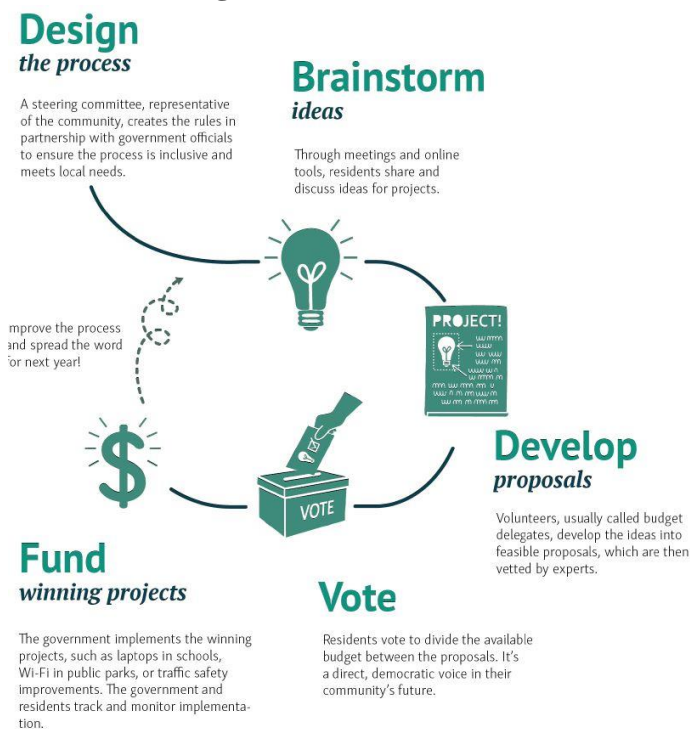


Topic A: Urban Finance: Prospects for Participatory Budgeting

Introduction

As part of Sustainable Development Goal (SDG) 11, the United Nations and its member states have set an ambitious target of enhancing “inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.” (Target 11.3)¹ One indicator of success in this target is “proportion of cities with a direct participation structure of civil society in urban planning and management that operate regularly and democratically.”² While it can be argued that cities in which citizens directly elect their officials are engaging in a form of participation, this in and of itself is not enough to satisfy Target 11.3 as such participation is indirect and the populace can often have little say over policies between elections. What is required are robust and regular mechanisms for the direct inclusion of citizens in local policy and decision-making. Participatory budgeting is one such mechanism, enabling the populace to set budget priorities and assign attention and resources to the issues that matter most to them.³

Figure 1: The PB Model



Participatory budgeting (PB) consists of engaging local populations in debating and influencing the distribution of public financial resources to the areas they deem most deserving.⁴ In so doing, it helps to foster knowledge, transparency, and empowerment within systems that often seem remote and complex to the average citizen – despite the fact that the decisions made can have huge impacts on their lives.⁵ Current understandings and models of this strategy stem from its first large-scale implementation in Porto Alegre, Brazil in 1989.⁶ The precise structure of PB programs varies from city to city and country to country, but generally include organized citizen councils based on sub-municipal geographic divisions (e.g., city wards).⁷ These councils debate and discuss local priorities and report their decisions to municipal authorities. Often, such

deliberations will go through several rounds until consensus is reached and final funds are allocated.⁸ (Figure 1).⁹ The main goal of the process is for a specific portion of the municipal budget to be dedicated to funding projects identified and agreed upon by the citizens of the city. Therefore, urban and regional governments must be committed to providing the support needed to implement citizen-directed projects.

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In order for such PB initiatives to be successful it is generally agreed that four factors need to be present:

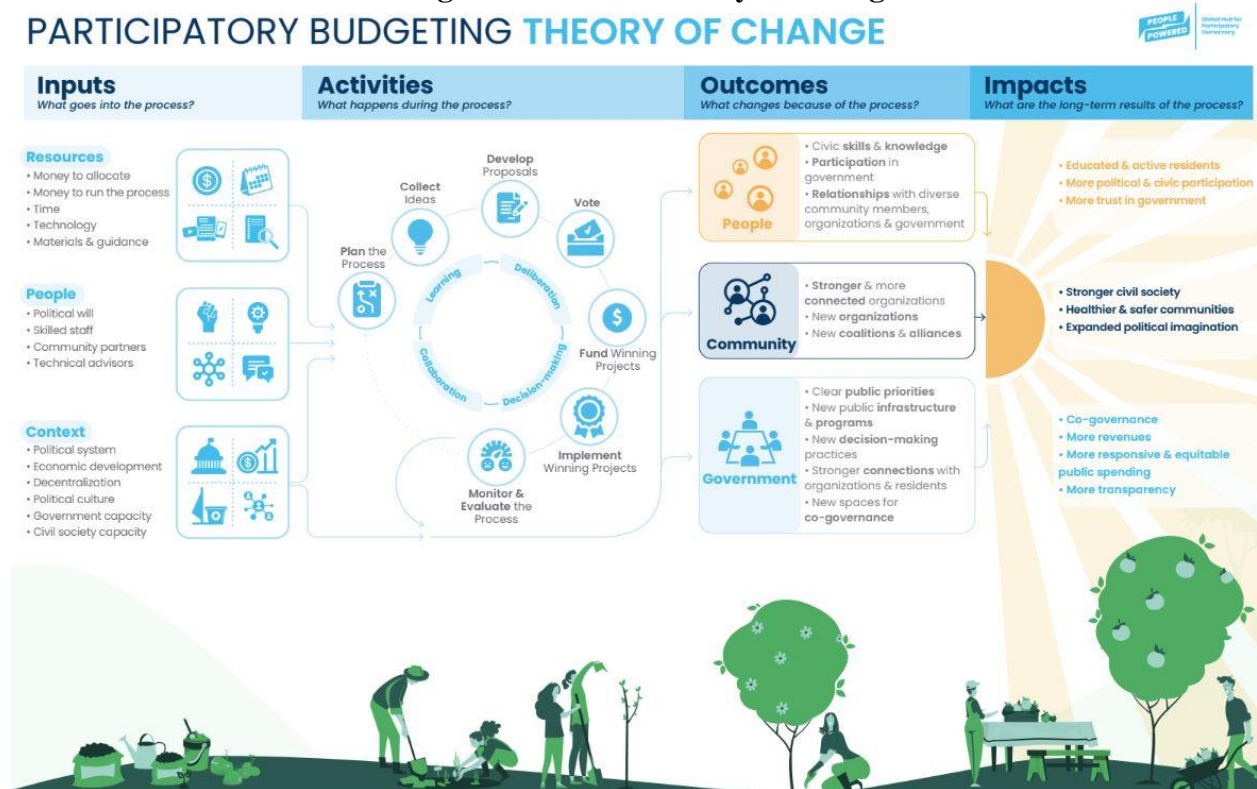
- 1) A supportive mayor
- 2) An engaged civil society
- 3) A political environment that insulates PB from legislators' attacks
- 4) Financial resources to fund projects selected by citizens.¹⁰

When PB is done well, the result can be a more engaged citizenry, a more transparent government, and completed projects that truly meet the needs of the people.

Current Situation

In the early 2000s both the UN and other international institutions (e.g., the World Bank) began to seriously consider PB as a strategy for increasing civic engagement and transparency in urban governance.¹¹ Increased interest in PB came with the adoption of the “New Urban Agenda” – which created a framework for meeting the SDGs at the local level.¹² In order to meet the targets of SDG 11, UN policymakers recognized that most of the change needed to come from within cities themselves. As a result, the UN has focused on providing research and technical assistance to cities. The United Nations Human Settlement Programme (UN Habitat) – created in 1978 – is the primary conduit through which research into best practices and technical assistance are offered to localities.¹³

Figure 2: The PB Theory of Change



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UN Habitat began to partner with cities around the world – creating demonstration projects and distilling lessons from the results.¹⁴

Participatory budgeting has come to be viewed as a central component of changes required to meet SDG goal 11. (Figure 2)¹⁵ The key to PB as a catalyst for change is the creation of an engaged citizenry with real power over decision-making and the application of more resources to problems that directly impact residents.¹⁶ In 2022, the UN Committee of Experts on Public Administration (CEPA) issued a strategy guidance note on PB. The CEPA report focused on how to ensure the promises of PB become a reality.¹⁷

“PB results are more likely to succeed when: there is strong political will to put people at the center of decision-making; the volume and flexibility of capital to be allocated is relatively high, so as to provide sufficient incentives for meaningful participation and substantial impacts; mechanisms and strategies to include minorities and diverse groups of people are put in place; a strong and organized civil society shows interest in taking part in the process; the definition of process rules is a shared task; high priority is given to the capacity-building of government officials, civil society and other stakeholders in preparation for PB; and sufficient organizational/technical state capacity exists to allow timely delivery of co-decided proposals.”¹⁸

The second committee is tasked with discussing and proposing policies that support the work of UN Habitat and the New Urban Agenda. Since PB has become a promising strategy for meeting SDG 11, ECOFIN will turn its attention to how to widen both its adoption and impact.

Questions to Address

- How can the Second Committee promote the greater adoption of PB?
- What strategies can be implemented to ensure the success of PB?
- How can the UN leverage more financial resources to fund projects adopted under PB?

Topic B: Addressing the Increased Threat of Tariffs

Introduction

Sustainable Development Goal (SDG) 17 aims to “revitalize the Global Partnership for Sustainable Development.” by 2030¹⁹ Three of SDG 17’s targets deal with global trade and its role in helping developing countries. To meet the SDG goals, exports from developing countries must increase (17.11), access of least developed economies to foreign markets must increase (17.12), and all countries must work to reduce barriers to trade (17.10).²⁰ An explicit indicator of these targets is a reduction in tariffs.²¹ Tariffs are taxes placed on goods and services that are imported from another country.²² Tariffs are levied for a variety of purposes. First, taxes on imports create revenues used by governments to fund expenditures.²³ Second, because tariffs can make a particular foreign product more expensive countries have used them to encourage domestic production of that good – a practice known as *import substitution*.²⁴ Finally, tariffs can

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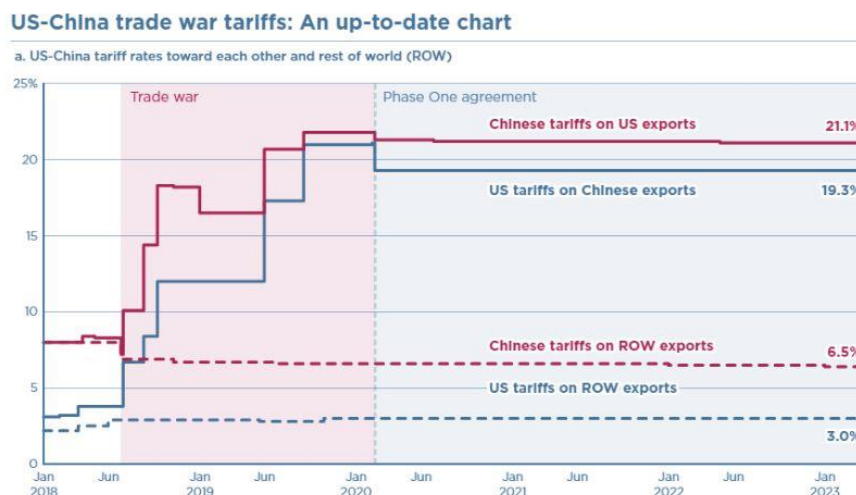
be used in a punitive way to penalize trading partners who are viewed as having unfair trading practices or for other geopolitical reasons.²⁵ Generally, it is expected that less developed countries will have higher tariff rates than more developed ones, but that rates will drop as development occurs.²⁶

As in all economic policies, there are costs and benefits associated with tariffs. While there is some evidence that high tariff rates can be successful in protecting fledgling industries as they develop, these benefits can be outweighed by the costs. Tariffs result in consumers paying higher prices for goods, can reduce global trade flows, and make protected industries less efficient or innovative.²⁷ For this reason the gradual reduction of tariffs and tariff rates has been a cornerstone of the UN's international trade policy.²⁸ Indeed, average global tariff rates have been declining since World War II.²⁹ A big part of this was the creation of the General Agreement on Tariffs and Trade (GATT) signed in 1947. In 1995, the World Trade Organization (WTO) replaced GATT to serve as a forum for the negotiation of trade rules and a mechanism for the settlement of trade disputes.³⁰ The WTO has worked continuously to try to reduce tariff rates and "bind" them to rates that are difficult to raise.³¹ For a country to raise these rates above a bound limit requires an endorsement from the WTO – usually as a recompense for unfair trading practices resulting from a case brought before the body.³² Beginning in 2018, this system began to unravel as major trading economies (primarily the United States and China) began to impose tit-for-tat punitive tariffs outside of the WTO framework.³³

Current Situation

The United States began to increase tariffs on major trading partners as soon as President Donald Trump took office in 2017.³⁴ The US claimed the tariffs were in retaliation for unfair trading practices, but these increases were levied outside the WTO system.³⁵ Particularly important was the trade war that developed between the US and China – the world's two largest economies. Tariff rates nearly tripled and have remained high even after President Trump left office (Figure 3).³⁶ Although the primary effects were felt within the two countries, the trade war produced ripple effects throughout the global economy.³⁷ While some countries benefited by their goods

Figure 3

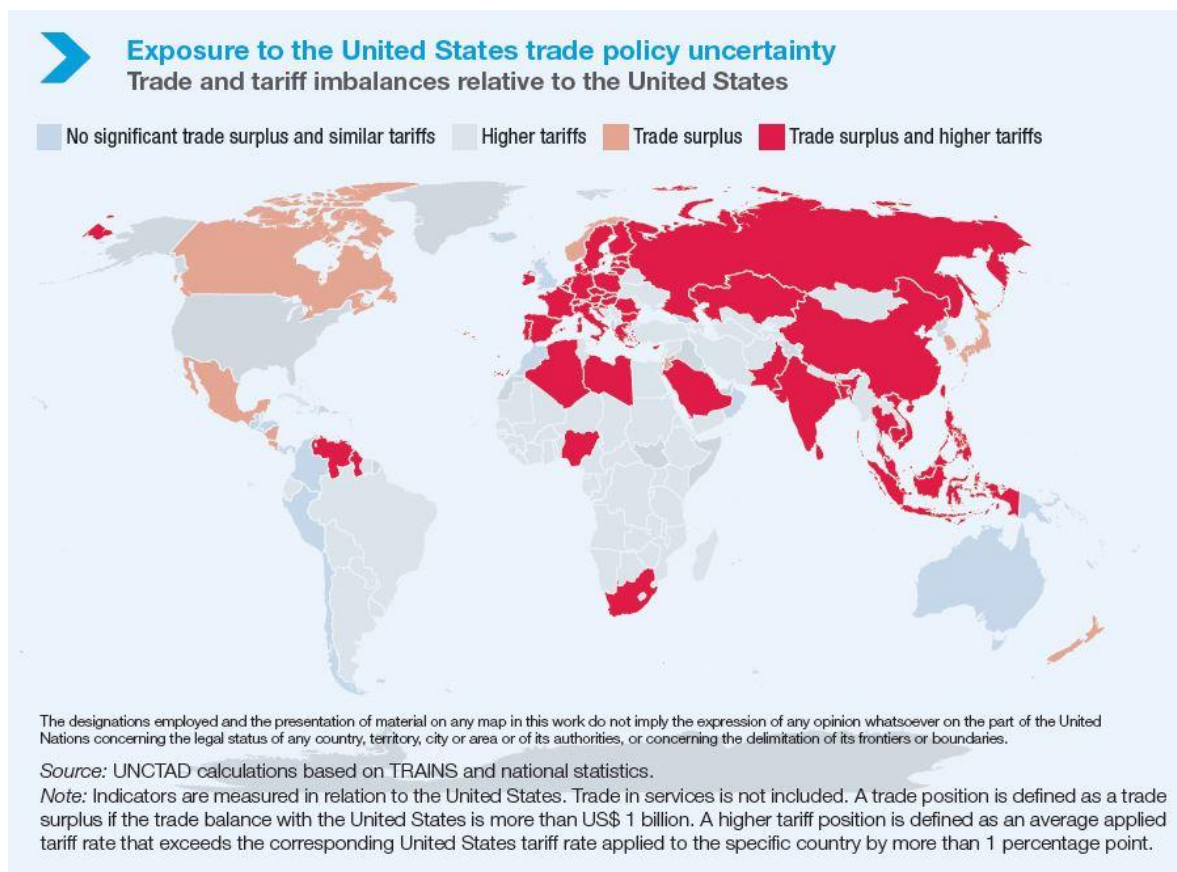


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becoming relatively cheaper in both the United States and China, increases in the costs of intermediate goods and the uncertainty over future tariff rates hampered investment decisions among exporting companies.³⁸

The results of the 2024 US presidential election have returned Donald Trump to power along with promises to level tariffs on all imports and unilaterally punish countries viewed as having unfair practices – even those who have long had most favored trading status with the United States.³⁹ These actions could spark further tit-for-tat retaliatory measures, so much so that the United Nations Conference on Development and Trade (UNCTAD) is concerned it could hinder the economies of many developing countries.⁴⁰ Figure 4 illustrates those countries most likely to feel direct impacts from US tariff policy – those with higher tariff rates than the United States and/or who have a trade surplus with the US.⁴¹ As before, there are likely to be ripple effects felt by many countries around the world.⁴² To manage higher tariffs on exports, developing countries may have subsidize domestic industries – which will require diversion of resources from other development initiatives.⁴³ Alternatively, they can seek to deflate their currency to make their exports cheaper – though this will harm the purchasing power and standard of living of their own population.⁴⁴ In any case, all of these practices run counter to the goal of making the global trading system more transparent, fair, and accessible – particularly for poorer countries.⁴⁵ Trade wars and retaliatory tariffs have the potential to wreck the WTO system, and reverse the gains made over the past several decades.

Figure 4



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Questions to Address

- How can the United Nations get member states to pursue trade disputes through the WTO as intended?
- What can be done to help developing countries weather the challenges of trade wars between the major economies?
- What else might be needed to help reduce tensions among major trading partners?

¹ “Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable.” United Nations Department of Economic and Social Affairs. https://sdgs.un.org/goals/goal11#targets_and_indicators , Accessed 30 November 2024.

² Ibid.

³ Brillantes, Alex B. and Jose Tiu Sonco II. “Overview: Citizen Participation in Sub-national Planning and Budgeting Processes”, in *Participatory Planning and Budgeting at the Sub-national Level*, pp. 1-12. United Nations Department of Economic and Social Affairs. 2005. ST/ESA/PAD/SER.E/94

⁴ Shah, Anwar. “Overview.” In Shah, Anwar ed. *Public Sector Governance and Accountability Series: Participatory Budgeting*. The World Bank: Washington, DC. 2007. (pp. 1-18)

⁵ Ibid.

⁶ United Nations Committee of Experts on Public Administration, *CEPA strategy guidance note on participatory budgeting*. United Nations Department of Economic and Social Affairs. January 2022., p. 1

⁷ Brillantes, pp. 4-6

⁸ Ibid.

⁹ *PB Scoping Toolkit*. Participatory Budgeting Project. New York. 2017, p. 3.

¹⁰ Wampler, Brian. “A Guide to Participatory Budgeting.” In Shah, Anwar ed. *Public Sector Governance and Accountability Series: Participatory Budgeting*. The World Bank: Washington, DC. 2007. (p. 24)

¹¹ Brillantes, p. 11

¹² Scruggs, Gregory, et al. *Integrating the SDGs in Urban Project Design: Recommendations from the Global Future Cities Programme*. United Nations Human Settlement Programme: Nairobi, Kenya. HS/055/21E, p. 20

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¹⁴ Ricca, Valentina, et al. *Benchmarking case studies on public participation in spatial planning processes in four countries: Australia, Chile, South Africa and the United Kingdom of Great Britain and Northern Ireland*. United Nations Human Settlement Programme: Nairobi, Kenya. 2023.

¹⁵ Hagelskamp, Carolin, Josh Lerner, and Nikhil Kumar. “Introducing a Global Theory of Change for Participatory Budgeting” People Powered, <https://www.peoplepowered.org/news-content/introducing-a-global-theory-of-change-for-participatory-budgeting> Accessed 30 November 2024.

¹⁶ Ibid.

¹⁷ United Nations Committee of Experts on Public Administration.

¹⁸ Ibid, p. 7

¹⁹ “Goal 17: Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development.” United Nations Department of Economic and Social Affairs. https://sdgs.un.org/goals/goal17#targets_and_indicators, Accessed 5 December 2025.

²⁰ Ibid.

²¹ Ibid.

²² Chatzky, Andrew, et al., “Backgrounder: What are tariffs?” Council on Foreign Relations, 26 November 2024, <https://www.cfr.org/backgrounder/what-are-tariffs>, Accessed 5 January 2025.

²³ Ibid.

²⁴ Ibid.

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²⁵ Asdourian, Elijah and David Wessel. "What are tariffs and why are they rising?", Brookings, 1 July 2024, <https://www.brookings.edu/articles/what-are-tariffs-and-why-are-they-rising/>, Accessed 5 January 2025.

²⁶ Chatzky.

²⁷ Ibid.

²⁸ "Trade", The United Nations Office in Geneva, <https://www.ungeneva.org/en/about/topics/trade>, Accessed 5 January 2025.

²⁹ Asdourian, Elijah and David Wessel.

³⁰ "The WTO", World Trade Organization, https://www.wto.org/english/thewto_e/thewto_e.htm, Accessed 5 January 2025.

³¹ "Tariffs", World Trade Organization, https://www.wto.org/english/tratop_e/tariffs_e/tariffs_e.htm, Accessed 5 January 2025.

³² Chatzky.

³³ "Trade Wars: The Pain and the Gain", United Nations Conference on Trade and Development, Press Release, 4 February 2019, <https://unctad.org/press-material/trade-wars-pain-and-gain-0>, Accessed 5 January 2025

³⁴ Ibid.

³⁵ Chatzky.

³⁶ Asdourian, Elijah and David Wessel.

³⁷ "Trade Wars: The Pain and the Gain"

³⁸ Ibid.

³⁹ Asdourian, Elijah and David Wessel.

⁴⁰ "Global trade to hit record \$33 trillion in 2024, but uncertainties over tariffs loom.", UN News, 5 December 2024, <https://news.un.org/en/story/2024/12/1157826>, Accessed 5 January 2025.

⁴¹ *Global Trade Update: December 2024*, United Nations Conference on Trade & Development: Geneva, 2024, p. 1

⁴² "Global trade to hit record \$33 trillion in 2024, but uncertainties over tariffs loom."

⁴³ Chatzky.

⁴⁴ Ibid.

⁴⁵ "Trade", The United Nations Office in Geneva.