

**UNITED NATIONS DEVELOPMENT PROGRAMME
(UNDP)**

**FAIRGAZE MODEL UNITED NATIONS 2025
BACKGROUND GUIDE: FOSTERING RESILIENCE
AND INCLUSIVITY IN THE INFORMAL ECONOMY**

Introduction to the Topic

The informal economy encompasses economic activities, enterprises, and workers that are not formally registered, regulated, or protected by the state. It includes street vendors, domestic workers, small-scale artisans, and others who operate outside formal legal frameworks. Globally, the informal economy employs over 2 billion people, accounting for approximately 60% of the world's workforce, with significant prevalence in low- and middle-income countries, where it can represent up to 90% of total employment. Despite its critical role in providing livelihoods, the informal economy is characterized by precarious working conditions, lack of social protections, and limited access to financial services, making workers vulnerable to economic shocks, exploitation, and exclusion.

The United Nations Development Programme (UNDP) recognizes the informal economy as a vital component of global economic systems but also a space where resilience and inclusivity must be strengthened to achieve the Sustainable Development Goals (SDGs), particularly SDG 8 (Decent Work and Economic Growth) and SDG 10 (Reduced Inequalities). Fostering resilience involves equipping informal workers and enterprises with the tools to withstand economic, environmental, and social shocks, such as pandemics, climate change, or market disruptions. Promoting inclusivity ensures that marginalized groups—women, youth, migrants, and indigenous populations—have equitable access to opportunities, resources, and protections.

This background guide explores the challenges and opportunities within the informal economy, the role of the UNDP in addressing these issues, and potential strategies for fostering resilience and inclusivity. Delegates are encouraged to propose innovative, sustainable, and inclusive solutions to empower informal workers and integrate them into broader economic frameworks.

Committee Mandate

The UNDP, established in 1965, is the United Nations' global development network, working in over 170 countries to eradicate poverty, reduce inequalities, and build sustainable development pathways. The UNDP's mandate includes supporting governments in achieving the SDGs, promoting inclusive economic growth, and enhancing resilience to crises. In the context of the informal economy, the UNDP focuses on:

- Strengthening social protection systems for informal workers.
- Promoting access to finance, skills training, and technology.
- Advocating for policies that integrate informal economies into formal systems.
- Addressing gender disparities and supporting marginalized groups.

- Building resilience against economic and environmental shocks.

The Fairgaze MUN UNDP committee will simulate discussions to develop actionable resolutions that align with the UNDP's mission and address the unique challenges of the informal economy. Delegates must consider diverse national perspectives, balancing the needs of developed and developing nations, while ensuring solutions are equitable and sustainable.

Historical Context

The informal economy has long been a feature of global economic systems, but its significance became more pronounced in the 20th century as urbanization and industrialization accelerated. The term “informal economy” was coined in 1972 by anthropologist Keith Hart, who observed unregulated economic activities in Ghana. The International Labour Organization (ILO) later formalized the concept, recognizing its role in providing livelihoods where formal employment was scarce.

Key historical developments include:

- **1970s–1980s:** The informal economy was initially viewed as a temporary phenomenon, expected to diminish with economic development. However, its persistence highlighted structural issues in labor markets, particularly in developing nations.
- **1990s:** The ILO began advocating for better conditions for informal workers, emphasizing social protections and labor rights. The 1995 World Summit for Social Development underscored the need to address informal employment.
- **2008 Global Financial Crisis:** The crisis exposed the vulnerability of informal workers, who lacked safety nets and were disproportionately affected by economic downturns.
- **2015 Adoption of the SDGs:** The SDGs explicitly recognized the informal economy, with targets under SDG 8 calling for decent work and economic inclusion for all workers.
- **2020 COVID-19 Pandemic:** The pandemic exacerbated challenges for informal workers, with over 1.6 billion facing livelihood losses due to lockdowns and reduced economic activity. Women, who make up a significant portion of informal workers (e.g., 92% of women workers in South Asia are informal), were particularly affected.

The UNDP has responded by launching initiatives like the Informal Economy Project, which aims to transform informal sectors through inclusive policies and resilience-building measures. These efforts underscore the need for coordinated global action to address systemic vulnerabilities.

Current Situation

The informal economy varies significantly across regions and sectors:

- **Sub-Saharan Africa:** Over 85% of employment is informal, with agriculture and street vending dominating. Workers face low wages, unsafe conditions, and limited access to healthcare.
- **South Asia:** Informal employment accounts for 88% of the workforce, with women and youth overrepresented. Lack of formal contracts exacerbates exploitation.
- **Latin America:** Approximately 50% of workers are informal, with many in urban areas engaged in services and construction.
- **Developed Economies:** Informal work, though less prevalent (10–20% of employment), includes gig economy workers and undocumented migrants facing precarious conditions.

Key Challenges

1. **Lack of Social Protections:** Informal workers often lack access to health insurance, pensions, or unemployment benefits, making them vulnerable to shocks like illness or economic downturns.
2. **Gender Disparities:** Women constitute a significant portion of informal workers (e.g., 80% of domestic workers globally) but face lower wages, harassment, and limited access to resources.
3. **Economic Vulnerability:** Informal workers are highly susceptible to market fluctuations, climate impacts, and policy changes, as seen during the COVID-19 crisis.
4. **Limited Access to Finance and Technology:** Informal enterprises struggle to access credit, digital tools, or training, hindering growth and innovation.
5. **Exclusion from Policy Frameworks:** Informal workers are often invisible in national statistics and excluded from labor laws, limiting their rights and protections.

Opportunities

1. **Digitalization:** Mobile banking and e-commerce platforms can integrate informal workers into formal financial systems.
2. **Social Protection Innovations:** Programs like cash transfers or community-based insurance can provide safety nets.
3. **Skills Development:** Vocational training and entrepreneurship programs can enhance employability and productivity.
4. **Policy Integration:** Formalizing informal enterprises through simplified registration processes can improve access to benefits and markets.

5. **Global Cooperation:** International organizations like the UNDP and ILO can facilitate knowledge-sharing and funding for inclusive policies.

Recent UNDP initiatives, such as partnerships to improve social and economic resilience, highlight the potential for transformative change in the informal economy.

Key Issues to Address

1. **Social Protection Systems:** How can governments and international organizations extend social protections (e.g., health insurance, pensions) to informal workers without imposing burdensome costs on low-income populations?
2. **Gender and Social Inclusion:** What measures can address the specific needs of women, youth, migrants, and other marginalized groups in the informal economy?
3. **Economic Resilience:** How can informal workers and enterprises be supported to withstand economic and environmental shocks, such as climate change or pandemics?
4. **Access to Resources:** What strategies can improve access to finance, technology, and skills training for informal workers and businesses?
5. **Formalization vs. Flexibility:** Should the focus be on formalizing the informal economy, or should policies preserve its flexibility while enhancing protections?

Case Studies

1. **India's Self-Employed Women's Association (SEWA):** SEWA organizes women in India's informal sector, providing microfinance, health insurance, and advocacy. It demonstrates the power of collective action in improving resilience and inclusivity.
2. **Kenya's M-Pesa:** This mobile money platform has enabled informal workers to access financial services, save securely, and engage in digital commerce, reducing economic exclusion.
3. **Brazil's Bolsa Família:** This conditional cash transfer program supports informal workers by providing financial aid tied to education and health outcomes, enhancing social protection.

Bloc Positions

- **Developing Nations (e.g., India, Nigeria, Brazil):** Advocate for international funding and technical assistance to strengthen social protections and infrastructure for informal workers. Emphasize preserving the flexibility of informal economies while addressing vulnerabilities.

- **Developed Nations (e.g., USA, Germany, Japan):** Support technology transfers and capacity-building but may prioritize formalization to align with global trade standards. Concerned about migration and gig economy challenges domestically.
- **Small Island Developing States (SIDS):** Focus on climate resilience, as informal economies in these regions are highly vulnerable to environmental shocks. Seek funding for adaptation measures.
- **Least Developed Countries (LDCs):** Highlight the dominance of informal employment (often >90%) and demand debt relief and grants to fund social protection programs.
- **Regional Organizations (e.g., ASEAN, African Union):** Push for regional cooperation to share best practices and harmonize policies for informal workers, especially in cross-border trade.

Guiding Questions for Delegates

1. How can the UNDP balance formalization efforts with the need to maintain the flexibility and accessibility of informal economies?
2. What innovative financing mechanisms (e.g., microfinance, impact bonds) can support informal workers and enterprises?
3. How can technology, such as digital platforms or mobile banking, be leveraged to enhance inclusivity and resilience?
4. What role can public-private partnerships play in extending social protections to informal workers?
5. How can the UNDP ensure that solutions address the specific needs of women, youth, and other marginalized groups in the informal economy?
6. What lessons from past crises (e.g., COVID-19, 2008 financial crisis) can inform resilient policy frameworks?

Proposed Solutions

Delegates should consider the following strategies:

- **Social Protection Expansion:** Develop affordable, scalable social protection programs, such as universal health coverage or unemployment insurance tailored to informal workers.
- **Skills and Entrepreneurship Programs:** Invest in vocational training and digital literacy to enhance employability and business opportunities.
- **Financial Inclusion:** Promote microfinance, mobile banking, and simplified loan schemes to support informal enterprises.

- **Policy Reforms:** Advocate for simplified registration processes and labor laws that recognize informal workers' contributions without imposing excessive regulations.
- **Climate Resilience:** Integrate climate adaptation measures, such as disaster risk insurance, into informal economy support programs.
- **Gender-Sensitive Approaches:** Design policies that address barriers faced by women, such as childcare support or protection from workplace harassment.

Conclusion

The informal economy is a cornerstone of global livelihoods, yet it remains a space of vulnerability and exclusion. The UNDP committee at Fairgaze MUN has the opportunity to propose transformative solutions that foster resilience and inclusivity, aligning with the SDGs and the UNDP's mission. Delegates must collaborate to craft policies that empower informal workers, bridge gaps in social and economic protections, and ensure equitable access to opportunities in an ever-changing global landscape.

Resources for Further Research

- International Labour Organization (ILO): "Women and Men in the Informal Economy: A Statistical Picture" (2018).
- UNDP: "The Informal Economy Project – Annual Progress Report."
- World Bank: "Informal Economy and the SDGs" (2020).
- UN Women: Reports on gender and the informal economy.
- Fairgaze MUN: Committee background guides and resources.