NewMUN CHAPTER VII

INTERNATIONAL MONETARY FUND (IMF)

Letter from Chairs

Dear Delegates,

It is our utmost pleasure to welcome you to the International Monetary Fund (IMF) at NewMUN VII! We are truly excited to have you join us for what promises to be a weekend filled with thoughtful debate, collaboration, and insight. As your chairs, we're excited to guide you on this path of diplomacy, dialogue, and decision-making.

The IMF stands as one of the most important institutions in shaping the global economy. It is a forum where nations collaborate to maintain financial stability, prevent crises, and support sustainable development across borders. In this council, you'll be faced with the same difficult choices that real-world leaders must make: balancing national interests with global responsibility, addressing inequality, and ensuring that the international financial system works for all.

This background guide should only serve as a starting point. We encourage you to dig deeper, explore a variety of perspectives, and prepare to think not just as representatives of nations, but as advocates for global stability and shared prosperity. Our responsibility will be to guide and facilitate discussion and debate, but your research, creativity, and diplomacy will be what drive this council forward.

As your chairs, our goal is to create a forum where everyone is heard and engaged. We want you to challenge ideas, ask questions, and bring your own insights into the debate. The IMF may usually deal with policies and numbers, but at its core, it is about the people and the systems that shape their lives. Approach this committee with an open mind and you'll find that even the most technical discussions can lead to powerful and human-centered solutions.

Warm regards,
Shawnita and Dana
Chairs of the International Monetary Fund

Agenda 1

The COVID-19 Economic Crisis (2020–2021)

- Validating the Government introduced stimulus packages and welfare programs to soften the blow.
- Addressing the crisis worsened existing inequalities, hitting low-income workers and small businesses.
- Tackling the prevailing challenges like inflation, supply chain issues, and labor market shifts.

Introduction

The COVID-19 economic crisis (2020–2021) was one of the most severe global downturns since the Great Depression. When the pandemic spread across borders, countries imposed lockdowns and travel bans to protect public health. While these measures were necessary, they also brought the global economy to an almost complete standstill. Businesses shut down, global trade slowed dramatically, and millions of people suddenly found themselves unemployed or struggling to earn a living.

The impact was deeply human. Families faced uncertainty about how to pay rent, afford food, or keep their children in school. Small businesses that had taken years to build disappeared within months. In contrast, large technology companies and online services thrived, widening the gap between those who could adapt to remote work and those whose livelihoods depended on physical labor. The crisis exposed and deepened inequalities — both within and between countries.

During this turbulent time, the International Monetary Fund (IMF) played a vital role in helping nations weather the storm. The IMF provided emergency loans, debt relief, and policy guidance to more than 80 countries, especially developing and low-income nations struggling with collapsing revenues and rising healthcare costs. It encouraged governments to spend on public health and social protection rather than strict austerity, marking a shift toward prioritizing people's welfare over short-term fiscal discipline.

Key terms

1. **Recession** – Economy shrinking, jobs lost.
2. **Fiscal stimulus** – Government spending boost.
3. **Debt relief** – Reducing countries' owed money.
4. **Inequality gap** – Rich-poor divide widening.
5. **Resilience** – Recovering from tough times.

General overview

The COVID-19 economic crisis was one of the most severe global downturns in modern history, triggered by the sudden outbreak of the coronavirus pandemic in early 2020. As countries implemented lockdowns and travel restrictions to contain the virus, global production, trade, and employment came to a near standstill. What began as a public health emergency quickly evolved into a worldwide economic and humanitarian crisis.

- Origin of the Crisis

The crisis began in late 2019 when COVID-19 first appeared in Wuhan, China, and rapidly spread across continents. To prevent transmission, governments imposed strict lockdowns that disrupted global supply chains, shut down industries, and reduced consumer spending. Tourism, aviation, retail, and manufacturing were among the hardest-hit sectors. The combination of halted production and falling demand caused the sharpest global economic contraction since World War II.

- Current Situation and Recovery

By 2021, with vaccine rollouts and gradual reopening, economies began to recover — though unevenly. Advanced economies rebounded faster due to better access to vaccines and fiscal resources, while developing nations faced debt, unemployment, and slow vaccination rates. Inflation became a new concern as stimulus measures and supply shortages pushed prices upward. Global GDP fell by 3.1% in 2020 (IMF data), with over 114 million jobs lost worldwide, according to the International Labor Organization (ILO).

- The Role of the IMF and Global Response

The International Monetary Fund (IMF) and the World Bank stepped in to stabilize economies. The IMF provided emergency financial assistance exceeding $170 billion to over 80 countries and introduced debt relief programs for low-income nations. Many governments launched stimulus packages to protect households and small businesses, while the UN emphasized global solidarity, vaccine equity, and inclusive recovery.

- Broader Impacts and Human Dimension

Beyond economics, the crisis exposed deep inequalities. Millions of informal workers lost livelihoods overnight, women and youth were disproportionately affected, and access to healthcare and education became unequal. However, it also highlighted human resilience — communities came together, technology bridged distances, and global cooperation accelerated vaccine research.

Major parties involved

1. International Organizations

World Bank

View: Focused on long-term development, especially in low- and middle-income countries, aiming to prevent the crisis from reversing progress on poverty reduction.

World Health Organization (WHO)

View: Advocated for public health measures as essential to economic recovery and stressed the need for equitable vaccine access.

2. Major Countries / Economies

United States

- **Response:** Passed large stimulus packages (e.g., CARES Act), supported unemployed workers, and funded vaccines.
- **View:** Emphasized domestic economic recovery while supporting some global health initiatives, but initially prioritized national interests.

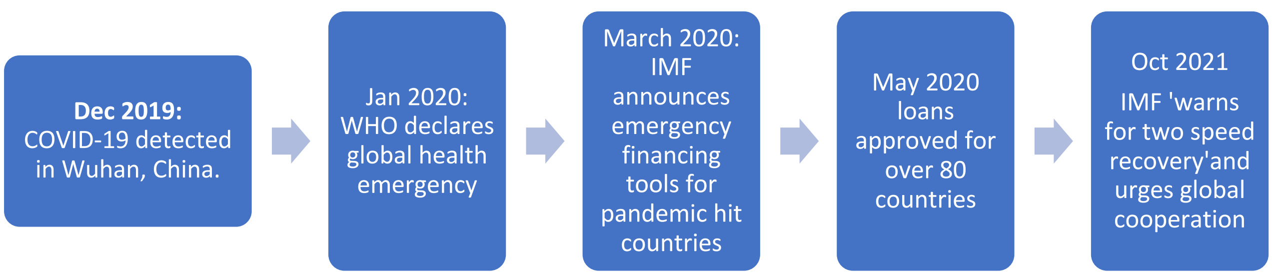
European Union

- **Response:** Launched the €750 billion "NextGenerationEU" recovery fund.
- **View:** Focused on joint recovery, climate-friendly investments, and protecting vulnerable member states.

China

- **Response:** Implemented strict containment measures and massive infrastructure stimulus.
- **View:** Emphasized rapid domestic recovery and maintaining supply chains, while supporting developing countries through loans and aid.

Timeline of key events



Previous attempts to resolve the issue

a) Fiscal Stimulus

- Governments injected cash into the economy via stimulus packages, unemployment benefits, and business grants.
- Example: The US CARES Act and the EU's NextGenerationEU fund.

b) Monetary Policy

- Central banks cut interest rates and provided liquidity to stabilize financial markets.
- Example: Federal Reserve and ECB interventions to prevent banking collapses.

c) IMF & World Bank Support

- Emergency financing and debt relief for developing nations.
- Example: IMF approved over $170 billion in emergency loans, prioritizing countries with urgent balance-of-payments needs.

d) Social Safety Nets

- Food aid, cash transfers, and healthcare support to vulnerable populations.
- Example: India's Pradhan Mantri Garib Kalyan Yojana supported millions of low-income families.

e) Vaccine & Health Initiatives

- Rapid development and distribution of vaccines to restore economic activity safely.
- WHO and COVAX programs aimed to ensure global access.

Possible solutions

a) Strengthen Global Cooperation

- Enhance debt relief programs and coordinate stimulus measures internationally.
- Ensure equitable access to vaccines and healthcare for developing countries.

b) Invest in Resilient Economies

- Promote diversification to reduce reliance on single industries (e.g., tourism, oil).
- Encourage digital infrastructure and remote work capacity.

c) Expand Social Protection

- Universal or targeted social safety nets to protect informal workers and vulnerable groups.
- Strengthen unemployment benefits, food security, and healthcare access.

d) Sustainable Fiscal Policies

- Balance short-term stimulus with medium- to long-term fiscal responsibility.
- Prioritize investments that drive economic growth and social inclusion.

e) Strengthen Preparedness for Future Crises

- Develop pandemic contingency plans for economic and health sectors.
- Invest in research, early warning systems, and global coordination mechanisms.

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Agenda II:

Crime in the world of Cryptocurrency

- Acknowledging digital currencies like Bitcoin and Monero being used increasingly for illicit activities due to their anonymity and decentralized nature.
- Preventing crimes such as money laundering, ransomware (e.g., the 2021 Colonial Pipeline attack), and darknet transactions.
- Regulation remains inconsistent globally, hence challenging the IMF to work with law enforcement to prompt calls for international frameworks.

Introduction

Cryptocurrencies, such as Bitcoin, Ethereum, and other digital assets, have transformed the global financial landscape by enabling fast, decentralized, and borderless transactions. These digital currencies offer innovative solutions for financial inclusion, cross-border payments, and investment opportunities. However, their inherent characteristics—particularly anonymity, lack of central oversight, and the difficulty of tracing transactions—have also made them a fertile ground for criminal activity. Criminal networks exploit cryptocurrencies for money laundering, ransomware attacks, terrorist financing, tax evasion, and fraud, posing significant challenges to governments and financial regulators worldwide.

The International Monetary Fund (IMF) has increasingly recognized the dual nature of cryptocurrencies. While digital assets hold potential for economic growth and innovation, they also create systemic risks for financial stability, particularly when linked to illicit activities. The IMF has urged member countries to establish robust regulatory frameworks that address anti-money laundering (AML) and combating the financing of terrorism (CFT), strengthen financial monitoring, and improve international cooperation. The Fund emphasizes that uncoordinated national policies may leave loopholes that criminals can exploit, highlighting the importance of a global, cooperative approach to digital financial security.

Recent reports indicate that cryptocurrency-related crime continues to grow despite increased regulation. According to Chainalysis, in 2021, approximately $14 billion in cryptocurrency transactions were linked to illicit activities**,** demonstrating the scale of the problem. The IMF recommends that countries adopt both technological solutions, such as blockchain monitoring tools, and policy-based measures, like licensing requirements for exchanges**,** to combat criminal use while allowing legitimate innovation to flourish.

The intersection of cryptocurrency and crime presents a complex challenge: it requires balancing the benefits of financial innovation with the need for security, transparency, and trust in the global financial system. As digital assets become increasingly mainstream, the IMF’s guidance and international cooperation will be crucial in mitigating risks, ensuring compliance, and protecting both economies and citizens from the growing threats associated with illicit use of cryptocurrencies.

Definition of key terms

1. **Cryptocurrency**: A digital or virtual currency that uses cryptography for security and operates on decentralized networks, typically blockchain.
2. **Money Laundering**: The process of disguising illegally obtained money as legitimate by moving it through complex financial transactions.
3. **Ransomware**: Malicious software that locks a user’s files or systems and demands payment, often in cryptocurrency, to release them.

4. **AML/CFT (Anti-Money Laundering / Combating the Financing of Terrorism)**: Policies and regulations aimed at detecting, preventing, and punishing illegal financial activities, including money laundering and terrorist financing.
5. **Blockchain Analysis**: The process of monitoring and analyzing transactions on a blockchain to detect illicit activity.

General overview

Cryptocurrencies, including Bitcoin, Ethereum, and other digital assets, have transformed the global financial system by enabling fast, decentralized, and borderless transactions. While these innovations create opportunities for financial inclusion, investment, and efficiency, they also present serious challenges. The anonymity and lack of central regulation in cryptocurrency networks have made them attractive to criminals, allowing illicit activities such as money laundering, ransomware attacks, terrorist financing, fraud, and tax evasion.

- Origin of the Issue

Cryptocurrency first emerged in 2009 with Bitcoin, designed as a decentralized digital currency outside traditional banking systems. Its early adoption by tech-savvy users and libertarians focused on privacy and financial freedom. However, these same features—anonymity, peer-to-peer transfers, and lack of oversight—also created avenues for criminal exploitation. Over time, cybercriminals, dark web operators, and illicit networks increasingly adopted cryptocurrencies to evade detection, especially as global digital adoption expanded.

- Current Situation

The rise of cryptocurrency crime has drawn attention from governments, regulators, and international organizations. The International Monetary Fund (IMF) has identified digital asset misuse as a growing threat to financial stability and economic integrity. Countries worldwide are implementing regulations for exchanges, enforcing AML/CFT policies, and investing in blockchain monitoring tools to track illicit transactions.

Despite these measures, cryptocurrency-related crime continues to grow. According to Chainalysis 2021 data, approximately $14 billion worth of cryptocurrency transactions were linked to illicit activities, representing around 0.15% of total crypto activity. While this is small relative to the entire crypto market, the absolute value and potential for harm remain significant. Ransomware attacks demanding cryptocurrency payments surged, and global authorities continue to face challenges in prosecuting offenders due to jurisdictional complexities.

- IMF Involvement

The IMF emphasizes a balanced approach: promoting innovation while mitigating risks. It encourages member countries to:

- Implement robust AML/CFT frameworks for cryptocurrency exchanges.
- Enhance financial monitoring and reporting.
- Cooperate internationally to prevent regulatory loopholes.
- Support technological solutions such as blockchain analytics to detect illicit flows.

The IMF's guidance aims to protect financial systems, safeguard citizens, and ensure that cryptocurrencies contribute to economic growth without facilitating crime.

Major parties involved

1. International Organizations

- International Monetary Fund (IMF)

View: Encourages strong **AML/CFT frameworks**, international cooperation, and technological monitoring tools to prevent illicit use while allowing innovation.

- Financial Action Task Force (FATF)

View: Issues binding recommendations for cryptocurrency exchanges, including "travel rules" to trace transactions across borders.

- United Nations Office on Drugs and Crime (UNODC)

View: Advocates for global collaboration to combat criminal use of cryptocurrencies.

- World Bank

View: Encourages regulation that prevents crime without stifling innovation.

2. Major Countries / Economies

- United States

View: Strong enforcement and transparency measures; promotes international standards.

- European Union

View: Advocates harmonized regulation across member states and robust monitoring of digital assets.

- China

View: Seeks to prevent crypto-based crime while promoting sovereign digital currency.

- Singapore

View: Balances financial innovation with AML/CFT compliance and investor protection.

- G20

View: Promotes cross-border cooperation to mitigate illicit crypto activities.

Timeline of key events

Previous attempts to solve the issue

a) Regulatory Frameworks

- Countries and regions introduced rules for cryptocurrency exchanges, wallets, and transactions.
- Example: EU's 5th Anti-Money Laundering Directive (AMLD5) requires exchanges to verify user identities and report suspicious activity.

b) AML/CFT Measures

- Implementation of Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) guidelines for crypto service providers.

- Example: FATF's "Travel Rule" requires transaction data sharing between crypto platforms and financial institutions.

c) Law Enforcement Action

- Arrests and prosecutions of ransomware operators and dark web criminals using cryptocurrency.
- Example: US Department of Justice seized Bitcoin linked to ransomware attacks.

d) Blockchain Monitoring Tools

- Use of technology to trace crypto transactions and identify illicit flows.
- Example: Companies like Chainalysis and CipherTrace provide analytics to authorities.

e) Public Awareness Campaigns

- Educating investors and the public about risks of crypto scams, frauds, and ransomware demands.

Possible solutions

a) Strengthen Global Cooperation

- Countries must coordinate regulations and share intelligence to prevent jurisdictional loopholes.

b) Enhance AML/CFT Compliance

- Enforce stricter KYC (Know Your Customer) rules for exchanges and crypto wallets.
- Regular audits and reporting to authorities.

c) Expand Use of Technology

- Invest in blockchain analytics and AI tools to detect suspicious transactions in real time.

d) Promote Regulatory Harmonization

- Align national policies with FATF recommendations to reduce safe havens for criminals.

e) Encourage Public-Private Partnerships

- Governments and crypto companies can collaborate to track illicit flows while supporting legitimate innovation.

f) Education and Financial Literacy

- Increase awareness campaigns to help users identify scams, phishing, and ransomware threats.

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