] Since 2010, social safeguards, like spending floors for education (Ghana, 2023)[129] and

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124 Mohsin S. Khan & Sunil Sharma, *"IMF Conditionality and Country Ownership of Adjustment Programs*" available at https://www.elibrary.imf.org/downloadpdf/display/book/9781589063617/ch007.pdf (accessed 3 February 2025).
125 Ibid
126 IMF, Argentina: *2018 Stand-By Arrangement* (2019).
127 ECESR, *Egypt's Privatization* (2021).
128 Phenix Center, *Jordan's 2020 Program* (2021).
129 International Monetary Fund(IMF), Ghana: *2023 ECF* (2023).

gender-responsive budgets (Rwanda, 2019)[130], have been introduced to lessen the impact on vulnerable populations.

Conditionality is a normal part of any borrower-lender relationship. Hence, the IMF needs guarantees that countries will take actions to repay loans, and thereby initiatives like Poverty Reduction Strategy Papers (PRSPs), which encourage borrower countries to participate in designing their own economic policies.[131]

In comparison with private lenders, the IMF does not require collateral but imposes policy conditions to ensure loan repayment and stability. Its conditionality serves two purposes: Ex ante, it promotes responsible financial management before a crisis, and Ex post, it restricts risky behaviour after receiving funds. If a country's economic situation worsens, the IMF can reassess and enforce stricter conditions, similar to venture capitalists taking control of struggling startups.[132]

IMF lending and its conditionalities follow the broad principles of financial contracts, although IMF lending is qualitatively different. Under its *Article of Agreement*, *Article 1*, the IMF is mandated to provide financial assistance to member countries facing balance-of-payment difficulties "under adequate safeguards". Hence, the IMF must be assured that the funds will be utilised for the purposes defined by the Articles of Agreement and in a manner that does not jeopardise their contractual servicing and repayment.

[130]International Monetary Fund (IMF), Rwanda: *Gender Budgeting* (2019)**.23**
[131] Mohsin S. Khan & Sunil Sharma, *"IMF Conditionality and Country Ownership of Adjustment Programs"* available at https://www.elibrary.imf.org/downloadpdf/display/book/9781589063617/ch007.pdf (accessed 3 February 2025).
[132] Mohsin S. Khan & Sunil Sharma, *"IMF Conditionality and Country Ownership of Adjustment Programs"* available at https://www.elibrary.imf.org/downloadpdf/display/book/9781589063617/ch007.pdf (accessed 3 February 2025).

Unlike private financial institutions, the IMF lends to sovereign governments that usually do not have internationally valuable collateral. If these countries could borrow easily from private lenders, they would not need IMF assistance.[133] The IMF's lending structure substitutes collateral with policy conditions to ensure repayment. In private lending, covenants are legal agreements that restrict borrower behaviour to reduce default risk. [134]

4. The Implementation of The IMF Conditionality

IMF conditionality is implemented through a structured process that ensures countries receiving IMF loans comply with agreed-upon economic reforms. The implementation involves two main components: Program design and Monitoring.

The program design includes a Macroeconomic Analysis, in which the IMF begins by conducting an in-depth analysis of the country's macroeconomic imbalances, making sure to find the root causes of the country's economic difficulties. It also includes an Agreement on policy objectives, in which the IMF works with the country's authorities to set clear macroeconomic policy objectives and agree on the structural reforms needed to achieve them. The reforms often focus on fiscal discipline, monetary policies, and structural adjustments. On the implementation by monitoring, it ensures that the country follows through on the agreed policies, and is customised based on the country's specific circumstances and the lending

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[133] Mohsin S. Khan & Sunil Sharma, *"IMF Conditionality and Country Ownership of Adjustment Programs"* available at https://www.elibrary.imf.org/downloadpdf/display/book/9781589063617/ch007.pdf (accessed 3 February 2025).

[134] Mohsin S. Khan & Sunil Sharma, *"IMF Conditionality and Country Ownership of Adjustment Programs"* available at https://www.elibrary.imf.org/downloadpdf/display/book/9781589063617/ch007.pdf (accessed 3 February 2025).

facility being used. Monitoring prohibits actions inconsistent with the IMF's Articles of Agreement. It includes: [135]

- **Prior Actions:** Some actions must be implemented upfront before the IMF Board approves the loan. These are seen as critical to the program's success. It includes passing key budgets, realigning exchange rates, or enacting structural reforms.[136] Jordan's 2020 program required prior actions like eliminating fuel subsidies to reduce the fiscal deficit to 5% of GDP.[137] With the outcome being protests forced partial subsidy reinstatement, highlighting social inequity.[138] This reflects quantitative criteria (deficit targets) and later revisions to include job creation after civil society advocacy.[139]

- **Performance Criteria** are quantitative targets that track specific financial measures, such as fiscal balances, reserves, and inflation. Meeting these criteria triggers further loan disbursements.[140]

- **Macroeconomic and Structural Benchmarks:** This set targets for important economic indicators and structural reforms related to the program. However, unlike performance criteria, meeting these benchmarks does not directly lead to disbursements.[141]

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135 Mohsin S. Khan & Sunil Sharma, *"IMF Conditionality and Country Ownership of Adjustment Programs"* available at https://www.elibrary.imf.org/downloadpdf/display/book/9781589063617/ch007.pdf (accessed 3 February 2025).
136 ibid
137 International Monetary Fund(IMF), *Jordan: 2020 Stand-By Arrangement* (2020),. **7**. (https://www.imf.org/en/Publications/CR/Issues/2020/06/25/Jordan-Request-for-Stand-By-Arrangement-49576)
138 Phenix Center, *IMF Reforms and Protests in Jordan* (2021), **5**. (https://phenixcenter.net)
139 International Monetary Fund (IMF), *Jordan: 2023 Program Review* (2023),. **9.** (https://www.imf.org/en/Publications/CR/Issues/2023/04/10/Jordan-Third-Review-Under-the-Stand-By-Arrangement-532292)
140 ibid
141 ibid

- **Reviews:** This is conducted periodically to assess the overall progress of the program. If the country has failed to meet conditions, corrective actions are taken. Reviews are linked to disbursements, and if a review is not completed on time, future loan disbursements may be withheld.[142]

A striking example of IMF conditionality in action is Pakistan's 2019 Extended Fund Facility (EFF) agreement with the IMF. Faced with growing external debt, depleting foreign reserves, and mounting fiscal deficits, Pakistan entered a $6 billion program designed to stabilise its economy. As part of the prior actions, the Pakistani government was required to transition to a market-determined exchange rate and initiate the phasing out of energy subsidies. These steps were seen as crucial to restoring investor confidence and reducing fiscal pressures.[143]

The program also included stringent performance criteria, such as narrowing the fiscal deficit and increasing foreign reserves. Structural benchmarks focused on increasing tax revenue through reforms in the Federal Board of Revenue and restructuring state-owned enterprises. To mitigate the social cost of these adjustments, the IMF introduced social spending floors, requiring the government to maintain funding for initiatives such as the Ehsaas cash transfer program.[144]

Despite these safeguards, the socio-economic impact of the IMF program was significant. Inflation surged to 14.6% in January 2020, largely due to subsidy reductions and currency depreciation.[145] The sharp rise in utility and fuel prices triggered public protests and widespread discontent. Moreover, economic growth

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[142] European Central Bank, *The Transmission of Monetary Policy in the Euro Area: The Role of Banks' Balance Sheets* (Occasional Paper Series No 235, January 2020) *https://www.ecb.europa.eu/pub/pdf/scpops/ecb.op235~e70851374f.en.pdf* (accessed 6 February 2025)
[143] International Monetary Fund (IMF), *Pakistan: Request for an Extended Arrangement Under the Extended Fund Facility*, IMF Country Report No. 19/212, 2019.
[144] International Monetary Fund (IMF), *Pakistan: Request for an Extended Arrangement Under the Extended Fund Facility*, IMF Country Report No. 19/212, 2019.
[145] State Bank of Pakistan, *Monetary Policy Statement* available at https://www.sbp.org.pk/bprd/2020/index.htm (accessed 6 February 2025).

slowed, and unemployment rose, exacerbating existing poverty levels. These adverse effects highlighted the tension between macroeconomic correction and social stability, an ongoing dilemma in IMF-supported programs.[146]

While the program helped reduce the current account deficit and bolster foreign reserves, it also strained the government's political capital and increased social vulnerability. The Pakistan case demonstrates how IMF conditionality, though necessary for financial stabilisation, can deepen inequality and social unrest if not carefully tailored to the local context. In response to such concerns, the IMF has gradually integrated social protection mechanisms into its programs, but the effectiveness of these measures varies across countries.[147]

5. Challenges and Criticisms of the Loan Programs in Developing Economies

The IMF's loan conditions are classified into two categories: structural and stabilisation reforms.[148] Structural reforms involve deep changes to a country's political economy, such as privatisation of State-Owned Enterprises (SOEs), labour market flexibility, fiscal and financial sector changes, and trade policies.[149] These reforms are often aimed at liberalising economies, reducing the role of the state, and improving property rights and the rule of law. Stabilisation conditions focus on macroeconomic variables like fiscal balances, monetary aggregates, and external borrowing, aiming to stabilise the economy in the short term without deep structural changes.[150]

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[146] ibid

[147]International Monetary Fund(IMF), *Pakistan Staff Report for the 2019 Article IV Consultation and Request for an Extended Arrangement Under the EFF*, 2020.

[148] Glen Biglaiser & Ronald J. McGauvran, *"The Effects of IMF Loan Conditions on Poverty in the Developing World"* (2022).

[149] Nawaz A. Hakro & Wadho Waqar Ahmed, *"IMF Stabilization: Programs, Policy Conduct and Macroeconomic Outcomes: A Case Study of Pakistan" (*2006) **11** *Lahore Journal of Economics* **35–62.**

[150]International Monetary Fund (IMF), *IMF Conditionality* (2018) available at https://www.imf.org/en/About/Factsheets/Sheets/2016/08/02/21/28/IMF-Conditionality (accessed 6 March 2025)

Structural reforms tend to have negative effects on poverty, as seen with the privatisation of SOEs.[151] In Egypt, for example, privatisation led to over 150,000 state workers losing their jobs between 2016 and 2020.[152] Despite IMF projections of job growth, unemployment rose, and youth unemployment exceeded 30%.[153] SOEs often act as social safety nets in developing economies, providing stable but inefficient jobs.[154] Privatisation eliminates these roles and reduces state revenue, limiting funds for essential services like healthcare and education. In Egypt, public health spending was cut by 30% from 2016 to 2020 to meet IMF deficit targets, and privatisation often benefited politically connected elites.[155] Also, military-linked firms acquired 60% of privatised assets, entrenching inequality.[156]

Privatisation also led to increased prices for essential services, making them less affordable for the poor.[157] Regressive tax reforms, which lower taxes for businesses but raise consumption-based taxes, disproportionately affect low-income individuals. Labour market reforms that make it easier for employers to hire and fire workers or lower wages for low-skilled employees can increase

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151 Egyptian Center for Economic and Social Rights (ECESR), *Impact of Privatization on Labor Markets* (2021) available at https://ecesr.org/en/2021/05/privatization-labor
152 Egyptian Center for Economic and Social Rights (ECESR), *Impact of Privatization on Labor Markets* (2021) available at https://ecesr.org/en/2021/05/privatization-labor
153 World Bank, *Egypt Economic Monitor, December 2022: Strengthening Resilience through Fiscal and Education Sector Reforms* (Washington, DC: World Bank, 2022), p. **8,** available at https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099621012192231309/idu0c5d5a70a0938f043180b4d900cb9cfae8278 (accessed 16 April 2025)
154 International Labour Organization (ILO), *Informal Economy in Egypt* (2021), **6,** available at https://www.ilo.org/cairo/publications/WCMS_800105/lang--en/index.htm (accessed 16 April 2025)
155 International Monetary Fund (IMF), *Egypt: Third Review Under the Extended Fund Facility* (2019) available at https://www.imf.org/en/Publications/CR/Issues/2019/11/19/Egypt-Third-Review-Under-the-Extended-Fund-Facility-48819 (accessed 16 April 2025).
156 Carnegie Endowment for International Peace, *Retain, Restructure, or Divest? Policy Options for Egypt's Military Economy* (2022) available at https://carnegieendowment.org/research/2022/01/retain-restructure-or-divest-policy-options-for-egypts-military-economy (accessed 16 April 2025).
157 Henry Bienen & John Waterbury, *"The Political Economy of Privatization in Developing Countries"* (1989) 17 *World Development* **617–32.**

poverty.[158] Similarly, trade and institutional changes that open up markets to global competition can harm domestic industries and jobs, affecting the poor. Enforcing property rights, part of free trade agreements, often benefits the wealthy while sidelining the poor, as seen in Chiapas, Mexico, where property rights enforcement displaced landowners into informal economies.[159] In contrast, stabilisation reforms, such as reducing government spending, controlling the money supply, and decreasing debt, focus on achieving macroeconomic stability but are less intrusive than structural reforms. While stabilisation policies like fiscal austerity can reduce government spending on social programs, the IMF allows governments some discretion in how to meet economic objectives.[160] Governments can adjust social spending cuts to minimise poverty,[161] and while monetary policies can raise interest rates and increase borrowing costs, they may not have a long-lasting impact on the poor, especially if they do not heavily rely on borrowing.[162]

6. Recommendations

The IMF should tailor the conditionalities of its loan programs to the local economic contexts of the recipient country. A one-size-fits-all approach should not be applied. Instead, comprehensive socio-economic impact assessments should be conducted, particularly in low-income countries (LICs). From the

[158]Nita Rudra, *"Globalization and the Decline of the Welfare State in Less-Developed Countries"* (2002) 56 *International Organization* **411–445**, available at https://www.cambridge.org/core/journals/international-organization/article/globalization-and-the-decline-of-the-welfare-state-in-lessdeveloped-countries/6AFA2AF7B642ABDC008B4071BBC228E8 (accessed 16 April 2025).
[159] Coimbatore K. Prahalad & Allen Hammond, *"Serving the World's Poor, Profitably"* (2002) **80** Harvard Business Review **48–59.**
[160] Bernhard Reinsberg, Alexander Kentikelenis & Thomas Stubbs, "Unimplementable by Design? Understanding (Non-)Compliance with International Monetary Fund Policy Conditionality" (2021)
[161] Glen Biglaiser & Ronald J. McGauvran, "*The Effects of IMF Loan Conditions on Poverty in the Developing World*" (2022) **25**
[162]International Monetary Fund(IMF), *Classification of Exchange Rate Arrangements and Monetary Policy Frameworks* (2004) (Washington: International Monetary Fund), available at https://www.imf.org/external/np/mfd/er/2004/eng/0604.htm (accessed 6 February 2025)

assessment, a gradual reform should be prioritised so as to prevent economic shocks.

- Borrowing countries should be given the opportunity to be more involved in shaping policy conditions. This ensures that economic programs are not just imposed on them; rather, there is transparency in the IMF negotiations, making sure that policymakers, civil society, and local stakeholders understand loan conditions and implications. It also ensures that the parliaments and civil society groups are fully engaged in the program.

- Structural reforms should focus on inclusive economic growth rather than pure market efficiency. This is so that policies like privatisation do not harm public welfare.

- Austerity measures can disproportionately affect the vulnerable members of society, thereby increasing poverty in the recipient state. The IMF must ensure that essential services like healthcare, electricity, water, and education are maintained during these periods.

- The borrowing countries should ensure that civil societies, the private sector, and other stakeholders are engaged in the formulation and implementation of economic reforms. This inclusiveness produces more balanced and effective policy measures.

- Borrowing countries, particularly developing countries, should develop contingency measures to mitigate the potential adverse effects of economic shocks. This will protect essential services and vulnerable populations.

- It is important that the borrowing country consistently implements the agreed-upon reforms. This will build credibility with international partners and, in turn, restore economic stability and attract future investors.
- Recognising the growing economic risks from climate change, the loan programs should incorporate climate resilience strategies. Conditionalities and financial support mechanisms must promote investments in sustainanble energy, climate adaptation infrastructure, and green economic reforms. This aligns with global climate goals such as the Paris Agreement and SDG 13.
- The Post-Program Monitoring frameworks should be expanded for developing countries. It should involve periodic evaluations and capacity building programs, so that they do not relapse into crisis.

Furthermore, the IMF has incrementally reformed its approach to loan conditionality since 2011, aiming to balance fiscal discipline with socio-economic equity. While critiques of rigidity and insensitivity persist, shifts in policy design reflect lessons from past failures and growing emphasis on local ownership.

V- Conclusion

The IMF remains a pivotal yet contentious institution in global economic governance, embodying the paradox of a double-edged sword. On one hand, it serves as a critical lifeline for nations in crisis, offering financial stability, technical expertise, and a framework for macroeconomic reforms. By providing emergency liquidity and enforcing fiscal discipline, the IMF has averted sovereign defaults in countries like Ghana and Ecuador, restored investor confidence, and catalysed growth in economies such as South Korea post-1997. Its role in stabilising global financial systems, particularly during crises like the 2008 recession or the COVID-19 pandemic, underscores its indispensability.

On the other hand, the IMF's interventions often come at a profound cost. Structural adjustment programs, rooted in austerity measures and neoliberal policies, have frequently exacerbated inequality, eroded social safety nets, and deepened poverty in nations like Argentina and Zambia. Conditionality clauses, while aimed at fostering fiscal responsibility, can undermine national sovereignty, stifle democratic accountability, and prioritise creditor interests over local needs.

Ultimately, the IMF's dual impact hinges on its ability to balance immediate crisis management with long-term socio-economic equity. Reforms such as democratising voting rights, integrating human rights safeguards into conditionality, and tailoring programs to local contexts could mitigate its harms. By addressing critiques of rigidity and inequity, the IMF could evolve from a double-edged sword into a more inclusive instrument of global stability, one that heals economies without sacrificing their people on the altar of austerity.

VI- Further Research

1. Are there specific policy reforms that could reduce the adverse impacts of the IMF intervention?
2. How do global politics and domestic political actions in developing countries influence the approval, negotiation, and implementation of IMF loans and programs?
3. Are the IMF loan programs achieving their mandate? If so, why are more countries going into debt over the years?

4. How have global economic crises like COVID-19 reshaped the approach and focus of IMF loan programs in developing economies?
5. How do IMF loan programs influence a developing country's ability to transition to a self-reliant and sustainable economic model?
6. How effective are the IMF's debt sustainability frameworks in preventing recurring financial crises in low and middle-income economies?
7. What role can regional financial institutions (like the African Development Bank or Asian Development Bank) play in complementing or challenging IMF-led financial interventions?
8. In what ways can incorporating climate resilience and sustainable development priorities into IMF loan programs redefine economic recovery strategies for vulnerable developing nations?

VII- Annotated Bibliography

This highlights the IMF's dual nature: while its policies can offer immediate financial relief, they often lead to long-term consequences such as increased inequality, dependency, and social instability. This quote is a synthesis of Joseph Stiglitz's larger Critique of the IMF, and it's coined from his book:

"Globalisation and Its Discontents" (2002).

This resource provides an overview of the International Monetary Fund's (IMF) Poverty Reduction and Growth Trust (PRGT), which aims to support low-income countries through concessional financing. The document outlines the objectives, eligibility criteria, and mechanisms of the PRGT, highlighting its role in fostering economic stability and reducing poverty. It is a valuable source for understanding how international financial institutions assist developing nations in achieving sustainable economic growth

International Monetary Fund "Poverty Reduction and Growth Trust" available at: https://www.imf.org/en/Topics/PRGT (accessed 25 December 2024)

This article from the International Monetary Fund (IMF) examines common misconceptions about the IMF's role in Greece's financial crisis. It clarifies the organisation's involvement in Greece's economic bailout programs, the conditions of financial assistance, and the impact of austerity measures. The resource is useful for analysing the IMF's policies, the challenges of sovereign debt management, and the broader implications of international financial interventions

International Monetary Fund "The IMF and the Greek Crises: Myths and Realities" available at: https://www.imf.org/en/News/Articles/2019/10/01/sp093019-The-IMF-and-the-Greek-Crisis-Myths-and-Realities? (accessed 23 December 2024)

This article explores the complexities of financial globalisation, describing how it can drive economic growth while also increasing financial vulnerabilities. It discusses the benefits and risks associated with capital flows, policy responses to financial crises, and the role of international financial institutions in mitigating economic instability. The resource is valuable for understanding the dual nature of financial integration and its implications for both developed and emerging economies.

International Monetary Fund Double-Edged Sword (2016) available at: https://www.imf.org/external/pubs/ft/fandd/2016/12/sword.htm (accessed 29 November 2024)

This empirical study evaluates the impact of International Monetary Fund (IMF) programs on economic growth in low-income countries. Using statistical analysis, the authors examine whether IMF interventions lead to sustained economic improvements or if they impose conditions that hinder long-term development. The study provides insights into the effectiveness of IMF policies, making it a crucial resource for discussions on international financial assistance and economic stability in developing nations.

IMF Website, 'IMF-World Bank Debt Sustainability Framework (DSF) for Low-Income Countries (LIC)' available at https://www.imf.org/en/About/Factsheets/Sheets/2023/imf-world-bank-debt-sustainability-framework-for-low-income-countries accessed 4 February 2025.

This webpage provides an overview of the IMF-World Bank Debt Sustainability Framework (DSF) designed for low-income counties. It explains the framework's methodology for assessing countries' debt vulnerabilities and informing lending decisions. The source offers essential insights into the mechanisms used by international financial institutions to promote sustainable borrowing practices.

Glen Biglaiser and Ronald J McGauvran, 'The Effects of IMF Loan Conditions on Poverty in the Developing World' (2022) 25 *Journal of International Relations and Development* 806–833 https://doi.org/10.1057/s41268-022-00263-1 accessed 25 December 2024.

This article investigates the impact of IMF loan conditions on poverty rates in developing countries, using empirical data to evaluate whether structural adjustment conditions worsen or alleviate poverty. The authors provide analysis that contributes to the ongoing debate about the social implications of IMF interventions. It is an important resource for research as it focuses on international financial institutions, poverty alleviation, and global economic governance.

Graham Bird & Dane Rowlands, "The Effect of IMF Programmes on Economic Growth in Low Income Countries: An Empirical Analysis" (2017) 53 The Journal of Development Studies 2179, https://doi.org/10.1080/00220388.2017.1279734

This journal article examines the empirical relationship between International Monetary Fund programs and economic growth in low-income countries. Using quantitative analysis, the authors assess whether IMF involvement positively or negatively influences economic performance. It is a significant

resource for evaluating international financial assistance mechanisms, offerin valuable perspectives for research in development economics.

UNCTAD, *Principles on Promoting Responsible Sovereign Lending and Borrowing* (2012) https://unctad.org/system/files/official-document/gdsddf2012misc1_en.pdf accessed 15 April 2025.

This is a UNCTAD publication which outlines key principles aimed at encouraging responsible practices in sovereign lending and borrowing. It addresses issues such as transparency, accountability, and the need for sustainability in sovereign debt transactions. It serves as a normative framework for policymakers, lenders, and borrowers, providing a basis for improving financial stability and preventing debt crises.

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Mohsin S. Khan & Sunil Sharma, "IMF Conditionality and Country Ownership of Adjustment Programs" available at

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Glen Biglaiser & Ronald J. McGauvran, "The Effects of IMF Loan Conditions on Poverty in the Developing World" (2022) 25 *J Intl Rel & Dev* 813.

Topic Two: The Potential of Cryptocurrencies: Their Role in Shaping the Future of the Global Economy.

I- Quote

"We believe there needs to be a global native currency for the internet. Just as everyone should be able to participate in the economy and have access to the same tools and services, so too should everyone be able to participate in cryptocurrencies and have access to its underlying innovation."

Jack Dorsey, Co-founder of Block

or

Cryptocurrency Open Patent Alliance (COPA), September 2020

II- Introduction

History has told the peculiar story of the Yapese people who live on the tiny Yap Island, endowed naturally with picturesque resources like tranquil lagoons and tangled mangroves but lacking metal to make coins as a medium of exchange. Instead, the Yapese people would sail about 250 miles to Palau to quarry limestone, which they would carve into large, circular stones called fei (or rai stones) that could sometimes be as large as a person.[163] These human-sized stones are still a viable currency in Yap for major ceremonial transactions.

[163] John Lanchester, "When Bitcoin Grows Up" (2016) 38 London Review of Books, available at https://www.lrb.co.uk/the-paper/v38/n08/john-lanchester/when-bitcoin-grows-up (accessed 4 February 2025)

Before money became what it is today, people employed various items to exchange value. In multiple parts of Europe and many African societies like pre-colonial Nigeria and the Gold Coast, cowry shells found in the Indian and Pacific Oceans were used as a valid form of currency in addition to gold nuggets and dust, iron rods, brass manillas and cloth currency.[164] In Central Asia, China, Tibet, Russia, Siberia, and India, an even more bizarre medium of exchange was achieved by compressing tea leaves into bricks.[165] Today, most modern societies rely on fiat money, which is inconvertible[166] and has no inherent value beyond its use as a generally accepted medium of exchange validated by the authority of the state.[167]

Judging from the remarkable objects that have been used as currency in the past, it is safe to assert that the ambit of what can be considered money is broad and ever-changing, and the major determining factor is acceptance of its value, which gives rise to the principles of demand and supply.[168]As the world keeps evolving, the development of new forms of currency to close gaps in efficiency is inevitable. Specifically, cryptocurrency is a relatively new currency that provides a decentralised avenue for individuals, businesses, and governments to transact digitally.[169]

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[164] Fuller, H. "From Cowries to Coins: Money and Colonialism in the Gold Coast and British West Africa in the Early 20th Century." available at https://scholarworks.gsu.edu/cgi/viewcontent.cgi?article=1001&context=history_facpub#:~:text=The%20introduction%20of%20colonial%20coinage,the%20recommendations%20of%20the%20Report (accessed 4 February 2025)

[165] Kwangmin Kim, "Commerce in Qing Central Asia, 1644–1864" (2022) *Oxford Research Encyclopedia* available at https://doi.org/10.1093/acrefore/9780190277727.013.503 (accessed 16 April 2025.)

[166] Bruno Sultanum, "Essentiality of Money: A Historical Perspective" available at https://www.richmondfed.org/publications/research/economic_brief/2024/eb_24-01 (accessed 4 February, 2025)

[167] John Lanchester, "When Bitcoin Grows Up" (2016) 38 London Review of Books, available at https://www.lrb.co.uk/the-paper/v38/n08/john-lanchester/when-bitcoin-grows-up (accessed 4 February 2025)

[168] Charles A. Conant, "What Determines the Value of Money" (1904) *18 The Quarterly Journal of Economics,* available at https://www.jstor.org/stable/1882416 (accessed 2 April 2025)

[169] Garry Jacobs, "Cryptocurrencies & the Challenge of Global Governance" (2018) **3** *Cadmus Journal 112,* available at

That said, any discussion on the potential of cryptocurrencies must begin with the story of the world's most expensive pizzas because it marks the first-ever recorded commercial transaction using Bitcoin. On the 22nd of May, 2010, a software programmer named Lazlo Hanyecz from Jacksonville, Florida, successfully purchased a couple of Papa John's pizzas for 10,000 bitcoins from a user on the BitcoinTalk online forum.[170] At the time, 10,000 bitcoins were valued at $41, which means 1 BTC was worth about $0.0041. Merely months later, in February 2011, Bitcoin (BTC) reached parity with the US dollar at $1 per BTC, setting the stage for its eventual all-time high of $106,140 in December 2024.[171] This event kickstarted Bitcoin's gradual transition from an experimental technology to a digital asset with measurable and transferable value. Since then, Bitcoin has become widely accepted as a medium of exchange, and its open-source code has ushered in a suite of other cryptocurrencies (called altcoins) such as Ethereum (ETH,) Tether (USDT,) Binance (BNB,) Solana (SOL,) and Dogecoin (DOGE,) which are all built on a decentralised peer network.[172]

Due to their decentralised nature and dependence on blockchain technology, cryptocurrencies have the potential to enhance financial inclusion, reduce reliance on traditional banking systems, encourage foreign investment, and generally encourage economic development.[173] However, these benefits are limited by risks and challenges that could threaten the stability of the same global economy cryptocurrencies seek to improve. For instance, the fact that these rapidly

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http://www.cadmusjournal.org/files/pdfreprints/vol3issue4/Cryptocurrencies-and-the-Challenge-of-Global-Governance-GJacobs-Cadmus-V3-I4-Reprint.pdf (accessed 5 February 2025)

[170] Lazlo Hanyecz, "Pizza for Bitcoins?" available at https://bitcointalk.org/index.php?topic=137.msg1195 (accessed 3 February 2025)

[171] Raynor de Best, "Bitcoin BTC/USD price history up until Feb 2, 2025" available at https://www.statista.com/statistics/326707/bitcoin-price-index/ (accessed 4 February 2025)

[172] Usman W. Chohan, "A History of Bitcoin" available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3047875 (accessed 2 April, 2025.)

[173] UN Department of Economic and Social Affairs "Exploring the potential of cryptocurrencies for positive change" available at https://www.un.org/en/desa/exploring-potential-cryptocurrencies-positive-change? (accessed 25 December 2024)

proliferating cryptocurrencies, now exceeding 20,000,[174] are unregulated has allowed for vulnerabilities such as market volatility, illicit activities, and environmental harm.

Recognising these dynamics, the United Nations, alongside other international and regional frameworks, has acknowledged that cryptocurrencies have the potential to influence positive economic change[175] while stressing the importance of global cooperation in addressing the associated risks.[176] Veering the society's mentality towards acceptance would require a thorough reform of legal systems and proper financial literacy programs, which is a simple price to pay for global economic efficiency.

III- International and Regional Frameworks

International and regional organisations have developed regulatory frameworks to address concerns related to the commercial use of cryptocurrency. Essentially, these instruments provide a blueprint for UN member states to follow in aligning their regulations to ensure consistency and reduce regulatory arbitrage.

Adopted by the Conference of the States Parties to the *United Nations Convention against Transnational Organised Crime* in October 2018, the *United Nations Office on Drugs and Crime (UNODC) Resolution 9/3* is a key framework geared at regulating cryptocurrencies to mitigate associated risks. This resolution endorses

[174] Statista "Quantity of cryptocurrencies as of December 9, 2024" available at https://www.statista.com/statistics/863917/number-crypto-coins-tokens/#:~:text=There%20are%20other%20estimates%20of,percent%20of%20the%20total%20market (accessed 25 December 2024)

[175] UN Department of Economic and Social Affairs, "Exploring the potential of cryptocurrencies for positive change" available on https://www.un.org/en/desa/exploring-potential-cryptocurrencies-positive-change (accessed 5 February 2024)

[176] UN Department of Economic and Social Affairs, "Exploring the potential of cryptocurrencies for positive change" available on https://www.un.org/en/desa/exploring-potential-cryptocurrencies-positive-change (accessed 5 February 2024.

recommendations from the Working Group on International Cooperation, emphasising that where cryptocurrencies are not expressly banned, state parties should set up legal precautions to prevent their misuse for money laundering by enforcing anti-money laundering (AML) and Know Your Customer (KYC) requirements.[177]

Furthermore, the *United Nations Conference On Trade and Development (UNCTAD)* has released several Policy Briefs targeted at sensitising governments on the importance and urgency of addressing potential risks associated with cryptocurrencies and their inclusion into the global financial market. For instance, the *UNCTAD Policy Brief No. 100* offers policy recommendations for addressing cryptocurrency regulatory concerns in developing countries.[178] The *UNCTAD Policy Brief No. 101*, on the other hand, provides solutions to the economic stability and cyber-security challenges that arise in developing countries that use cryptocurrencies.[179] Finally, the *UNCTAD Policy Brief No. 102* highlights the urgency of international cooperation in creating cryptocurrency regulations that apply globally to mitigate the risk of undermining domestic resource mobilisation in developing countries.[180]

The *Financial Action Task Force (FATF)*, an intergovernmental body that sets global standards for AML and Counter-Terrorism Financing (CTF), has issued several

[177] United Nations Office on Drug and Crime (UNODC), Resolution 9/3 Implementation of the provisions on international cooperation of the United Nations Convention against Transnational Organised Crime (2017)
[178] United Nations Conference On Trade And Development Policy Brief no 100, "All that glitters is not gold: The high cost of leaving cryptocurrencies unregulated" (2022) available at https://unctad.org/system/files/official-document/presspb2022d8_en.pdf (accessed 5 February 2025.)
[179] United Nations Conference On Trade And Development Policy Brief no 101, "Public payment systems in the digital era: Responding to the financial stability and security-related risks of cryptocurrencies" (2022) available at https://unctad.org/system/files/official-document/presspb2022d9_en.pdf (accessed 5 February 2025)
[180] United Nations Conference On Trade And Development Policy Brief No 102, "The cost of doing too little too late: How cryptocurrencies can undermine domestic resource mobilization in developing countries" (2022) available at https://unctad.org/system/files/official-document/presspb2022d10_en.pdfm (accessed 6 February 2025)

guidelines for regulating virtual assets and Virtual Asset Service Providers (VASPs) to encourage member states such as the US and the EU to update their compliance programs. Specifically, the *FATF Recommendation 15* attempts to mitigate the risks associated with virtual assets by ensuring that VASPs are duly regulated to fit AML/CFT standards.[181] This recommendation, hand in hand with *Recommendation 16* on wire transfers, is commonly understood as the *"FATF Travel Rule"*, which involves collecting and sharing customer identity information, wallet addresses, and transaction link numbers for virtual asset transactions exceeding a USD/EUR 1000 threshold for occasional transactions.[182] Note that this threshold is determined by the jurisdiction, such as in Switzerland, where the threshold is zero.

Moreover, in July 2023, the *Financial Stability Board (FSB) Global Regulatory Framework for Crypto-Asset Activities* was designed to ensure that all jurisdictions adopt a uniform approach to regulating cryptocurrencies. The framework directs that crypto-assets and stablecoins should be regulated proportionate to their risk levelsin order to mitigate vulnerabilities.[183]

Additionally, the *International Monetary Fund (IMF)* has been pivotal in shaping global discourse on cryptocurrencies. While it acknowledges the potential benefits of digital assets in promoting financial inclusion and cross-border transactions, it also warns against the risks associated with volatility, illicit finance,

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[181] FATF, "International Standards on Combating Money Laundering and The Financing of Terrorism & Proliferation" (2012) *The FATF Recommendations* available at https://www.fatf-gafi.org/content/dam/fatf-gafi/recommendations/FATF%20Recommendations%202012.pdf.coredownload.inline.pdf (accessed 5 April 2025)
[182] Financial Action Task Force, 'Updated Guidance for a Risk-Based Approach for Virtual Assets and Virtual Asset Service Providers' (2021) available at https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/Updated-Guidance-VA-VASP.pdf.coredownload.inline.pdf (accessed 5 April 2025)
[183] Financial Stability Board, "Financial Stability Board Global Regulatory Framework for Crypto-Asset Activities" available at https://www.fsb.org/2023/07/fsb-global-regulatory-framework-for-crypto-asset-activities/ (accessed 6 April 2025)

and monetary policy control. Thus, in the February 2023 IMF Policy Paper titled *"Elements of Effective Policies for Crypto Assets,"* [184] the IMF has emphasised the need for cross-border cooperation, clear definitions of digital assets, robust legal frameworks, and enhanced coordination among regulatory bodies.

In the same vein, the *International Organisation of Securities Commissions (IOSCO)* has worked towards applying security regulations to digital asset platforms to ensure investor protection and market integrity. By publishing the *Policy Recommendations for Crypto and Digital Asset Markets (FR11/23)* in November 2023, IOSCO provides a comprehensive framework for regulating crypto-asset activities that focuses on areas such as conflicts of interest, market manipulation, cross-border regulatory cooperation, and operational risks, to hold crypto exchanges to the same standards as traditional securities markets.[185]

At the regional level, the European Union (EU) has been particularly proactive in developing comprehensive regulations for digital assets. The introduction of the *Markets in Crypto-Assets Regulation (MiCA)* establishes licensing requirements for crypto service providers, sets consumer protection measures, and introduces rules aimed at enhancing market integrity. MiCA's development involved extensive consultations with stakeholders, including financial institutions, technology companies, and consumer advocacy groups.[186] The EU has also emphasised the importance of market surveillance and enforcement mechanisms to deter fraudulent activities.[187]

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[184] International Monetary Fund, "Elements of Effective Policies for Crypto Assets" (2023) *IMF Policy Papers* available at https://www.imf.org/en/Publications/Policy-Papers/Issues/2023/02/23/Elements-of-Effective-Policies-for-Crypto-Assets-530092 (accessed 5 April 2025)
[185] IOSCO, *Policy Recommendations for Crypto and Digital Asset Markets (FR11/23)* available at https://www.iosco.org/library/pubdocs/pdf/IOSCOPD747.pdf (accessed 6 April 2025)
[186] European Parliament, 'Regulation (EU) 2023/1114 on Markets in Crypto-Assets' [2023] OJ L150/1.
[187] *ibid.*

Moreover, the EU has also published *Directive (EU) 2018/84*, also known as the "Fifth Directive", to address the prevention of the use of the financial system for the purpose of money laundering or terrorist financing. One relevant directive provided to combat the risks related to anonymity was that national Financial Intelligence Units (FIUs) should be able to obtain information allowing them to associate virtual currency addresses with the identity of the owner of virtual currency.[188]

Seeing as cryptocurrencies could create new avenues to encourage sustainable practices, the *United Nations Sustainable Development Goals (SDGs)* are a good reference point for this discussion. Specifically, by promoting financial inclusion to underbanked or unbanked people, cryptocurrencies help to achieve SDG 10, which seeks to reduce all inequalities.[189] Also, cryptocurrencies satisfy SDG 9 on industry, innovation, and infrastructure by facilitating time and cost-efficient cross-border payments. In addition, by introducing new investment and revenue sources, cryptocurrencies take action on SDG 1, which combats poverty, and SDG 8, which encourages decent work and economic growth.[190]

IV- Role of the International System

Similar to their frameworks, international systems are integral to the acceptance and integration of cryptocurrency into the global economy. These systems aim to

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[188] European Union (EU), "Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU" (2018) *Official Journal of the European Union* available at https://eur-lex.europa.eu/eli/dir/2018/843/oj (accessed 8 February 2025)

[189] Ankun Liu, Orria Goni, and Aiaze Mitha, "Cryptocurrency in Africa: Alternative Opportunities for Advancing the Sustainable Development Goals?" (2024) *United Nations Development Programme Global Policy Network* available at https://sdgfinance.undp.org/resource-library/cryptocurrency-africa-alternative-opportunities-advancing-sustainable-development (accessed 5 April 2025)

[190] *ibid.*

foster cooperation, set global standards, and mitigate financial risks through regulatory oversight.

To begin with, the *United Nations Office on Drugs and Crime (UNODC) reports* have been instrumental in addressing the risks associated with cryptocurrencies, such as money laundering and terrorist financing.[191] Additionally, in 2019, the *United Nations Children's Fund (UNICEF)* set up a CryptoFund, becoming the first UN agency to accept and disburse funds in cryptocurrency. This CryptoFund initiative has been used to solve local and global challenges children face by investing in innovative open-source technology startups from multiple countries, including India, Guatemala, Turkey, and Mexico.[192]

Additionally, in a bid to enhance the implementation of the *FATF Recommendation 15*,[193] the FATF has adopted and released several guidance notes to encourage a risk-based approach to its application. By virtue of the 2021 FATF Guidance titled, *Updated Guidance for a Risk-Based Approach for Virtual Assets and Virtual Asset Service Providers*, it is clear that VASPs and other entities engaged with virtual assets are required to apply all the preventive measures outlined in *FATF Recommendations 10 to 21* as well as the *Travel Rule.*[194] Since 2021, the FATF has

[191] United Nations Office on Drugs and Crime, "Cryptocurrencies and Crime," UNODC Report, 2021, https://www.unodc.org.
[192] UNICEF, "UNICEF Cryptocurrency Fund announces its largest investment of startups in developing and emerging economies" UNICEF Press Release 19 June 2020 available at https://www.unicef.org/press-releases/unicef-cryptocurrency-fund-announces-its-largest-investment-startups-developing-and (accessed 6 April 2025)
[193] FATF, "International Standards on Combating Money Laundering and The Financing of Terrorism & Proliferation" (2012) *The FATF Recommendations* available at https://www.fatf-gafi.org/content/dam/fatf-gafi/recommendations/FATF%20Recommendations%202012.pdf.coredownload.inline.pdf (accessed 5 April 2025)
[194] FATF, "International Standards on Combating Money Laundering and The Financing of Terrorism & Proliferation" (2012) *The FATF Recommendations* available at https://www.fatf-gafi.org/content/dam/fatf-gafi/recommendations/FATF%20Recommendations%202012.pdf.coredownload.inline.pdf (accessed 5 April 2025)

been dedicated to identifying gaps in implementation (as seen in its 2024 update), providing guidance to jurisdictions, and monitoring new risks.[195]

Another key international system invested in the cryptocurrency discourse is the *Bank for International Settlements (BIS)*. Through its *Basel Committee on Banking Supervision (BCBS)*, the BIS has explored regulatory measures for banks engaging with cryptocurrencies, such as the introduction of stringent capital requirements for banks holding crypto assets, which ensures that financial institutions maintain adequate reserves to cover potential losses arising from crypto-related activities.[196] The BIS has also spearheaded pilot studies with member central banks and provided policy advice on the design and implementation of Central Bank Digital Currencies (CBDCs).[197]

Moreover, in light of the collapse of the Futures Exchange (FTX) trading platform and the crash of the Terra Luna stablecoin,[198] the *IMF* has acknowledged both the opportunities and risks that come with cryptocurrencies and pushes for well-rounded policies in line with global standards to safeguard economies and investors.[199]

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[195] FATF, Targeted Update on Implementation of the FATF Standards on Virtual Assets and Virtual Asset Service Providers (2024) available at https://www.fatf-gafi.org/content/dam/fatf-gafi/recommendations/2024-Targeted-Update-VA-VASP.pdf.coredownload.inline.pdf?utm_source (accessed 6 April 2025)

[196] Aditya Narain and Marina Moretti, 'Regulating Crypto' (IMF, September 2022) https://www.imf.org/en/Publications/fandd/issues/2022/09/Regulating-crypto-Narain-Moretti (accessed 9 January 2025)

[197] Bank for International Settlements, 'Prudential Treatment of Cryptoasset Exposures' (BIS Consultation Paper, June 2021) available at https://www.bis.org/bcbs/publ/d533.htm (accessed 8 February 2025)

[198] David Vidal-Tomás, Antonio Briola and Tomaso Aste, 'FTX's Downfall and Binance's Consolidation: The Fragility of Centralized Digital Finance' (2023) 625 *Physica A: Statistical Mechanics and its Applications* available at https://www.sciencedirect.com/science/article/pii/S037843712300599X?via%3Dihub (accessed 9 February 2025)

[199] International Monetary Fund, 'The Changing Landscape of Crypto Assets: Considerations for Regulatory and Supervisory Authorities' (IMF, 2024) available at https://www.imf.org/en/News/Articles/2024/02/23/sp022324-changing-landscape-crypto-assets-considerations-regulatory-and-supervisory-authorities (accessed 7 February 2025)

The *World Bank* has also remained cautious about the adoption of privately issued cryptocurrencies as legal tender. This stance was evident when it declined to assist El Salvador in implementing Bitcoin as legal tender, citing environmental and transparency shortcomings. Instead, the institution has strongly advocated for CBDCs, viewing them as a more stable alternative that can enhance cross-border transactions and improve international payment systems.[200]

Meanwhile, the *African Union (AU)* has acknowledged the need for a unified strategy to harness the benefits of cryptocurrencies while reducing associated risks, especially through regional cooperation.[201]

Understanding and navigating the potential of cryptocurrencies demands more than institutional oversight. Its implementation by civil society organisations (CSOs) and non-profits through crypto-altruism has revealed advantages that have been instrumental to the global acceptance of cryptocurrencies.[202] Using digital technologies such as blockchain, non-profits and CSOs are able to resolve various operational challenges, including transparent information sharing, donation efficiency, and community building and coordination.[203] For example, by setting up open cryptocurrency wallets and selling Non-Fungible Tokens (NFTs), Ukrainian non-profit organisations have used blockchain to enhance their operations and aid communities affected by the Russian-Ukraine war.[204] As of

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[200]The World Bank, Cryptocurrencies and Blockchain (electronic, 2018) ISBN 978-1-4648-1299-6

[201] NEPAD, 'Transforming Inter-African Trade through Cryptocurrencies: A Future Possibility' (*NEPAD*, 2023) available u.int/sites/default/files/documents/38507-doc-dts-english.pdf (accessed 8 February 2025)

[202] Wendy D. Chen and Ilia Murtazashvili, "Is Cryptoaltruism Transforming the Nonprofit Sector? Lessons from the Ukrainian Nonprofits During the Russia-Ukraine War" (2024) 15(1) *Chinese Public Administration Review* available at https://doi.org/10.1177/15396754231222575 (accessed 20 April 2025)

[203] Theo Lynn, Pierangelo Rosati, Edel Conway, Declan Curran, Grace Fox and Colm O'Gorman, "Digital Technologies and Civil Societies", in *Digital Towns: Accelerating and Measuring the Digital Transformation of Rural Societies and Economies,* (Palgrave Macmillan: Cham, 2022) pp 91-108 available at https://link.springer.com/chapter/10.1007/978-3-030-91247-5_5#citeas (accessed 20 April 2025)

[204] Wendy D. Chen and Ilia Murtazashvili, "Is Cryptoaltruism Transforming the Nonprofit Sector? Lessons from the Ukrainian Nonprofits During the Russia-Ukraine War" (2024) 15(1) *Chinese Public Administration Review* available at https://doi.org/10.1177/15396754231222575 (accessed 20 April 2025)

March 2022, Kyiv, the capital of Ukraine, had amassed about $56 million in crypto donations and NFT sales.[205] Moreover, by marketing that their organisation accepts high-tech cryptocurrencies such as Bitcoin, studies have found that non-profits enhance donors' perceptions of effectiveness and competence, thereby increasing the chances of donations.[206] In order to balance these benefits against risks, non-profits like the US-based *Coin Center* are just as important in shaping regulatory approaches. *Coin Center* engages in research for public enlightenment and drafts reports to educate lawmakers on effective policy approaches to protect cryptocurrency users[207]and simplify tax compliance[208] without stifling innovation.

1. Conceptual Clarification of Key Terminologies

The crypto sphere is saturated with industry-specific jargon. As such, before examining the cogent thematic discussions surrounding the subject of the potential of cryptocurrencies, it is important to decrypt and clarify certain niche terminologies that will be consistently referred to for a more contextual understanding of their application.

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[205] Julia Horowitz, "War bonds, NFTs and crypto: How Ukraine is funding its defense" *CNN Business* 1 April 2022 available at https://edition.cnn.com/2022/04/01/business/ukraine-war-bonds-crypto-nfts/index.html (accessed 20 April 2025)

[206] Evans Crystal A. and Schneider Abigail B., "Nonprofit Reputation and Bitcoin Use" (2019) 40 *Journal of Ideology* available at https://scholarcommons.sc.edu/ji/vol40/iss1/1 (accessed 20 April 2025)

[207] Jerry Brito and Peter Van Valkenburgh, "Report: State Digital Currency Principles and Framework" available at https://www.coincenter.org/state-digital-currency-principles-and-framework/ (accessed 20 April 2025)

[208] James Foust, "Report: A Duty to Answer: Six Basic Questions and Recommendations for the IRS on Crypto Taxes" available at https://www.coincenter.org/a-duty-to-answer-six-basic-questions-and-recommendations-for-the-irs-on-crypto-taxes/ (accessed 20 April 2025)

Cryptocurrency

Cryptocurrency is a digital financial asset that uses cryptographic technology to transfer ownership of funds and maintain records of such transfers.[209] It could be used as a medium of exchange, a store of value, and a unit of measure.[210] The majority of cryptocurrencies operate on a decentralised network, called blockchain or distributed ledger technology, that disperses computing workloads across several machines as opposed to depending on a single central server. The ledgers used to record and validate cryptocurrency transactions are maintained by members of the general public, who use a precise timestamping system on their computers.[211]

Blockchain

Blockchain is the ground-breaking decentralised technology that Bitcoin and most altcoins are centred around. It is a collaborative, tamper-resistant digital ledger without a central repository or authority that maintains every single transaction record by grouping them into blocks[212] Additionally, the distributed blockchain network creates many backup copies maintained and verified by anonymous peers who are all updating and syncing to the same ledger.[213]

[209] Giancarlo Giudici, Alistair Milne, and Dmitri Vinogradov, "Cryptocurrencies: market analysis and perspectives"(2020) 41 *Journal of Industrial and Business Economics,* available at https://link.springer.com/article/10.1007/s40812-019-00138-6 (accessed 5 February 2025)

[210] Vladimir Malik, "The History and the Future of Bitcoin" available at https://is.ambis.cz/th/txwrv/The_future_and_the_history_of_Bitcoin.pdf (accessed 6 February 2025)

[211] Garry Jacobs, "Cryptocurrencies & the Challenge of Global Governance" (2018) 3 *Cadmus Journal* 112, available at http://www.cadmusjournal.org/files/pdfreprints/vol3issue4/Cryptocurrencies-and-the-Challenge-of-Global-Governance-GJacobs-Cadmus-V3-I4-Reprint.pdf (accessed 5 February 2025)

[212] National Institute of Standards and Technology, "Blockchain" available at https://www.nist.gov/blockchain (accessed 6 February 2025)

[213] Dylan Yaga, Peter Mell, Nik Roby, and Karen Scarfone, "Blockchain Technology Overview" available at https://nvlpubs.nist.gov/nistpubs/ir/2018/NIST.IR.8202.pdf (accessed 6 February 2025.)

Mining

Mining refers to the process of generating and minting coins to launch them into circulation. Bitcoin adopts the Proof of Work (PoW) model for mining, which requires miners to encode transactions with a 'hash function' which they then run through Satoshi's complex mathematical puzzle using intensive computational power.[214] The first miner to solve the puzzle adds the next block to the chain and is paid newly generated Bitcoin.[215]

Decentralised Finance (DeFi)

Decentralised Finance (DeFi) is essentially the decentralised provision of financial services like lending, borrowing, and trading, allowing them to be enjoyed by multiple participants, intermediaries, and end-users spread across various jurisdictions.[216] DeFi's decentralised architecture emanates from Decentralised Applications (DApps) which are deployed on permissionless blockchain technologies.[217]

Digital Assets

Simply put, a digital asset is an asset securitised in a digital manner.[218] The term can be seen as a broad category that encompasses anything minted and

[214] John Lanchester, "When Bitcoin Grows Up" (2016) 38 *London Review of Books,* available at https://www.lrb.co.uk/the-paper/v38/n08/john-lanchester/when-bitcoin-grows-up (accessed 4 February 2025)
[215] Alexandre Olbrecht and Gina Pieters, "Crypto-Currencies and Crypto-Assets: An Introduction" (2023) 49 *Eastern Economic Journal* 201–205 available at https://link.springer.com/article/10.1057/s41302-023-00246-1 (accessed 6 February 2025)
[216] Dirk A. Zetzsche, Douglas W. Arner, and Ross P. Buckley, "Decentralized Finance" (2020) *Journal of Financial Regulation* available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3539194 (accessed 6 February 2025)
[217] Johannes Rude Jensen, Victor von Wachter, and Omri Ross, "An Introduction to Decentralized Finance (DeFi)" (2021) 26 *Complex Systems Informatics and Modeling Quarterly,* available at https://journals.rtu.lv/index.php/CSIMQ/article/view/csimq.2021-26.03 (accessed 6 February 2025)
[218] Schueffel Patrick, Groeneweg Nikolaj, and Baldegger Rico, "The crypto encyclopedia: coins, tokens and digital assets from A to Z" available at https://arodes.hes-so.ch/record/3815?ln=de&v=pdf (accessed 6 February 2025)

exchanged on a blockchain. This typically refers to cryptocurrencies, stablecoins, Non-Fungible Tokens (NFTs), and Central Bank Digital Currencies (CBDCs).

- Stablecoin: As its name suggests, a stablecoin is a type of cryptocurrency designed for price stability by linking the price to an underlying basket of assets, which could be fiat currencies, commodities, or other crypto-collateral.[219] By pegging their value 1:1 to this underlying basket of assets, stablecoins aim to provide a currency that is not as volatile as more popular cryptocurrencies like BTC by taking advantage of the financial stability of the asset it is linked to.

- Non-fungible Token (NFT): A non-fungible token is a digital asset that is managed on a blockchain and represents ownership of a unique physical or digital creative work or intellectual property such as music, art, games, video clips and more.[220]It certifies that the holder owns the represented digital asset and gives them the right to sell, trade or redeem it. By virtue of the fact that it is non-fungible, an NFT is not inherently exchangeable with other digital assets.

- Central Bank Digital Currency (CBDC): A central bank digital currency (CBDC) is a digital form of fiat currency which is issued, backed, and regulated by a central bank authority. They are denominated in the national unit of account, and are a direct liability of the central bank.[221] CBDCs can

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[219]Andria van der Merwe, "A Taxonomy of Cryptocurrencies and Other Digital Assets" (2021) 41 *Review of Business* 36 available at https://usiena-air.unisi.it/retrieve/handle/11365/1180047/445029/Review-of-Business-41%281%29-Jan-2021.pdf#page=34 (accessed 6 February 2025)
[220] Wajiha Rehman, Hijab Zainab Jaweria Imran, and Narmeen Zakaria Bawany, "NFTs: Applications and Challenges" (2021) *22nd International Arab Conference on Information Technology (ACIT)* available at https://ieeexplore.ieee.org/abstract/document/9677260/authors#authors (accessed 6 February 2025.)
[221] BIS Annual Economic Report, "CBDCs: an opportunity for the monetary system" (2021) available at https://www.bis.org/publ/arpdf/ar2021e3.htm (accessed 6 February 2025.)

be designed for wholesale use among financial intermediaries only, using reserves, or for retail use by the wider economy, through digital wallets.[222]

2. The Role of Cryptocurrencies in Fomenting Economic Development

Especially in regions where traditional financial institutions are inefficient or inaccessible, the decentralised nature of cryptocurrencies allows residents to access a transparent financial system that is not controlled by the government. For instance, with a capped supply of about 21 million coins, Bitcoin safeguards its value against the manipulations of inflation or deflation.[223] Moreover, the anonymous and immutable blockchain technology that underpins Bitcoin ensures that all transactions are verified, eliminating any issues of trust that could arise.[224] While regulatory concerns still persist, cryptocurrencies play a crucial role in enhancing financial inclusion, streamlining cross-border transactions, and providing access to new investment opportunities, especially in developing nations.

a. Enhancing Financial Inclusion

One of the most pressing challenges in many developing economies is the lack of access to banking services. According to the World Bank, approximately 1.7 billion adults remain unbanked, limiting their ability to save, invest, or engage in formal economic activities.[225] Cryptocurrencies allow individuals to store and transfer

[222] IMF Monetary and Capital Markets Department, IMF Legal Department, and IMF Research Department, "Central Bank Digital Currency—Initial Considerations" (2023) 48 *International Monetary Fund* available at https://www.elibrary.imf.org/view/journals/007/2023/048/article-A001-en.xml (accessed 6 February 2025.)
[223] Statista, "Maximum and current supply of 100 cryptocurrencies with the highest market cap as of March 21, 2025" available at https://www.statista.com/statistics/802775/worldwide-cryptocurrency-maximum-supply/ (accessed 20 April 2025)
[224] National Institute of Standards and Technology, "Blockchain" available at https://www.nist.gov/blockchain (accessed 6 February 2025)
[225] World Bank, 'Financial Inclusion Overview' (World Bank, 2022) available at https://www.worldbank.org/en/topic/financialinclusion/overview (accessed 20 January 2025)

value without relying on traditional banks with blockchain-based financial services, such as mobile wallets and DeFi platforms, allowing users to engage in financial transactions with only a smartphone and an internet connection.[226] This opens the door for people in underserved areas to become part of the global economy.

Furthermore, remittances, which are crucial for many low-income families, often incur high fees through traditional banking channels. The average cost of sending remittances globally is approximately 6.65% of the transaction amount, significantly affecting low-income individuals who rely on remittances for survival.[227] Cryptocurrencies can significantly reduce transaction costs by taking out intermediaries.[228] Countries like El Salvador, a pioneer in adopting Bitcoin as legal tender, have attempted to use digital currencies to improve financial accessibility.[229] However, this move has sparked controversy, with concerns over Bitcoin's volatility continuing to stir debate.

b. Increasing the Efficiency of Cross-Border Transactions with Cryptocurrencies

Cryptocurrencies are also making an impact on cross-border transactions. Traditional banking systems often impose high fees for international transfers, making it expensive and slow for individuals and businesses to send and receive money across borders because they involve multiple intermediaries, such as SWIFT. By cutting out the middlemen, cryptocurrencies like Bitcoin, Stellar (XLM),

[226] Nakamoto S, 'Bitcoin: A Peer-to-Peer Electronic Cash System' available at https://www.ussc.gov/sites/default/files/pdf/training/annual-national-training-seminar/2018/Emerging_Tech_Bitcoin_Crypto.pdf (accessed 9 February 2025)
[227] World Bank, 'Remittance Prices Worldwide' available at https://remittanceprices.worldbank.org/ (accessed 7 February 2025)
[228] Beck T and Brown M, 'The Economics of Remittances: Costs, Benefits, and Policy Considerations' (2021) 58(2) *Journal of International Money and Finance* 123.
[229] IMF, 'El Salvador: Staff Report for the 2022 Article IV Consultation' (2022)

and Ripple (XRP),[230]on the other hand, have proven to be game-changers for cross-border payments. By enabling faster, cheaper, and more transparent peer-to-peer cross-border transactions, these payment channels benefit businesses and individuals alike.[231] Despite the economic uncertainties associated with cryptocurrencies, their use for cross-border transactions is rapidly gaining traction in countries like Venezuela and Zimbabwe.[232]

Moreover, stablecoins provide a more secure means for global transactions compared to more volatile cryptocurrencies like Bitcoin.[233] However, the FSB has pointed out that while stablecoins hold promise, they also come with risks that need clear regulatory oversight in order to ensure their stability in global markets.[234]

c. Access to New Investment Opportunities

Cryptocurrencies have also opened up new investment opportunities for people who have historically been excluded from traditional financial markets. While investing in conventional assets like stocks or real estate often requires significant capital and approval from intermediaries, cryptocurrencies have made investment more accessible by allowing for fractional ownership of digital assets. This has democratised access to investment opportunities, allowing even small investors to

[230] Tianyi Qiu, Ruidong Zhang, Yuan Gao, "Ripple vs. SWIFT: Transforming Cross Border Remittance Using Blockchain Technology" available at https://www.sciencedirect.com/science/article/pii/S1877050919302820 (accessed 29 January 2025)

[231] Financial Stability Board, 'Enhancing Cross-Border Payments' (2023) available at https://www.fsb.org/2023/10/g20-roadmap-for-enhancing-cross-border-payments-consolidated-progress-report-for-2023/ (accessed 9 February 2025)

[232] Mohammad El Hajj and Imad Farran , "The Cryptocurrencies in Emerging Markets: Enhancing Financial Inclusion and Economic Empowerment" (2024) *Journal of Risk and Financial Management* available at https://www.mdpi.com/1911-8074/17/10/467 (accessed 6April 2025)

[233] G7 Working Group on Stablecoins, 'Investigating the Impact of Global Stablecoins' available at https://www.bis.org/cpmi/publ/d187.pdf (accessed 9 February 2025)

[234] Financial Stability Board, 'Regulation, Supervision and Oversight of Crypto-Asset Activities and Markets' available at https://www.fsb.org/2022/10/regulation-supervision-and-oversight-of-crypto-asset-activities-and-markets-consultative-report/ (accessed 9 February 2025)

participate in markets that were once out of reach.[235] DeFi platforms take this further by offering services such as lending, borrowing, and yield-generating investments without relying on traditional banks. Smart contracts automate these transactions, reducing operational costs and making financial services more accessible to people worldwide.[236] That said, the prominence of DeFi has raised alarms among regulators like the IMF, who warn against risks like fraud, cybersecurity threats, and the lack of consumer protection in some DeFi projects.[237]

3. The Integration of Cryptocurrencies into the Global Financial System

Because the decentralised nature of cryptocurrencies gives room for faster, more secure, and cost-effective cross-border transactions,[238] their appeal to institutional investors such as hedge funds, family offices, and even publicly traded companies has increased.[239] Growing interest from these investors has paved the way for digital currencies to be recognised as legitimate investments and secure alternatives to traditional financial instruments. Although subsequent cryptocurrency crashes have resulted in waning interest from some investors, the share of institutional investors trading crypto assets rose sharply from roughly 20% in 2019 to more than 80% at the end of 2022, before falling again to around

[235] Zohar A, 'Bitcoin: The Digital Asset Revolution' (2021) 46(3) Harvard Business Review 67.
[236] Arif Ali and Sardauna Abdul-sobur Dembo 'Decentralized Finance (DeFi) and Its Impact on Traditional Banking Systems: Opportunities, Challenges, and Future Directions'(2024) *Journal of Economic Research & Reviews* available at https://www.opastpublishers.com/peer-review/decentralized-finance-defi-and-its-impact-on-traditional-banking-systems-opportunities-challenges-and-future-directions-8152.html (accessed 9 February 2025)
[237]International Monetary Fund, 'Global Financial Stability Report' (2023) available at https://www.imf.org/en/Publications/GFSR (accessed 9 February 2025)
[238] Financial Stability Board, 'Enhancing Cross-Border Payments' (2023) available at https://www.fsb.org/2023/10/g20-roadmap-for-enhancing-cross-border-payments-consolidated-progress-report-for-2023/ (accessed 9 February 2025)
[239] Alexander Copestake, Davide Furceri, and Tammaro Terracciano, "The Crypto Cycle and Institutional Investors" (2024) available at https://copestake.info/workingpaper/cryptofinance/CryptoFinance.pdf (accessed 8 February 2025)

60% in 2023.[240] Tesla's $1.5 billion Bitcoin purchase in 2021 is just one example of how crypto has gained acceptance in mainstream financial portfolios.[241]

Clearly, as the technology behind cryptocurrencies continues to mature, their integration into mainstream finance is becoming more pronounced and even governments are beginning to tap in.[242] Thus, by highlighting case studies, analysing developments, and discussing criticisms, this section explores how cryptocurrencies have been integrated into the financial system of sovereign nations either through their adoption as legal tender or the implementation of government-controlled CBDCs.

a. Adoption of Cryptocurrencies as Legal Tender

The legal status of cryptocurrencies varies from country to country, with many permitting their use under specific conditions. For instance, in Canada and the United States, crypto-assets are treated as property for the purpose of taxation, while Germany allows financial institutions to hold crypto-assets, and classifies them as "units of account" and not legal tender (ie, money) under its Banking Act.[243] However, in June 2021, El Salvador etched its name in history as the first country to adopt cryptocurrency as legal tender by including Bitcoin as part of the state budget, thereby binding the country's economic state with the market conditions of cryptocurrency. *"It will bring financial inclusion, investment, tourism,*

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[240] Alexander Copestake, Davide Furceri, and Tammaro Terracciano, "The Crypto Cycle and Institutional Investors" (2024) available at https://copestake.info/workingpaper/cryptofinance/CryptoFinance.pdf (accessed 8 February 2025)
[241] 'Elon Musk's Tesla buys $1.5bn of Bitcoin causing currency to spike' *BBC News* 8 February 2021 available at https://www.bbc.com/news/business-55939972 (accessed 8 February 2025)
[242] Seunghwan Kim, Alex Miksjuk, Narayan Suryakumar, Anita Tuladhar, Delia Velculescu, Yiqun Wu, Jimena Zuniga, and Nick Hallmark, "Digital Money, Cross-Border Payments, International Reserves, and the Global Financial Safety Net: Preliminary Considerations" (2024) *International Monetary Fund* available at https://www.elibrary.imf.org/view/journals/068/2024/001/article-A001-en.xml (accessed 8 February 2025)
[243] Thomson Reuters, "Compendium: Cryptocurrency Regulations by Country" (2022) available at https://www.thomsonreuters.com/en-us/posts/wp-content/uploads/sites/20/2022/04/Cryptos-Report-Compendium-2022.pdf? (accessed 6 April 2025)

innovation, and economic development for our country," the President of El Salvador, Nayib Bukele, who is a staunch cryptocurrency enthusiast, tweeted shortly before the vote.[244]

The fact that cryptocurrencies are largely volatile begs the question of whether a country's economic condition should be gambled on one of the most risky and unpredictable assets in the world. As such, financial institutions heavily criticised this investment, with the IMF warning that the adoption of Bitcoin as legal tender could affect monetary stability, amplify fiscal risks, and bring about significant macro-critical legal concerns.[245] The World Bank, on the other hand, disassociated itself from El Salvador's actions, declining an invitation to support the implementation of cryptocurrency payments due to its unignorable transparency and environmental shortcomings.[246] Despite these reservations, in April 2022, the Central African Republic followed El Salvador's footsteps by officially adopting Bitcoin as legal tender.[247]

b. The Growing Role of Governments and CBDCs

While cryptocurrencies have largely operated outside governmental and central bank control due to their decentralised nature, there is an increasing interest in regulating and integrating them into the global financial system in order to stabilise them and stay ahead of associated risks. World governments are readjusting to this phenomenon by exploring the potential of CBDCs, which have

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[244] 'Bitcoin: El Salvador makes cryptocurrency legal tender' *BBC News* 9 June 2021 available at https://www.bbc.com/news/world-latin-america-57398274 (accessed 5 February 2025)

[245] IMF Policy Paper, "Elements of Effective Policies for Crypto Assets" available at https://www.imf.org/-/media/Files/Publications/PP/2023/English/PPEA2023004.ashx (accessed 5 February 2025)

[246] 'World Bank Rejects El Salvador Request for Bitcoin Help' *BBC News* 17 June 2021 available at https://www.bbc.com/news/business-57507386 (accessed 5 February 2025)

[247] United Nations Conference On Trade And Development Policy Brief no 100, "All that glitters is not gold: The high cost of leaving cryptocurrencies unregulated" (2022) available at https://unctad.org/system/files/official-document/presspb2022d8_en.pdf (accessed 5 February 2025)

seen three launches as of December 2021, by the Bahamas, Nigeria and the Eastern Caribbean Central Bank.[248] Furthermore, the Bank for International Settlements identified up to 86 central banks engaged in varying forms of CBDC projects, while the Atlantic Council indicates that 130 countries are exploring CBDCs[249]

When cryptocurrencies and blockchain technology rose to prominence, stablecoins were perceived as a potential threat to financial stability because they were increasingly used as payment instruments. To solve this issue while enjoying the benefits of nationwide cryptocurrency use, governments turned to CBDCs based on their substitutability with stablecoins.[250] However, while the use of a central bank digital currency may be appealing for the sake of financial inclusion, the anonymity of accounts on crypto-exchange platforms could potentially facilitate illicit financial transactions, such as tax evasion, money laundering, and terrorist financing. To help trace and control these transactions, UNCTAD has recommended the implementation of an account-based CBDC, with each wallet linked to a person.

4. Understanding the Mounting Demand for Cryptocurrency Regulation

Evidently, while its decentralised nature offers numerous advantages, cryptocurrency also presents regulatory and security challenges that require

[248] United Nations Conference On Trade And Development Policy Brief no 100, "Public payment systems in the digital era: Responding to the financial stability and security-related risks of cryptocurrencies" (2022) available at https://unctad.org/system/files/official-document/presspb2022d8_en.pdf (accessed 5 February 2025)

[249] Seunghwan Kim, Alex Miksjuk, Narayan Suryakumar, Anita Tuladhar, Delia Velculescu, Yiqun Wu, Jimena Zuniga, and Nick Hallmark, "Digital Money, Cross-Border Payments, International Reserves, and the Global Financial Safety Net: Preliminary Considerations" (2024) *International Monetary Fund* available at https://www.elibrary.imf.org/view/journals/068/2024/001/article-A001-en.xml (accessed 8 February 2025)

[250] Lambis Dionysopoulos, Miriam Marra, and Andrew Urquhart, "Central bank digital currencies: A critical review" (2024) 91 *International Review of Financial Analysis* available at https://www.sciencedirect.com/science/article/pii/S1057521923005471 (accessed 9 February 2025)

thorough oversight. Such challenges include concerns about financial stability, fraud prevention, taxation, and consumer protection.

a. Key Regulatory Issues

One of the most pressing regulatory challenges revolves around the legal classification of cryptocurrencies. In many jurisdictions, cryptocurrencies exist in a legal grey area, creating uncertainty for businesses and investors alike. It is essential to clarify regulatory approaches so as to determine whether cryptocurrencies should be classified as legal tender, securities, commodities, or alternative asset classes.[251] Without clear legal definitions, businesses and individuals struggle to comply with guidelines. Moreover, the pseudonymous nature of cryptocurrency transactions complicates tax enforcement, increasing the risk of tax evasion.

For example, despite the fact that cryptocurrency is legalised in the United States of America, the regulatory system is still fragmented as multiple agencies oversee different aspects of cryptocurrency activities.[252] The *U.S. Securities and Exchange Commission (SEC)* classifies certain digital assets as securities, bringing them under the purview of federal securities laws.[253] Meanwhile, the *Commodities Futures Trading Commission (CFTC)* treats some cryptocurrencies, such as Bitcoin, as commodities. This fragmented framework has led to determined pushes for clearer and more unified regulations.

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[251] Thomson Reuters, "Compendium: Cryptocurrency Regulations by Country" (2022) available at https://www.thomsonreuters.com/en-us/posts/wp-content/uploads/sites/20/2022/04/Cryptos-Report-Compendium-2022.pdf? (accessed 6 April 2025)
[252] Aaron Poynton, 'U.S. Cryptocurrency Regulation: A Slowly Evolving State of Affairs' (2023) 4 *Journal on Emerging Technologies* 1.
[253] US Securities and Exchange Commission, "Statement: Offerings and Registrations of Securities in the Crypto Asset Markets" (2025) Division of Corporation Finance available at https://www.sec.gov/newsroom/speeches-statements/cf-crypto-securities-041025 (accessed 20 April 2025)

Consumer protection is another area that necessitates regulatory attention, seeing as many investors lack awareness of the risks associated with cryptocurrency investments, which makes them vulnerable to fraud and financial losses.[254] Furthermore, although cryptocurrency exchanges serve as critical access points to digital assets, they still remain largely unregulated in many regions. As revealed by a 2023 study assessing the solvency of VASPs, the current auditing standards applied globally may be insufficient, potentially exposing users to financial risks and cyber threats. [255]

While overregulation of the cryptocurrency market could stifle innovation, a balanced approach is crucial to address security risks, ensure financial stability, and protect investors. Moving forward, collaboration between governments, financial institutions, and the crypto industry is necessary in developing enforceable guidelines that encourage innovation while maintaining the required safeguards to protect all stakeholders.[256] For instance, in 2024, the UK Regulated Liability Network (RLN), headed by UK Finance, rallied 11 of the country's biggest banking and payments providers to create a regulated platform for public and private digital monies, including CBDCs and tokenised deposits.[257]

[254] Ikegwu Chinonso, Uzougbo Ngozi, and Adewusi Adefolake, "Enhancing consumer protection in cryptocurrency transactions: Legal strategies and policy recommendations" (2024) *International Journal of Science and Research Archive.*

[255] Pietro Saggese, Esther Segalla, Michael Sigmund, Burkhard Raunig, Felix Zangerl, Bernhard Haslhofer, "Assessing the Solvency of Virtual Asset Service Providers: Are Current Standards Sufficient?" (2024) *Cornell University* available at https://arxiv.org/abs/2309.16408 (accessed 6 April 2025)

[256] Akhil Goyal and Ankita Yadav, "Regulatory Approaches to Cryptocurrency: Balancing Investor Protection, Market Stability, and Innovation" available at https://www.researchgate.net/publication/385023508_Regulatory_Approaches_to_Cryptocurrency_Balancing_Investor_Protection_Market_Stability_and_Innovation (accessed 6 April 2025)

[257] The Trade, "The TRADE predictions series 2025: The future of cryptocurrency" 18 December 2024 *The Trade News* available at https://www.thetradenews.com/the-trade-predictions-series-2025-the-future-of-cryptocurrency/ (accessed 9 February 2025)

b. Key Security Challenges

The lack of a unified regulatory framework has contributed to several security challenges within the cryptocurrency market. Due to the anonymity and borderless nature of cryptocurrencies, market manipulation remains a critical issue, with fraudulent tactics such as wash trading, insider trading, pump-and-dump schemes, phishing attacks, ponzi schemes, and spoofing undermining the integrity of cryptocurrency markets.[258] For instance, a 2022 study found that wash trading accounts for 53.4% and 81.8% of trading volumes in Tier-1 and Tier-2 exchanges, respectively.[259] Also, in 2023, the United States lost over $5.6 billion in financial losses to cryptocurrency scams.[260] The lack of standardised regulatory mechanisms allows these unethical practices to persist, creating an uneven playing field for investors.

Moreover, cybersecurity threats, including hacks and breaches targeting cryptocurrency exchanges and wallets, have resulted in significant financial losses. A systematic study analysing 36 breaches of Bitcoin exchanges identified common cyber attack patterns. The study revealed that most of the hacks were the result of inadequate preventive security protocols.[261] Additional research on the effect of cyber-attacks related to cryptocurrencies has revealed that these attacks

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[258] Sabuj Saha and others, 'Cryptocurrency and Financial Crimes: A Bibliometric Analysis and Future Research Agenda' (2023) available at https://www.researchgate.net/publication/380882745_Cryptocurrency_and_financial_crimes_A_bibliometric_analysis_and_future_research_agenda (accessed 9 February 2025)
[259] Wang Shirui and Zhang Tianyang, "Spot-Futures Manipulations in Cryptocurrency Markets" available at https://ssrn.com/abstract=5125326 (accessed 6 April 2025)
[260] UNODC, 'Inflection Point: Global Implications of Scam Centres, Underground Banking and Illicit Online Marketplaces in Southeast Asia' (2025) *Technical Policy Brief* available at https://www.unodc.org/roseap/uploads/documents/Publications/2025/Inflection_Point_2025.pdf (accessed 30 April 2025)
[261] Oosthoek Kris and Doerr Christian, "Cyber Security Threats to Bitcoin Exchanges: Adversary Exploitation and Laundering Techniques" (2020) *IEEE Transactions on Network and Service Management* available at https://www.researchgate.net/publication/347806193_Cyber_Security_Threats_to_Bitcoin_Exchanges_Adversary_Exploitation_and_Laundering_Techniques (accessed 6 April 2025)

significantly impact market dynamics, causing negative price returns, heightened volatility, and increased trading volumes.[262] While most of these attacks take place on centralised elements of the ecosystem, such as wallets and exchanges, they can also arise on the decentralised algorithms that underpin blockchain technology.[263] These security breaches highlight the necessity for robust protective measures and regulatory intervention to prevent future occurrences.

5. The Trouble with Cryptocurrencies: Risks, Challenges, and Dangers

Besides the environmental dangers of cryptocurrency mining, UNCTAD has identified several risks associated with the widespread use of cryptocurrencies, including threats to financial stability, facilitation of tax evasion and other illicit transactions, and potential undermining of monetary systems.[264]

a. Effect of Cryptocurrencies on the Stability and Security of Monetary Systems

The widespread use of cryptocurrencies can lead to cryptoisation—a situation where these digital currencies unofficially replace domestic currencies. Such eventuality can undermine a country's monetary sovereignty and affect economic stability.[265]

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[262] Hamid Cheraghali, Peter Molnár, Mattis Storsveen and Florent Veliqi, 'The Impact of Cryptocurrency-Related Cyberattacks on Return, Volatility, and Trading Volume of Cryptocurrencies and Traditional Financial Assets' (2024) 95 *International Review of Financial Analysis* available at https://www.sciencedirect.com/science/article/pii/S1057521924003715 (accessed 6 April 2025)

[263] IMF Global Financial Stability Report October 2021, "COVID-19, Crypto, and Climate: Navigating Challenging Transitions" available at https://www.imf.org/en/Publications/GFSR/Issues/2021/10/12/global-financial-stability-report-october-2021 (accessed 8 February 2025)

[264] UNCTAD, "UNCTAD Spells Out Actions to Curb Cryptocurrencies in Developing Countries" available at https://unctad.org/news/unctad-spells-out-actions-curb-cryptocurrencies-developing-countries (accessed 7 February 2025)

[265] IMF Global Financial Stability Report October 2021, "COVID-19, Crypto, and Climate: Navigating Challenging Transitions" available at https://www.imf.org/en/Publications/GFSR/Issues/2021/10/12/global-financial-stability-report-october-2021 (accessed on 8 February 2025)

Furthermore, the integration of cryptocurrencies into state budgets could have significant implications for the stability and security of monetary systems. Recently, Christine Lagarde, President of the European Central Bank (ECB), rejected a suggestion to incorporate Bitcoin into official European reserves on the basis that it is too volatile and associated with anti-money laundering, stating that central bank reserves should be "liquid, secure and safe."[266]

Although the FSB concluded in October 2018 that crypto assets did not pose a material risk to global financial stability, it identified several risk factors that could change its assessment.[267] Since then, some of these risk factors have become more prominent, and new sources of risk have emerged, such as the prevalence of stablecoins and DeFi, which pose a threat to financial stability if they become systemically important.[268] UNCTAD has suggested that to mitigate these risks, developing countries should consider establishing domestic digital payment systems, implementing CBDCs, or facilitating fast retail payment systems, depending on their capacity.[269]

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[266] Reuters, "ECB's Lagarde slaps down Czech proposal for bitcoin reserves" *Reuters* 30 January 2025 available at https://www.reuters.com/markets/europe/ecbs-lagarde-slaps-down-czech-proposal-bitcoin-reserves-2025-01-30/ (accessed 8 February 2025)

[267] FSB, "Crypto-asset markets: Potential channels for future financial stability implications" (2018) available at https://www.fsb.org/2018/10/crypto-asset-markets-potential-channels-for-future-financial-stability-implications/ (accessed 8 February 2025)

[268] IMF Global Financial Stability Report October 2021, "COVID-19, Crypto, and Climate: Navigating Challenging Transitions" available at https://www.imf.org/en/Publications/GFSR/Issues/2021/10/12/global-financial-stability-report-october-2021 (accessed 8 February 2025)

[269] United Nations Conference On Trade And Development Policy Brief no 101, "Public payment systems in the digital era: Responding to the financial stability and security-related risks of cryptocurrencies" (2022) available at https://unctad.org/system/files/official-document/presspb2022d9_en.pdf (accessed 5 February 2025)

b. Use of Cryptocurrency for Tax Evasion, Money Laundering, Terrorism Funding, and Other Illicit Activities

While the pseudo-anonymous nature of cryptocurrency transactions affords legitimate investors more privacy, it also increases its susceptibility to use for illicit financial flows including resources originating from criminal activities like drug dealing or human trafficking, funds intended to finance illegal activities such as terrorism, and also legally earned income that is unlawfully transferred abroad to evade taxes.[270]

For context, around late 2018 until mid-2020, Al-Qaeda, Al-Nusra Front, Hayat Tahrir Al-Sham, and other affiliated terrorist groups conducted a fundraising campaign using Bitcoin.[271] Also, in Southeast Asia, large-scale cyber-enabled crime syndicates including scam centres, underground banking and illicit online marketplaces are becoming more prevalent.[272]

Recognising that terrorist groups finance their operations using cryptocurrencies as an alternative financial system because they are largely unregulated and benefit from exemptions from legal requirements, international and regional systems have adopted regulatory and collaborative approaches to solve the issue. For instance, the UNODC recommended compliance with AML and KYC

[270] United Nations Conference On Trade And Development Policy Brief No 102, "The cost of doing too little too late: How cryptocurrencies can undermine domestic resource mobilization in developing countries" (2022) available at https://unctad.org/system/files/official-document/presspb2022d10_en.pdfm (accessed 6 February 2025)

[271] Ariel Burgess, Rhianna Hamilton , and Christian Leuprecht, "Terror on the Blockchain: The Emergent Crypto-Crime-Terror Nexus" *In: Goldbarsht, D., de Koker, L. (eds) Financial Crime, Law and Governance. Ius Gentium: Comparative Perspectives on Law and Justice, vol 116* (Springer: 2024) available at https://link.springer.com/chapter/10.1007/978-3-031-59547-9_9 (accessed 8 February 2025)

[272] UNODC, 'Inflection Point: Global Implications of Scam Centres, Underground Banking and Illicit Online Marketplaces in Southeast Asia' (2025) *Technical Policy Brief* available at https://www.unodc.org/roseap/uploads/documents/Publications/2025/Inflection_Point_2025.pdf (accessed 30 April 2025)

procedures.[273] The EU has also established a directive requiring virtual currency addresses to be linked to their owners' identities.[274] Finally, *UNCTAD* recommends international cooperation to establish comprehensive regulations and information-sharing systems to address these challenges.[275]

c. Environmental Impact of Cryptocurrencies

The Bitcoin cryptocurrency generates coins using the PoW mining system. As a result of the computational difficulty, mining requires significant resource consumption, which could have adverse environmental implications. It is estimated that mining in the Bitcoin network consumes about 0.36 per cent of the world's electricity, which is comparable to the total electricity consumption of countries like Belgium or Chile.[276] Moreover, each $1 in BTC market value has created between $0.16 and $0.82 in global climate damage.[277]

Contemplating the contribution of cryptocurrencies to the warming planet has led to a push towards employing less environmentally harmful alternative coin generation models, such as the Proof-of-Stake system (PoS). This model is not

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[273] United Nations Office on Drug and Crime (UNODC), Resolution 9/3 Implementation of the provisions on international cooperation of the United Nations Convention against Transnational Organized Crime (2017)

[274] European Union (EU), "Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU" (2018) *Official Journal of the European Union* available at https://eur-lex.europa.eu/eli/dir/2018/843/oj (accessed 8 February 2025)

[275] United Nations Conference On Trade And Development Policy Brief No 102, "The cost of doing too little too late: How cryptocurrencies can undermine domestic resource mobilization in developing countries" (2022) available at https://unctad.org/system/files/official-document/presspb2022d10_en.pdfm (accessed 6 February 2025)

[276] IMF Global Financial Stability Report October 2021, "COVID-19, Crypto, and Climate: Navigating Challenging Transitions" available at https://www.imf.org/en/Publications/GFSR/Issues/2021/10/12/global-financial-stability-report-october-2021 (accessed on 8 February 2025)

[277] Alexandre Olbrecht and Gina Pieters, "Crypto-Currencies and Crypto-Assets: An Introduction" (2023) 49 *Eastern Economic Journal* 201–205, available at https://link.springer.com/article/10.1057/s41302-023-00246-1 (accessed 6 February 2025)

computationally difficult, as it requires that validators deposit tokens into the system as their “stake” in the system’s continuous functionality. [278]

6. Global Prospects in the Future of Cryptocurrencies

Looking ahead, what does the future hold for cryptocurrencies? Just as technical innovations have brought cryptocurrencies to where they are today, it is not far-fetched to believe that further technological advancements will have a huge role to play in the future of cryptocurrencies. For instance, the evolution of technology has brought about a new generation of blockchain technology that will provide higher throughput[279] and lower transaction confirmation times, such as the payment protocol, Lightning Network and Ethereum 2.0, which will provide a more powerful infrastructure for the development of cryptocurrencies.[280] In addition, smart contract technology will be further refined to bring about more cryptocurrency and blockchain applications such as DeFi, supply chain management, and the Internet of Things (IoT), through more flexible and intricate conditions and features.[281]

Furthermore, the anonymity of cryptocurrencies is a controversial topic with clamour for regulatory developments. Over time, private crypto-exchanges will be further improved to ensure that users' transactions and identity information are

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[278]Li Sheng-Nan, Xu Jiahua, Tasca Paolo and Tessone Claudio, “Proof-of-Stake Cryptoeconomics Design: A General Framework of Modeling and Evaluation” available at http://dx.doi.org/10.2139/ssrn.5072963 (accessed 18 April 2025)

[279] The amount of material or items passing through a system or process.

[280] Ruiting Feng, “The future prospects of cryptocurrencies and their impact on financial markets” (2023)17 *Highlights in Business, Economics and Management* available at https://www.researchgate.net/publication/373765261_The_future_prospects_of_cryptocurrencies_and_their_impact_on_financial_markets (accessed 9 February 2025.)

[281] Ruiting Feng, “The future prospects of cryptocurrencies and their impact on financial markets” (2023)17 *Highlights in Business, Economics and Management* available at https://www.researchgate.net/publication/373765261_The_future_prospects_of_cryptocurrencies_and_their_impact_on_financial_markets (accessed 9 February 2025)

better protected, while also meeting regulatory compliance requirements.[282] For example, technologies such as Zero-Knowledge Proofs (ZKP) and Ring Signatures (RS) will provide improved privacy protection. Moreover, cryptocurrency networks will adopt stronger cryptographic algorithms, blockchain improvements and security protocols to cope with increasingly sophisticated cyber-attacks.[283]

On the subject of environmental effects, the world's second-largest cryptocurrency by market capitalisation, Ethereum, switched to the PoS mining system in September 2022, reducing its energy usage by a claimed 99.5%.[284] In the future, this would serve as a blueprint for other digital assets to follow in making the crypto ecosystem a more sustainable and climate-friendly one, especially in line with SDG 13.

All these prospective innovations underscore the fact that as cryptocurrencies become increasingly interconnected with the traditional financial sector, the challenge will be to achieve global regulatory coordination; otherwise, weaker jurisdictions could potentially be exploited. Judging from these conditions, management by international institutions is by far the most effective strategy for fostering positive novel technological innovations that are appropriately regulated so as not to harm the welfare of the global economy.[285]

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282 Ruiting Feng, "The future prospects of cryptocurrencies and their impact on financial markets" (2023)17 *Highlights in Business, Economics and Management* available at https://www.researchgate.net/publication/373765261_The_future_prospects_of_cryptocurrencies_and_their_impact_on_financial_markets (accessed 9 February 2025)
283 Ruiting Feng, "The future prospects of cryptocurrencies and their impact on financial markets" (2023)17 *Highlights in Business, Economics and Management* available at https://www.researchgate.net/publication/373765261_The_future_prospects_of_cryptocurrencies_and_their_impact_on_financial_markets (accessed 9 February 2025)
284 Alexandre Olbrecht and Gina Pieters, "Crypto-Currencies and Crypto-Assets: An Introduction" (2023) 49 *Eastern Economic Journal* 201–205, available at https://link.springer.com/article/10.1057/s41302-023-00246-1 (accessed 6 February 2025)
285 Garry Jacobs, "Cryptocurrencies & the Challenge of Global Governance" (2018) 3 *Cadmus Journal* 112, available at http://www.cadmusjournal.org/files/pdfreprints/vol3issue4/Cryptocurrencies-and-the-Challenge-of-Global-Governance-GJacobs-Cadmus-V3-I4-Reprint.pdf (accessed 5 February 2025)

V - Conclusion

Monetary forms are socially determined and exist as a symbolic token—multiple, hierarchical and changing.[286] This is why the emergence of digital currencies has always been bound to happen in response to the world's digital evolution. However, the potential of cryptocurrencies to reshape and transform financial systems, and by extension, the global economy, has been taken with a pinch of salt, due to the risks and challenges associated with it. Regardless, institutional and state adoption is accelerating, evidenced by major financial entities integrating digital assets into their portfolios as well as countries adopting cryptocurrency as legal tender and developing CBDCs.

Clearly, the main threat to financial security from virtual money is the absence of a global regulatory mechanism to mitigate the other far-reaching risks associated with its use, such as concerns regarding illicit activities and market volatility. While this goes against the original libertarian rationale that originated Bitcoin, it is a necessary step to provide protection for market participants.[287] Finally, in making sure that the future of cryptocurrencies holds the promise of reshaping the global economic landscape, international cooperation will be vital in unifying, revising, and enforcing regulations across jurisdictions.[288]

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[286] Bill Dunn, "Cryptocurrency: Still a Cause for Concern" (2024) *Forum for Social Economics* available at https://www.tandfonline.com/doi/full/10.1080/07360932.2024.2357364#abstract (accessed 8 February 2025)

[287] Giancarlo Giudici, Alistair Milne, and Dmitri Vinogradov, "Cryptocurrencies: market analysis and perspectives"(2020) 41 *Journal of Industrial and Business Economics,* available at https://link.springer.com/article/10.1007/s40812-019-00138-6 (accessed 5 February 2025)

[288] United Nations Conference On Trade And Development Policy Brief No 102, "The cost of doing too little too late: How cryptocurrencies can undermine domestic resource mobilization in developing countries" (2022) available at https://unctad.org/system/files/official-document/presspb2022d10_en.pdfm (accessed 6 February 2025)

VI- Further Research

1. Is it safe to base the state's budget, which is the economic foundation of any society, on cryptocurrencies?
2. What regulatory frameworks are needed to ensure the safe and responsible use of digital assets in developing countries?
3. How can governments implement these regulatory frameworks while fostering innovation and stability in the global economy?
4. How can cryptocurrencies address existing inequities in global trade and finance?
5. How can governments balance the benefits of cryptocurrencies with the need to prevent financial crimes, terrorist funding, and adverse environmental effects?
6. How can cryptocurrency influence monetary policy in both developed and developing economies?
7. What potential challenges do regulators face in defining and categorizing digital assets, given the variety of token types (e.g., utility tokens, security tokens, stablecoins) in the cryptocurrency market?
8. What are the social and cultural implications of cryptocurrency adoption in societies with strong traditional banking systems, and how can these challenges be addressed through regulation?
9. What is the future of CBDCs, and how might they coexist with or compete against decentralized cryptocurrencies?
10. What steps can the UN take to enhance international cooperation in harmonising cryptocurrency policies across Member States?

VII - Annotated Bibliography

Adrian Blundell-Wignall, *The Bitcoin Question: Currency versus Trust-less Transfer Technology* (OECD Working Papers on Finance, Insurance and Private Pensions, 2014) available at https://www.oecd.org/content/dam/oecd/en/publications/reports/2014/06/the-bitcoin-question_g17a24d4/5jz2pwjd9t20-en.pdf (accessed 21 January 2025)

> *This working paper explores the implications of Bitcoin's decentralised nature, examining its potential to disrupt traditional financial systems and its role in fostering financial innovation. The paper will also provide delegates with a comprehensive analysis of the regulatory challenges Bitcoin faces as well as its global economic impact.*

United Nations Conference On Trade And Development Policy Brief no 100, "All That Glitters is not Gold: The High Cost of Leaving Cryptocurrencies Unregulated" (2022) available at https://unctad.org/system/files/official-document/presspb2022d8_en.pdf (accessed 5 February 2025)

> *IThis policy brief highlights the surge in cryptocurrency adoption during the COVID-19 pandemic, especially in developing nations. It outlines the economic risks of unregulated digital currencies and proposes measures to safeguard financial stability and national monetary systems.*

United Nations Conference On Trade and Development Policy Brief no 101, "Public Payment Systems in the Digital Era: Responding to the

Financial Stability and Security-Related Risks of Cryptocurrencies" (2022) available at https://unctad.org/system/files/official-document/presspb2022d9_en.pdf (accessed 5 February 2025)

This policy brief explores how cryptocurrencies may undermine financial stability in developing nations. It recommends public digital payment systems, including CBDCs or fast retail payment systems, as secure alternatives tailored to national contexts.

United Nations Conference on Trade and Development Policy Brief No 102, "The Cost of Doing too Little too Late: How Cryptocurrencies can Undermine Domestic Resource Mobilisation in Developing Countries" (2022) available at https://unctad.org/system/files/official-document/presspb2022d10_en.pdfm (accessed 6 February 2025)

UNCTAD examines how cryptocurrencies may hinder domestic revenue generation in developing countries by enabling tax evasion through anonymous offshore flows. It stresses the need for global regulatory cooperation and information-sharing frameworks to address these challenges.

IMF Global Financial Stability Report October 2021, "COVID-19, Crypto, and Climate: Navigating Challenging Transitions" available at https://www.imf.org/en/Publications/GFSR/Issues/2021/10/12/global-financial-stability-report-october-2021 (accessed 8 February 2025)

This report evaluates the financial stability risks posed by the expanding crypto market, including data gaps and operational *weaknesses in crypto service providers. It also highlights how crypto use in emerging markets may increase dollarisation, complicating monetary policy.*

Financial Action Task Force (FATF), " Updated Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers" (2021) *FATF Recommendations* available at https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/Updated-Guidance-VA-VASP.pdf.coredownload.inline.pdf (accessed 8 February 2025)

This guidance outlines how countries and service providers can apply risk-based anti-money laundering and counter-terrorist financing measures to virtual assets. It aims to ensure compliance with FATF standards across the crypto sector.

Garry Jacobs, "Cryptocurrencies & the Challenge of Global Governance" (2018) 3 *Cadmus Journal* 112, available at http://www.cadmusjournal.org/files/pdfreprints/vol3issue4/Cryptocurrencies-and-the-Challenge-of-Global-Governance-GJacobs-Cadmus-V3-I4-Reprint.pdf (accessed 5 February 2025)

In this article, Jacob explores the disruptive impact of cryptocurrencies on traditional financial systems and global governance structures. He calls for international cooperation to balance the risks and opportunities presented by digital currencies.

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Tobias Adrian and Tommaso Mancini-Griffoli, *The Rise of Digital Money* (International Monetary Fund, 2019) available at https://www.imf.org/en/Publications/WP/Issues/2019/07/01/The-Rise-of-Digital-Money-471931(accessed 27 December 2024)

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