



## **Commission on Science and Technology for Development**

***Evaluating the impact of cryptocurrency on global financial stability and development, with a focus on El Salvador's adoption of Bitcoin.***



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Dear Delegates, it is our pleasure to extend a heartfelt welcome to all of you to this NICMUN edition of the CSTD committee. We are genuinely excited by the opportunity to work with students who are motivated to engage in meaningful discussions about global progress and innovation. Seeing young people actively engaged in understanding and solving international problems fills us with hope for the future.

MUN is an incredible opportunity for young people to develop critical thinking, leadership, and empathy. During the debate sessions, we expect each of you to approach discussions with professionalism, respect, and curiosity. As delegates, you are encouraged to conduct thorough research, represent your countries with accuracy and integrity, and express your position clearly and confidently. We hope this experience inspires you to continue questioning, learning, and working for positive change, not only during the conferences but also in real life.



## Committee History

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The United Nations Commission on Science and Technology for Development (CSTD) was established in 1992 by the United Nations General Assembly as a functional commission of ECOSOC. It was established to serve as a global forum for countries to discuss the challenges and

opportunities of rapid technological advancement, seeking to ensure that developing nations are not left behind. As science and technology evolve at an unprecedented pace, the role of the CSTD becomes increasingly essential in linking innovation with sustainable development and inclusive growth.



## Committee Faculties

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The (CSTD) navigates the rapid changes in technology, ensuring that no country is left behind as the world advances. It also supports global efforts to achieve sustainable development by linking innovation with inclusive growth.

The CSTD has the ability to:

- Provide policy recommendations to the General Assembly and ECOSOC based on careful research and analysis, which help guide member states in designing strategies to address technological challenges.
- Conduct studies and prepare reports on emerging technologies, such as artificial intelligence, biotechnology, or digital tools. These reports are used to identify risks and opportunities in technology, especially for developing countries.
- Help analyze the relationship between technology and sustainable development. It provides guidance on how scientific and technological advances can support the Sustainable Development Goals, ensuring that innovations are inclusive. This means the commission can advise governments on strategies to reduce the digital divide, expand access to new technologies, and use innovation to improve education, health, and economic development.

Even though the CSTD plays a significant role, it has certain limitations. The commission cannot:

- Enforce decisions or create binding laws, as its recommendations are purely advisory.
- Manage or distribute financial resources, which means it cannot establish compulsory funding systems.
- Implement technologies directly; its main focus is on providing research and policy guidance.



## Introduction to the Topic

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The evaluation of the impact of cryptocurrencies on financial stability and global development has become an issue of growing importance within the international agenda. In an economic context, it is defined by constant technological innovation and increasing market globalization; understanding the implications of these emerging financial systems is essential to ensure both national and global economic sustainability. This topic holds particular significance as it reflects the urgent need for adaptation in the face of transformations that may redefine the role of states, financial institutions, and individuals within the international monetary system.

Addressing this matter is fundamental to fostering international cooperation and developing regulatory frameworks that balance innovation with economic stability. The expansion of cryptocurrencies raises critical questions about the capacity of nations to maintain trust in their financial system, while also offering opportunities to promote financial inclusion and economic independence. Analyzing this issue encourages dialogue among states and multilateral organizations, promoting responsible and informed discussion about the future of digital finance.

The case of El Salvador, as the first country to adopt Bitcoin as legal tender, has drawn global attention and serves as a key reference for understanding how national economic decisions can generate international repercussions. Discussion of this topic is essential for assessing how the evolution of cryptocurrencies may influence financial stability, economic equity, and sustainable development, while contributing to the creation of a more inclusive and resilient financial system. In an increasingly interconnected world, examining these dynamics is crucial to ensuring that technological innovation progresses responsibly and in the service of global well-being.



## Background Information of the Topic

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The rise of cryptocurrencies over the last decade has profoundly transformed the global financial landscape, sparking intense debate over their implications for economic stability, monetary regulation, and the development of nations. Bitcoin, the first and most widely recognized cryptocurrency, emerged in 2009 as a response to the 2008 global financial crisis, intending to create a decentralized system operating independently from banks and governments. Since then, its rapid expansion has generated both enthusiasm and concern among economists, regulators, and international organizations. While some view it as an opportunity to promote financial inclusion and modernize payment systems, others warn of its high volatility, its potential use in illicit activities, and the risk it poses to global economic stability. Within this context, El Salvador's decision in 2021 to adopt Bitcoin as legal tender marked a turning point in financial history and drew the attention of the international community.

El Salvador, a small nation that has been dollarized since 2001, decided under the leadership of President Nayib Bukele to implement the mandatory use of Bitcoin alongside the United States dollar. The government argued that this measure would promote financial inclusion for a large portion of the population without access to banking services, reduce the cost of remittances, which account for more than 20% of national GDP, and position the country as an innovative technological and financial hub. The **“Bitcoin Law”** entered into force in September 2021, making El Salvador the first country in the world to recognize a cryptocurrency as an official legal tender. The decision, however, **generated mixed reactions**: while the government hailed it as a step toward a digital future, international organizations such as the International Monetary Fund (IMF) and the World Bank expressed serious concerns about the macroeconomic and fiscal risks such a decision could entail.

One of the most significant challenges arising from this policy is the threat it poses to the country's financial stability. Bitcoin is known for its extreme volatility; its value can fluctuate drastically within hours. This means that both the government and citizens are exposed to considerable financial losses when the price drops. The adoption of **such an unstable asset** in a



small, dollar-dependent economy may lead to financial imbalances, especially when national reserves or public funds are used to acquire or support Bitcoin holdings. Furthermore, **the absence of a clear regulatory framework and limited oversight** complicates risk management, potentially undermining investor confidence and international credit relationships. In this regard, the IMF has warned that the use of Bitcoin as legal tender may create fiscal vulnerabilities, hinder financial supervision, and restrict the country's access to international financing.

On the other hand, one of the Salvadoran government's main goals was to enhance financial inclusion through technology. To achieve this, it launched the state-sponsored digital wallet “Chivo”, offering a small Bitcoin bonus to citizens who download it. Initially, the project saw a surge in participation, with millions of downloads and a temporary increase in digital payment activity. However, subsequent studies revealed that a large percentage of users stopped using the app after collecting the incentive, and that everyday use of Bitcoin rapidly declined. Most businesses and citizens continued to rely on the U.S. dollar as their primary medium of exchange, and remittances sent through Bitcoin represented only a minimal share of the total. These findings suggest that, while the initiative achieved symbolic and technological visibility, its tangible impact on financial inclusion and economic development has remained limited.

Bitcoin adoption has also carried fiscal and reputational consequences for El Salvador. The government's direct Bitcoin purchases and the lack of transparency surrounding public funds have raised questions about **fiscal sustainability**. When Bitcoin's value plummeted significantly in 2022, the government faced potential losses that weakened investor confidence and affected the country's credit rating. Furthermore, ambitious projects such as the “Volcano Bonds” and the proposed “Bitcoin City” have encountered delays and criticism regarding their economic feasibility. This has reinforced the perception that, although the initiative succeeded in attracting international attention and tourism, its measurable economic benefits remain uncertain while financial risks persist.

Globally, the Salvadoran experience has reignited discussions about the role of cryptocurrencies in national economies and in the broader international financial system. On one



hand, it has demonstrated that blockchain technology can indeed provide opportunities to reduce transaction costs, increase transparency, and expand access to financial services. On the other hand, it has revealed the urgent need for robust regulatory frameworks and coordinated international policies to prevent system risks. International financial institutions have emphasized that governments must establish **clear rules on cryptoasset supervision, consumer protection, and anti-money laundering measures**; they have also highlighted the importance of grounding any cryptocurrency integration through research and not merely political or ideological motivations.

In summary, the adoption of Bitcoin in El Salvador represents an unprecedented economic experiment testing the boundaries between innovation and stability. While the goal of modernizing the financial system and fostering inclusion is legitimate, current results suggest that risks may outweigh benefits if not accompanied by adequate policies, financial education, and effective oversight. The Salvadoran case offers a valuable lesson to the international community: Cryptocurrencies, while potentially transformative, can also create significant vulnerabilities when adopted without a solid institutional and regulatory foundation. Therefore, any evaluation of their impact on financial stability and global development must be comprehensive, cautious, and aimed at balancing technological innovation with the economic security of nations.



## International Actions

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Several international frameworks and initiatives have been developed to address the global implications of cryptocurrency adoption. These efforts seek to balance financial innovation with stability, transparency, and regulatory oversight.

- The International Monetary Fund (IMF) warned about the risk of adopting cryptocurrencies as legal tender, emphasizing their volatility and potential to undermine macroeconomic stability. In January 2022, the IMF executive board urged El Salvador to reserve its bitcoin policy, citing concerns over financial integrity, consumer protection, and fiscal risks
- The World Bank has taken a similar stance, focusing on the need for financial transparency and regulation. The World Bank declined El Salvador's request for technical assistance in implementing bitcoin, noting the absence of sufficient regulatory safeguards.
- The Financial Stability Board (FSB) and international organizations that help keep the global financial system stable. Introduced a global regulatory framework for crypto-asset activities in 2023. Supported by the G20, this plan aims to make sure that cryptocurrencies follow the same rules as regular financial systems.
- The United Nations Conference on Trade and Development (UNCTAD) has studied the impact of cryptocurrencies on developing economies. Its 2023 policy briefs warned that widespread crypto adoption without regulation could weaken financial systems and exacerbate inequality.

These international efforts show that most countries agree on one main idea: cryptocurrencies can bring big changes to the world, but they need to be managed carefully through clear regulations, global cooperation, and strong institutional control





## **Recommendations for further investigation**

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It is crucial to approach this topic through the lens of science, technology, and development. Delegates are encouraged to research the economic, social, and technological implications of cryptocurrency adoption, as well as its broader impact on financial stability and sustainable development. The following guide questions are designed to support you in the preparation of your position papers and help structure the discussion during the debate sessions:

- How can countries balance the promotion of financial innovation with the need to maintain economic and monetary stability?
- What role should international organizations, such as the UNCTAD or the IMF, play in regulating or guiding the use of cryptocurrencies in developing countries?
- In what ways can blockchain technology be leveraged to foster sustainable development and financial inclusion without increasing fiscal or financial risk?
- Should developing countries follow El Salvador's example and adopt cryptocurrencies as legal tender, or focus on strengthening their traditional financial systems first?
- How can governments ensure transparency, accountability, and consumer protection in crypto-related transactions and public initiatives?
- What measures can be taken to prevent the use of cryptocurrencies in illicit activities while still supporting innovation?
- To what extent can the creation of Central Bank Digital Currencies (CBDCs) serve as a safer alternative to privately issued cryptocurrencies?
- How can global cooperation help establish a standardized framework for cryptocurrency regulation and supervision?
- What policies could the CSTD recommend to promote responsible technological adoption and reduce inequality between nations with differing access to digital infrastructure?

Delegates should conduct thorough research using reliable sources from international financial institutions, United Nations agencies, and academic publications.



## Recommendations to do Resolution Paper

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Delegates can use websites to receive support to elaborate a resolution paper. Some of the recommendations found are:

1. Find solutions that fit all the previous laws.
2. Use proper language and express your delegation's ideas in an extended way.
3. Use preambulatory and operative phrases.
4. Seek for sponsors to support your delegation's solutions.
5. Consider Non-governmental Organizations (NGO's) to support your solutions.
6. Always maintain your country's position and abstain from contradicting yourself.
7. Specify the worldwide planning committee reached and make it realistic.

### Sample Preambulatory Phrases

Affirming	Expecting	Having studied
Alarmed by	Expressing its appreciation	Keeping in mind
Approving	Expressing its satisfaction	Noting with regret
Aware of	Fulfilling	Noting with deep concern
Bearing in mind	Fully alarmed	Noting with satisfaction
Believing	Fully aware	Noting further
Confident	Fully believing	Noting with approval
Contemplating	Further deploring	Observing
Convinced	Further recalling	Reaffirming
Declaring	Guided by	Realizing
Deeply concerned	Having adopted	Recalling
Deeply conscious	Having considered	Recognizing
Deeply convinced	Having considered further	Referring
Deeply disturbed	Having devoted attention	Seeking
Deeply regretting	Having examined	Taking into account
Desiring	Having heard	Taking into consideration
Emphasizing	Having received	Taking note
		Viewing with appreciation
		Welcoming

### Sample Operative Phrases

Accepts	Encourages	Further recommends
Affirms	Endorses	Further requests
Approves	Expresses its appreciation	Further resolves
Authorizes	Expresses its hope	Has resolved
Calls	Further invites	Notes
Calls upon	Deplores	Proclaims
Condemns	Designates	Reaffirms
Confirms	Draws the attention	Recommends
Congratulates	Emphasizes	Regrets
Considers	Encourages	Reminds
Declares accordingly	Endorses	Requests
Deplores	Expresses its appreciation	Solemnly affirms
Designates	Expresses its hope	Strongly condemns
Draws the attention	Further invites	Supports
Emphasizes	Further proclaims	Takes note of
	Further reminds	Transmits
		Trusts



## **Questions to consider while creating your resolution**

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1. How can your delegation express a solution that is fair for all the countries?
2. Where does your country stand while disputing the best quality of security systems?
3. How can you get a solution where all border countries win something?
4. Consider short and long term solutions. What can you do to improve your short and long term solutions so they can be successful?
5. Who should be involved in your solution?
6. Are there any monetary funds or NGO's considered for your solution?
7. How could you convince the delegations that they are against the solution?
8. Do you have any type of back up plan that will reinforce your plan?

## **Research and preparation questions**

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- What's your country's position on the topic?
- How is your country affected by this problem?
- How is your country trying to solve this problem?
- Does your country have received help from other countries?
- Does your country have helped others?
- What partnerships can emerge to secure the legal commerce of health products?
- Which activities can be promoted by the citizens of your country to reach a solution?



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