**LETTER FROM THE EXECUTIVE BOARD**

The executive board finds great pleasure in welcoming you all to the simulation of the Economic and Financial Council of Chettinad Vidyashram Model united Nations 2020. In today’s day and age, financial availability is an important tool for development and the objectives/goals of institutions like the IMF and world bank group play a crucial role for the same. With this in mind, the executive board has decided upon a pan global agenda keeping in mind the ongoing situation.

Even though this is an online simulation the executive board expects the same level of decorum, responsibility, and diplomacy as esteemed delegates of various countries. That being said, we hope this would serve as a learning opportunity for all of you.

The information provided in the background guide is only to provide a base for your research. It is crucial that delegates move further from the guide and explore other avenues and come up with creative solutions.

We hope to have a fun-filled two days with all of you.

Regards,

The Executive Board

**Guest-chairperson**- Abhijeeth Balaji

**Chair-person**- Shreya Anand

**Vice-chairperson**- Gautam Parekh

**Moderator**- Kaamaakshee Aathreya

**WHAT IS ECOFIN?**

The Economic and Financial Committee (ECOFIN) is the United Nations General Assembly Second Committee and was originally created in 1945. ECOFIN focuses on the globalised economy and ways to support nations financially. Its membership is open to all member states of the United Nations General Assembly. Therefore, comprising 193 nation representatives in the committee.

**MANDATE OF THE ECONOMIC AND FINANCIAL COMMITTEE :**

ECOFIN is unique in that it focuses on the globalized economy and supports nations financially. Its primary roles include addressing issues related to economic growth and development with specific regard to macroeconomic policy on international trade and external debt sustainability, securing financing for sustainable development, poverty eradication, implementation of the 2030 Agenda and globalization and interdependence. Though resolutions adopted by the committee are not enforceable, they carry the weight of the international community’s will. The mandate of the committee refers to the area of topics for discussion and what matters the committee deals with generally.

ECOFIN deals with issues relating to economic growth and development (international trade, external debt sustainability, international financial system), sustainable development, financing for development, eradication of poverty, human settlements, globalisation and interdependence, operational activities for development and information and communications technologies for development. The committee also encourages growth and support for all member nations.

**WHAT IS THE WORLD BANK GROUP’S GOAL OF UNIVERSAL FINANCIAL ACCESS (UFA) ? :**

The UFA’s basic goal is that by the end of 2020 adults who aren’t part of the formal financial system receive access to a transaction account to send and receive payments & store money as the basic building block to manage their financial lives. The World Bank and IFC has committed to enabling 1 billion people to receive access to a transaction account through targeted interventions.

An estimated 1.7 billion (31%) adults worldwide do not have a basic transaction account because financial services haven’t yet been made affordable or accessible for people with low incomes and other issues like lack of documentation, lack of trust in financiers and so on have added to the rise in the number of people with no transaction accounts. The UFA’s goal is to tackle this issue and provide transaction stability to all adults.

**NEED FOR FINANCIAL ACCESS**

Thirty-one percent of the world’s adults—1.7 billion people—struggle to get by without the basic financial services they need to protect themselves against hardship and invest in their futures. Financial Access has been identified as an enabler for 7 of the 17 Sustainable Development Goals. Financial access seeks to unlock development opportunity and improve the lives of all, especially the poor, by expanding access to catalytic financial tools. Affordable, effective, and safe financial services create and opportunities for economic growth, with access to digital financial services critical for joining the new digital economy. Financial Access can play a transformative role by fostering equitable growth and furthering vital development goals such as poverty reduction, job creation, gender equality, and food security.

**FINANCIAL INCLUSION AND THE NEED FOR THE SAME :**

Financial inclusion is secured when businesses and individuals can tap into useful and affordable financial services for their needs. Payments, transactions, insurance and credit needs to be accessible in a sustainable way.

Financial access is an important step towards improving the daily lives of people globally and towards eradicating poverty. Providing financial access is an important and necessary approach in order to support individuals and businesses and gaining a foothold towards prosperity.

**FINANCIAL LITERACY**

**What is financial literacy?**

The existence of financial instruments and mechanisms become useless if citizens do not know how to effectively utilize them for their own benefit. This type of knowledge is called “financial literacy” and is one of the greatest avenues towards true financial inclusion. Therefore, the awareness about financial systems and one’s ability to use them effectively is termed as financial literacy.

**Problems related to financial illiteracy**

In many areas of the world, while loans and grants may exist to help out some citizens, the existence of such capital sources may be insufficiently informed to the greater population who may require it more. Other times, while citizens will be earning income and have a sustainable livelihood, they are unaware of the solutions which exist to help them save more for their retirement, children, etc. moreover, there are other problems like accumulation of unsustainable debt burdens, poor credit, bankruptcy, housing foreclosure, etc.

Financial education primarily relates to personal finance, which enables individuals to take effective action to improve overall well-being and avoid distress in financial matters. Hence improvement of financial knowledge of households is necessary for them to participate continuously in financial markets. Financial literacy plays a vital role in the efficient allocation of household savings and the ability of individuals to meet their financial goals.

**Financial literacy as part of UFA 2020**

One of the biggest hurdles in achieving universal financial access is financial illiteracy. In order to have global citizens use financial instruments, it is most important that they understand them and choose the ones most suitable for their needs. Due to this, one of the major steps taken by the WB group for UFA 2020 is towards financial literacy which includes increasing awareness about financial instruments and educating the rural population among others.

Financial literacy thus goes beyond the provision of financial information and advice. It is again a major issue for finance markets as it affects investment behaviour. It empowers the common person and thus reduces the burden of protecting the common person from the elements of market failure.

**ROLE OF FINANCIAL TECHNOLOGIES IN UFA 2020**

As technology continues to enter into all parts of human life, it has also inevitably become an important pillar in the financial sector. From the availability of mobile phones, access to internet, cash-less transactions, etc. all the way to cybersecurity and potential use of cryptocurrencies, technological frameworks have to be improved.

In many countries where basic commodities are compromised, the presence of financial technology cannot be expected. Due to this, the world bank group makes policy recommendations on a case by case basis.

**Fintech- what is it?**

The term “fintech” refers to this new financial industry that relies on innovative technologies and business models to provide financial services outside the traditional financial sector. Lending, payments, and crossborder transfers are some of the segments most highly affected by this development.

**Fintech as part of UFA 2020**

World bank:

The world bank has been using fintech to make domestic policy recommendations based on each country, to expand financial markets, extending services of finance to the rural population, etc. Along with this it has also considered the potential risks involved which include inaccessibility, financial illiteracy, etc. In the post pandemic era, fintech could play a massive role in revamping the economy and for financial accessibility.

IMF:

The world bank and IMF have worked together in Fintech. Since both organisations combined have near universal membership, they are equipped to protect the financial interests of all countries. They are also well positioned to gather information and propose policies based on each country’s individual development.

Both the organisations together, presented an agenda called the Bali fintech agenda with broad goals which would help integrate financial technology into everyday workings of a country. Specific programs are based on members’ needs. The Agenda contributes to building the foundations of the digital economy that is a key pillar in the World Bank Group’s plan of UFA.

**ACTIONS BY THE UN FOR FINANCIAL ACCESS IN PAST**

• Addis Ababa Action Agenda - Inter Agency Task force on financing for development The Addis Ababa Action Agenda commitments brings the financial access and regulatory agendas together, by acknowledging the implication of regulations on access to financial services, while also noting the importance of robust risk-based regulatory frameworks for all financial intermediation. Inclusive finance strives to enhance access to and usage of financial services for both individuals and Micro, small and medium-sized enterprises. In an attempt of financial access and goals of the Addis Ababa Action Agenda an Inter-agency Task Force on Financing for Development was set up in late 2015 and is coordinated by the UNDESA, WBG, IMF, WTO, UNCTAD and the UNDP. It reports annually on progress in implementing the Financing for Development outcomes including financial access and the means of implementation of the 2030 Agenda for Sustainable Development.

• UNCDF – Leaving no one behind in the digital era (Digital Financial Access) 'Leaving No One Behind in the Digital Era' strategy is to get digital finance and innovation working for those who are excluded. Strategy aims to empower millions to use digital services that will leverage innovation and technology while contributing to the SDGs, and to achieve the goal by the year 2024. UNCDF recognizes that reaching the full potential of digital financial access in support of the SDGs aligns with the vision of promoting digital economies that leave no one behind. UNCDF applies a market development approach and continuously seek to address underlying market dysfunctions. The strategy is based on four components namely empowered customers, inclusive innovation, open digital payment ecosystem and enabling policy and regulation for the same to meet the end goal of financial access.

**Role of financial institutions in increasing financial access:**

**IMF and World Bank:**

International financial institutions (IFI)are immensely important for the global financial structure as a whole due to the numerous services that they provide like lending credit, bailout packages, policy recommendations, common forums, etc.

IFIs like world bank and IMF have the resources to make and enforce goals such as UFA 2020.

Due to high membership rate in these organisations, they have a large database to extract information and crate change in accordance to the needs of the member countries.

Since these institutions exist to prevent macroeconomic and fiscal imbalances, they ar well equipped to determine the opportunities and risks related to certain policies and how those would affect the existing fabric of the economy.

Further, since IFIs have reach all around the world they have the capacity to form strategic partnerships with private entities and bargain in a way that individual countries may not have been able to do. An example would be the partnership between the world savings and retail bank institute (WSBI) and the world bank for the purpose of UFA 2020.

**Central banks**

Central banks’ experience shows that better statistics can be instrumental to promote financial access. Well-founded data frameworks are essential when developing financial services for the poor, in both formal and informal markets, and adequate indicators are a requirement for good policies.

Monetary authorities often have a mandate to promote financial literacy as well as consumer protection. They can publish financial literacy standards, together with clear information that serves to protect consumers of financial services.

Central banks are often involved in the supervision and oversight of financial services, products, institutions and/or payment systems. This supervisory role promotes financial access.

Central banks also have a better hold over domestic matters and therefore can cate to the population that is denied financial access in a much better way. In all, central banks are an important part of financial access in matters concerning the citizens directly.

**Banking operations and Financial Inclusion**

Transaction accounts can open up access to those currently left out of the banking system, providing a basic entry point, or pathway, to broader [financial inclusion](http://www.worldbank.org/en/topic/financialinclusion). Using transaction accounts to move away from cash to digital payments has made it easier to be part of the formal financial system, even when brick-and-mortar banks are too far away or prefer not to serve poor people.

A transaction account used to only mean an account at a bank. Nowadays, a transaction account could be a bank account, a mobile wallet, payment card, or a similar electronic instrument. A lot has happened in the five years since the [G20 meeting](http://gpfi.org/about-gpfi) where the international community recognized financial inclusion as a main pillar of the global development agenda. Since then, more than [50 countries have made formal commitments](http://www.afi-global.org/maya-declaration-afi-member-commitment-financial-inclusion) or set [targets for financial inclusion](http://www.worldbank.org/en/topic/financialinclusion/brief/national-financial-inclusion-strategies).

But much work remains. Worldwide, 2.5 billion adults still lack access to basic financial services. Closing this gap is vital to ending extreme poverty and boosting shared prosperity. World Bank Group President Jim Kim set the year 2020 as a target date to achieve [Universal Financial Access](http://www.worldbank.org/en/topic/financialinclusion/brief/achieving-universal-financial-access-by-2020) (UFA). The UFA2020 goal calls for adults everywhere to have access to a transaction account to store money, send and receive payments. A transaction account opens the door to other formal financial services, such as savings, payments, credit and insurance. Access and use of appropriate financial services can help people better manage risks, step out of poverty and build a better life.

To make this happen, the Bank Group is focusing on the 25 countries where 76% of the world’s unbanked population resides, including India and China. Our approach centers on introducing transaction accounts, expanding access points, and driving scale and viability through high-volume government programs, such as social transfers, into those transaction accounts. We are also working with countries to strengthen key building blocks: political and stakeholder commitment, enabling legal and regulatory environments, and bolstering payment systems and ICT infrastructure.

**Case Studies**

1. Financial access in Brazil: In recent years the Brazilian economy has undergone a robust process of financial deepening. Based on a strong banking system and favorable macroeconomic conditions, the proportion of total credit to GDP rose from an average of 27 percent between 1998 and 2003 to 48 percent in 2018.

Brazilian banks have experienced profound changes in recent decades. Someof the most significant changes in bank operations have come as a result of changes in the macroeconomic environment. Until the early 1990s, high inflation rates had guided the actions of economic agents. Between 1980 and 1993, the average annual inflation (measured by the Consumer Price Index) was 715 percent. In 1989 and 1993 inflation reached 1,973 percent and 2,477 percent respectively.

Improvement in the economic environment has been crucial to the current configuration of the Brazilian financial system. The positive trends in some key macroeconomic variables, such as the employment levels and interest rates, have sustained the strong demand for financial services. In addition, this new environment affected the nature of financial institutions actions by expanding the focus in the provision of financial services. 10 However, the macroeconomic environment was not the only factor responsible for the recent improvement in the provision and access to financial services. Important advances have been made by Brazilian government in improving the legal and judicial basis for financial system operations and have helped the credit markets. Brazil has also introduced some initiatives to improve the availability and the quality of information in financial activities.7 On the hard infrastructure side, the main initiative was the introduction of the New Brazilian Payment System (Novo Sistema Brasileiro de Pagamentos – SBP) in 2001. The SPB is an electronic system operated by the Central Bank to centralize all inter-banking funds transfers and liquidation, increasing the speed of operations and reducing systemic risk.

1. Financial Development in Kenya: Facilitating financial access is a major drive behind the strengthening of the financial sector. Kenya, as well as a number of African countries, takes part in a series of financial access surveys. This is called FinAccess in Kenya and FinScope in other African countries. FinAccess produces a periodic snapshot of financial access in Kenya based on a nationwide survey.

To underpin Vision 2030, significant investments are being made in education, Kenya introduced universal primary education in 2003, and plans to introduce universal secondary education. The FinAccess 2009 survey shows a strong positive correlation between level of education and financial access. Infrastructure too, is a major focus with significant infrastructure development which should drive economic progress.

In addition to legislation, policy has been used extensively to drive changes within the financial sector, many of which support increased access to financial services. To reduce credit risk within the financial sector Credit Bureau regulations were introduced in February 2009. To date two credit bureaus have been introduced, and whilst at the moment negative reporting is common (reporting on defaulters), it is anticipated that as the system is widely adopted positive reporting (i.e. reporting on all borrowers) will be introduced. Policy makers anticipate that a reduction in credit risk will enable more competitive lower risk based pricing to be introduced, and for interest spreads to reduce. Attempts are also being made for credit information sharing to be extended to microfinance institution members of the Association of Microfinance Institutions in Kenya, though this is being constrained by differing levels of management information systems within the different institutions.

Questions the resolution should answer:

1. How can the legal system help in increasing financial access in a country?
2. In a pandemic situation where people don't want to travel, what are the ways a government can make the usage of technology easy and accessible to all parts of the country?
3. Can banking operations be simplified to make it easier for people to access it?
4. What are the key policy changes a government must focus on while improving financial access?