MODEL UNITED NATIONS

CONFERENCE - JULY 2023

IMF

International Monetary Fund

TABLE OF CONTENTS

Letter from the Executive Board

Dear delegates,
With immense pleasure, we welcome you to the International Monetary Fund at DPSHMUN 2023. We are excited to see how the committee progresses over the 2 days of the conference.

As the name states, this document only gives delegates the bare-essential information regarding the agenda. Delegates will need to dig further towards the agenda as it is colossal in nature. We recommend delegates go through this guide at least twice, as this will act as a platform for you to go deeper. Although seemingly complex, the agenda is as simple as putting pen to paper.

As EB members, we are very particular with research. Deep research will allow the committee to head in the right direction, ensuring the flow of debate is maintained. Being familiar with your country's stance, situation and relation concerning the agenda will go a long way. We expect delegates to stick to the nation's stance in real life rather than having a single contrast regarding their speeches and actions in committee and what their nation does if presented with a similar situation.

We can assure you that combining this study guide with your personal research will be more than sufficient to prepare you for the committee sessions. We encourage you to start your preparation early as this will help you efficiently debate on the agenda and help you produce an exquisite piece of work. Happy researching!

Regards,
Tejas Rama, Co-Chairperson (tejasrama186@gmail.com; 9908755122)
Nikhil, Co-Chairperson (nik.sivakumar@gmail.com)
Srikar, Committee Expert (7207801330)

Introduction to the International Monetary Fund

The IMF was established in 1944 in the aftermath of the Great Depression of the 1930s. 44 founding member countries sought to build a framework for international economic cooperation. Today, its membership embraces 190 countries, with staff drawn from 150 nations. The IMF is governed by and accountable to those 190 countries that make up its near-global membership.

The International Monetary Fund (IMF) works to achieve sustainable growth and prosperity for all of its 190 member countries. It does so by supporting economic policies that promote financial stability and monetary cooperation, which are essential to increase productivity, job creation, and economic well-being. The IMF is governed by and accountable to its member countries.

The IMF has three critical missions: furthering international monetary cooperation, encouraging the expansion of trade and economic growth, and discouraging policies that would harm prosperity. To fulfill these missions, IMF member countries work collaboratively with each other and with other international bodies.

At the top of its organizational structure is the Board of Governors. The day-to-day work of the IMF is overseen by its 24-member Executive Board, which represents the entire membership and is supported by IMF staff. The Managing Director is the head of the IMF staff and Chair of the Executive Board. S/he is assisted by four Deputy Managing Directors.

The IMF's resources mainly come from the money that countries pay as their capital subscription (quotas) when they become members. Each member of the IMF is assigned a quota, based broadly on its relative position in the world economy. Countries can then borrow from this pool when they fall into financial difficulty.

The IMF provides loans—including emergency loans—to member countries experiencing actual or potential balance of payments problems. The aim is to help them rebuild their international reserves, stabilize their currencies, continue paying for imports, and restore conditions for strong economic growth, while correcting underlying problems.

The IMF monitors the international monetary system and global economic developments to identify risks and recommend policies for growth and financial stability. The Fund also undertakes a regular health check of the economic and financial policies of its 190 member countries. In addition, the IMF identifies possible risks to the economic stability of its member countries and advises their governments on possible policy adjustments.

The Mandate of the International Monetary Fund

The mandate of the IMF, as laid out in its Articles of Agreement, is to promote international monetary cooperation, balanced growth of international trade, and a stable system of exchange rates. Since the late 1970s, some elements of the IMF's operational policy advice have evolved significantly.

The IMF and the World Bank were created in July 1944 at an international conference in the United States (in Bretton Woods, New Hampshire) that established a framework for economic cooperation aimed at creating a more stable and prosperous global economy. While this goal remains central to both institutions, their work constantly evolves in response to economic developments and challenges.

The IMF provides technical assistance and training to governments, including central banks, finance ministries, revenue administrations, and financial sector supervisory agencies. These capacity development efforts are centered on the IMF’s core areas of expertise ranging from taxation through central bank operations to the reporting of macroeconomic data. Such training also helps countries tackle cross-cutting issues, such as income inequality, gender equality, corruption, and climate change.

In earlier periods, the IMF's policy advice emphasized the management of aggregate demand with the aim of creating conditions for macroeconomic stability. In recent years, the focus and the scope of the IMF's work have broadened, and the structural and social aspects of fiscal policy have become increasingly important, both in programs that the IMF supports in members undertaking reforms (IMF-supported programs) and in its general policy advice.

A major element of this advice now is how to facilitate "high-quality growth". High-quality growth can be defined as growth that (1) can be sustained and does not collapse in the face of the slightest external shock; (2) is accompanied by appropriate domestic and external balances as well as by adequate investment, including in human capital, so as to lay the foundation for future growth; (3) is accompanied by policies that protect the environment; and (4) is accompanied by policies that attempt to reduce poverty and improve the equality of opportunity.

Overview of the Agenda

Fragile and conflict-affected states, home to 1 billion people across more than 40 countries, are at particular risk in this era of economic uncertainty. After struggling with poverty, low-capacity institutions, governance challenges, violence, and other risks for decades, these countries must now contend with the scars of the pandemic and Russia's invasion of Ukraine. Accordingly, the international community must work together to help ensure their stability as a global public good—or else spillover effects associated with fragility and conflict become even more disruptive.

The pandemic has had a lasting economic impact, with income per capita in fragile states projected not to recover to 2019 levels until 2024. Russia's war in Ukraine and its related spillovers, including on food and energy prices, further aggravated the situation.

Sub-Saharan Africa, home to about half of countries in the FCS category, has been hit particularly hard. Consumer prices have increased by more than 20 percent on average this year, while public debt is approaching 60 percent of gross domestic product—a level not seen since the early 2000s. It is forecasted that economic growth in seven countries—Burkina Faso, Central African Republic, Comoros, Eritrea, Mali, Nigeria, and Zimbabwe—will be below the regional average of 3.6 percent this year. In addition, 123 million people, or 12 percent of the region's population, face acute food insecurity, equivalent to two-thirds of the worldwide total.

In recent years, multilateral development banks have enhanced their assistance—including through concessional financing to middle-income countries affected by spillovers from fragility and conflict, such as Colombia, Ecuador, Jordan, Lebanon, and, more recently, Moldova. These actions underscore how multilateral institutions can help countries better address regional and global challenges.

In an increasingly fragmented world, the international community can only respond effectively by joining forces to manage interconnected risks. For the international community, this means strengthening its social contract with the most vulnerable countries which cannot absorb these shocks alone.

Case Study - 01

Sudan

In 2010, Sudan was identified by the Financial Action Task Force as a country that had strategic Anti-money Laundering and Counter-terrorism Financing deficiencies, then placed under enhanced monitoring to address key issues of its Anti-money Laundering and Counter-terrorism Financing framework. Its financial system was already largely disconnected from the international financial system due to economic and other sanctions by some foreign governments. These constraints had adverse implications for trade and financial transactions, thus encouraging informal transfers and transactions in cash or barter.

With direct involvement from the National Anti-money Laundering and Counter-terrorism Financing Committee, the Central Bank of Sudan, the Ministry of Justice, and other stakeholders worked together with the IMF Legal Department Technical Assistance Project, beginning in 2013 to enhance the Anti-money Laundering and Counter-terrorism Financing framework. A variety of working groups were created to pursue the development of the legal, regulatory, supervisory and institutional regimes. The reform was conducted according to a top-to-bottom approach, starting with the review of the legal framework and structures, then addressing more operational issues. The IMF and Sudanese authorities forged a productive and enduring partnership: staff provided continuous support from HQ and during missions, while authorities demonstrated high-level support and dedicated considerable resources.

In 2015, Sudan’s significant progress in addressing the strategic Anti-money Laundering and Counter-terrorism Financing deficiencies was recognized, and the Financial Action Task Force determined that therefore Sudan was no longer subject to “greylisting”. A year later, Sudan was shifted from the enhanced to regular follow-up process of its Anti-money Laundering and Counter-terrorism Financing regime. In early 2017, the US trade and financial sanctions were lifted. Sudanese banks gradually regained access to global correspondent banking services. There was also the first conviction of money laundering ever in Sudan in 2017. Encouraged by this course of events, authorities launched the national risk assessment and continue to strengthen the Anti-money Laundering and Counter-terrorism Financing framework with IMF assistance.

Case Study - 02

Afghanistan

Afghanistan's history has been marred by decades of conflict and political instability, which have had a profound impact on its economy. Following the Soviet invasion in 1979, the country witnessed a protracted war, further exacerbated by the power struggle among various factions. The subsequent Taliban rule from 1996 to 2001 brought isolation and economic collapse, as international sanctions were imposed on the regime. The US-led intervention in 2001 ousted the Taliban, providing a brief period of hope for stability and economic recovery. However, the persistent insurgency, weak governance, corruption, and illicit activities, such as opium production, hindered the country's economic development.

The recent Taliban takeover and the subsequent withdrawal of international troops have led to a collapse of government institutions and disrupted public services. The freezing of Afghan assets and the suspension of international aid have further crippled the economy. The Afghan currency has depreciated significantly, inflation has soared, and access to basic necessities has become a challenge. High unemployment rates, particularly among the youth, exacerbate social and economic vulnerabilities. The uncertain political environment and human rights concerns have deterred foreign investors and limited economic activity.

The future of Afghanistan's economy is fraught with uncertainty, as the country grapples with the aftermath of the Taliban's takeover and the challenges of rebuilding a shattered economy. The confusion surrounding the new government has led to the International Monetary Fund (IMF) temporarily suspending its financial assistance to Afghanistan. The Taliban, as the de facto rulers, face the daunting task of establishing governance structures, restoring public services, and addressing the economic crisis. However, international recognition and financial support are contingent upon respecting human rights, upholding inclusivity, and maintaining peace and stability. The country's economic recovery will depend on a combination of factors, including the ability to attract foreign investment, diversify the economy beyond illicit activities, and develop infrastructure and human capital. However, the success of these endeavors will hinge on the Taliban's ability to demonstrate a commitment to inclusive governance and address concerns raised by the international community.

Relevant articles:

https://www.imf.org/en/Blogs/Articles/2022/12/21/countries-hurt-by-war-and-fragility-need-strong-global-partnerships-resources (IMF)

https://www.imf.org/en/Blogs/Articles/2022/01/21/fragile-and-conflict-affected-economies-are-falling-further-behind (IMF)

https://www.imf.org/en/Publications/fandd/issues/2022/03/the-long-lasting-economic-shock-of-war (IMF)

Research sources:

Charter: https://www.imf.org/external/pubs/ft/aa/pdf/aa.pdf

Previous reports by region: https://www.imf.org/en/Publications/REO

Global finance situation report: https://www.imf.org/en/Publications/GFSR/Issues/2023/04/11/global-financial-stability-report-april-2023

Questions to be Answered

1) How can member countries respond to inflation on essential items?
2) How can member countries solve their crises in the long run?
3) Is there a way member countries can grow more financially independent?
4) Should countries in debt with conflicts prioritize solving their conflicts or paying off their debts?
5) Looking at the IMF's previous involvement in Sudan, what solutions can be applied in Afghanistan to help sustain their economy in the long run?