THE BHAWANIPUR

THE BHAWANIPUR EDUCATION SOCIETY COLLEGE
ASSEMBLY OF NATIONS

STUDY GUIDES
BESC AON
2024

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Letter from the Executive Board

Greetings! With immense pleasure to serve as your Executive Board, we welcome you to the simulation of the World Bank in BESC-AON 2024.

The above two mentioned core aspects should be the field area from which all committee based discussions emerge and it is highly encouraged that the delegates try to read in depth all the information they come across on the internet. An amalgamation of research along with known case studies can result in a finite combination of arguments but that is only true to the extent that all of the delegates reach a similar conclusion out of the research available on the internet. It is requested that once you start researching, which I assume you have already begun, try re-interpreting all the content you come across. This shall give you a definite chance of formulating a new argument. The major aim of this document is to serve as a course of your understanding and further research, but it is not restricting creation of new horizons and expanding the scope of the debate.

This agenda seeks theoretical as well as logical attention and we request you to sincerely read the document so that all delegates at least have a common ground of understanding. Further we request you all not to treat this guide as a source of citations in the committee as the guide is a mixture of arguments and facts at times constructed to ease up the understanding. For the purpose of you all being aided with better research opportunities, I have tried to mention all the links in the form of footnotes so that you can check back and understand the context of the relevant material.

We duly understand the agenda might seem a bit tricky and for this purpose, feel free to contact us via emails with respect to your doubts. Just remember one thing, searching only over Google won't fetch you good material, you have to put in your reasoning efforts.

Happy researching!

Regards,

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Sources of Evidence

With due respect to the debate course, we acknowledge the clash of ideas in forms of records or substantive quotes and in this occurrence we, as the Executive Board, generally ask for evidence. Below given are few sources which are generally accepted yet the dominion of delegate over the source lies:

1. United Nations: Documents and findings by the United Nations or any related UN body is held as a credible proof to support a claim or argument.

2. Multilateral Organisations: Documents from international organisations like NATO, NAFTA, SAARC, BRICS, EU, ASEAN, OPEC, the International Criminal Court, etc. may also be presented as credible sources of information.

3. Government Reports: These reports can be used in a similar way as the State Operated News Agencies reports and can, in all circumstances, be denied by another country. However, a nuance is that a report that is being denied by a certain country can still be accepted by the Executive Board as a credible piece of information.

4. News Sources: i. Reuters: Any Reuters article that clearly makes mention of the fact or is in contradiction of the fact being stated by a delegate in the Assembly. ii. State operated News Agencies: These reports can be used in the support of or against the State that owns the News Agency. Some examples are – RIA Novosti8 (Russian Federation), Xinhua News Agency11 (People‘s Republic of China), etc.

Note:- Under no circumstances will sources like Wikipedia, or newspapers like the Guardian etc. be accepted. However, notwithstanding the aforementioned criteria for acceptance of sources and evidence, delegates are still free to quote/cite from any source as they deem fit as a part of their statements.

Rules & Procedures

1. The session will begin with Roll call wherein you have to mark your presence. Remember, there is no concept of PRESENT AND VOTING in this forum.
2. Post the roll call, the committee will enter into the round of Opening Statements. The default time for opening statements shall be 90 seconds. Opening statements are speeches which are used to clarify your stance on the agenda at hand.

3. Opening statements are recommended to be given by everyone, though not obligatory. Opening statements will be done at once, unlike the GSL which never exhausts.
4. Post the opening statements, we shall be establishing sessions which are of two kinds – PUBLIC moderated and unmoderated.
5. A public session is always moderated while a private session can be moderated as well as unmoderated.
6. A public session is on record while a private session is not.
7. For a moderated session, it is recommended to decide the sub-agendas beforehand so that we do not waste time in forming a consensus via unmoderated session and voting.
8. Moderated sessions will be used to discuss sub-agendas pertaining to the main agenda. The default time for moderated session is 90s per speaker.
9. Unmoderated session will be a lobbying session.
10. No POIs by default in public moderated sessions however we can have that via voting.
11. World Bank does not have a mandate, hence documentation shall not be necessary. However, if time permits we may move for a Press Release, which again does not have a specified format.

Points

All four points will be considered in the forum:

- Personal Privilege – any audibility or clarity issue.
- Enquiry – any question from the executive board.
- Order – any factual error correction
- Right to/of reply can also be sought, verbally after the speeches.
- POIs (verbal) may be entertained in the moderated sessions depending upon the time left in the speech
- Opening statements will have a mandatory POI (verbal), can be more than one if more time left
- Equal recognition will be ensured
- Substantive intervention on the discretion of the participating members

- Try not speaking out your name/point when you are being recognized, just raise your hand so as to avoid chaos

About the World Bank

The World Bank's mission is two-fold: to reduce world poverty and promote shared prosperity. With 189 countries and $45.9 billion in loans and grants, the World Bank currently runs 12,000+ projects to support development and relief. Yet, these projects are not free. In many cases, the World Bank ties in certain conditions as a part of the loans.

Many criticisms of World Bank loans have been based on the "Washington Consensus," focusing on liberalisation of trade, and deregulation and privatization of nationalised industries. With the United States holding 16.77% of voting shares, it is no wonder that the World Bank has been perceived as a mechanism for industrialised nations to open up markets for their corporations.

Frequently, these conditionalities are imposed without regards to the borrower's national economic situation and circumstances. Instead of solving the problem, these conditionalities exacerbate economic distress in these countries.

With loans to over 75 nations, the World Bank plays a critical role in alleviating poverty throughout the world. Yet, the costs of taking on an World Bank loan can outweigh the benefits.

Thus, in the World Bank committee, committee members will be tasked with establishing a framework for reducing harmful conditionalities for borrower nations while keeping the interests of creditor nations in mind. This includes reforming the current loan conditions that are placed on loans, implementing a more fair voting system, as well as considering the impacts of other rival international finance institutions such as the Asian Infrastructure Investment Bank (AIIB).

INTRODUCTION

Development Policy Financing (DPF) provides rapidly-disbursing financing to help a borrower address actual or anticipated development financing requirements. DPF supports borrowers in achieving sustainable, shared growth and poverty reduction through a program of policy and institutional actions aimed at, for example, strengthening public financial management, improving the investment climate, addressing bottlenecks to improve service delivery, and diversifying the economy. DPF supports such reforms through non-earmarked general budget financing that is subject to the borrower's own implementation processes and systems. The Bank's use of DPF in a country is determined in the context of its Country Engagement.

The **DPF Policy** emphasizes country ownership, stakeholder consultation, donor coordination, and results. The Bank determines whether specific policies supported by the operation are likely to have significant poverty and social consequences, especially on poor people and vulnerable groups, whether specific country policies supported by the operation are likely to cause significant effects on the borrower country's environment, forests, and other natural resources, and, starting from July 1, 2023, whether the operation is aligned with the goals of the Paris Agreement. DPF can be extended as loans, credits/grants, or guarantees. The DPF with a deferred drawdown option for catastrophe risks (Cat DDO) offers contingent financing in the aftermath of natural disasters and health emergencies. Funds are made available to the client based on:

- Maintenance of an adequate macroeconomic policy framework, as determined by the Bank with inputs from IMF assessments
- Satisfactory implementation of the overall reform program
- Completion of a set of critical policy and institutional actions agreed between the Bank and the client.
- Alignment of the DPF program with the Goals of the Paris Agreement, as determined by the Bank.

Crisis Response and Preparedness

DPFs played a key role for reinforcing foundations for long-term development, crisis response, and preparedness. Many countries have used the "Catastrophe Deferred Drawdown Option" (CAT-DDO) designed to provide quick liquidity to manage natural disasters, and support crisis preparedness, response, and recovery. DPFs have surged during global crises; the fast-disbursing and fungible nature of the instrument makes it suitable to meet countries' short-term emergency financing needs while supporting their medium-term policy agenda. DPF financing was particularly supportive of fragile, conflict, and violence (FCV) affected countries during crisis periods. Similarly, DPF support to small island developing states in the aftermath of the global financial crisis (GFC) and COVID-19 was primarily aimed at supporting crisis response. The emergency funding proved particularly valuable in responding to the COVID-19 emergency, as indicated by the high number of disbursements from existing CAT-DDOs in 2020.

Overall, a large share of DPFs supported pandemic recovery efforts, alongside other response instruments. 93% of DPF commitments between April 2020 and June 2021 were part of the COVID-19 response. While the strategic focus of COVID-19 DPFs varied over time, most operations included both immediate crisis response as well as medium-term policy components to pursue a sustainable recovery. Countries in all WBG regions received DPF support during the pandemic.

Recent Trends

Recent Trends in the Number, Size, Distribution, and Focus Areas of DPFs Since their introduction in 2004, DPFs have emerged as a robust and effective instrument for World Bank lending. Implemented across diverse regions and targeting an expanding range of policy areas, DPFs have proven to be sufficiently flexible to accommodate the unique features of each country context while maintaining a high degree of procedural rigor that ensures operational coherence and consistency. DPFs are an important financing instrument for the Bank's clients, and both the number of DPF operations and the total amount of committed resources continue to rise. DPF financing commitments increased substantially between FY16 and FY21, the timeframe of this DPF Retrospective. Commitments accelerated in response to the COVID-19 pandemic and are approaching levels that prevailed during the global financial crisis. Between FY16 and FY21, the Board approved 328 DPFs6 (an average of 55 per year), representing a total commitment 6 Supplemental operations are not included in this figure. of $81 billion (an average of $13.5

billion per year). The average annual commitments rose from $10.8 billion to $13.5 billion over the period. The World Bank's response to the COVID-19 pandemic drove a sharp increase in DPFs in the second half of FY20. Seventy three new DPFs were provided in the second half of FY20, along with nine supplemental operations, which pushed total FY20 commitments to $17 billion, far above the Retrospective period average. In FY21, 65 DPFs and one supplemental were committed, for a total of $18 billion. In addition, the average relative size of DPFs has increase over time and across countries.. The relative size of DPF operations has increased across the board in IDA, IBRD, and FCV countries expressed as a share of recipient country GDP and in per capita terms. Due to their larger average size, IBRD countries absorbed the largest share of DPF resources, but IDA countries received more DPFs in recent years. Since FY11, IBRD countries received 74 percent of DPF commitments on average, and DPFs represented 38 percent of total World Bank financing to IBRD countries, versus just 14 percent of funding to IDA countries.

Mozambique DPF example

US$300 million grant in support of the Mozambique Institutions and Economic Transformation Development Policy Financing (DPF) operation. This is the first in a series of three programmatic operations and supports a robust set of reforms aimed at strengthening institutions and laying the foundations for a sustained growth and economic transformation.

The operation supports the authorities in their reform efforts to promote sustainable and inclusive economic growth. The reforms supported by this DPF are organized around three pillars:

- The first pillar supports structural reforms to strengthen budgetary institutions and transparency. It consists of two prior actions: enhancing the regulatory and institutional framework for sound and transparent resource revenue management; and improving public procurement governance and transparency. Together, these measures will address critical transparency and institutional weaknesses that undermine the governance and management of limited public resources. Transparency measures under this pillar include enshrining into law recent steps made to increase transparency such as the publication of fiscal risk statements and debt reports covering Liquified Natural Gas (LNG) and State-Owned Enterprises related debt, to name a few.

- The second pillar addresses business environment and financial access constraints to support private sector development. It comprises two prior actions: simplification of the legal and regulatory requirements to open and operate businesses, improving the investment climate and incentivizing firm development and job creation; and lifting of legal and regulatory restrictions to promote financial access. More specifically, this pillar includes a review of the 1993 Investment Law and the 2005 Commercial Code, which could result in further simplification and digitalization of procedures, expected to accelerate approval processes. The DPF also supports legal amendments to simplify identification requirements for people with low income and low financial risks who wish to open a bank account. The reforms are expected to expand access to financial services, particularly for low-risk micro, small and medium enterprises, and for women, while maintaining a clear and sound framework to guard against illicit activity.

- The third and final pillar builds on Mozambique's climate change commitments to support a more resilient and greener growth path, addressing utility sector constraints that limit Mozambique's productive potential. It features three prior actions: reforms that strengthen Public Investment Management (PIM) systems by introducing a climate-smart PIM framework, fostering greener and more resilient investments; introducing measures to support the development of a tariff methodology and new tariff structure to enhance the financial sustainability of the public utility and reduce uncertainties for private investors; and enhancing financial sustainability and service delivery and resilience in the water sector.

Morocco

Third Development Policy Financing (DPF) of $450 million aimed at advancing financial and digital inclusion, adding to the two previous financings. The series of financing projects supported the government of Morocco in implementing reforms to improve financial inclusion, digital entrepreneurship, and access to digital infrastructure and services for individuals and businesses.

Since 2018, financial inclusion has been a top policy priority for promoting job opportunities and economic empowerment for households, micro and medium-sized enterprises (MSMEs), women, youth, and rural populations. Access to a diverse suite of financial services (remittances, savings, insurance, credit) helps the vulnerable populations manage risks and adapt to climate change. During the pandemic of COVID-19, digital financial services and microfinance institutions were critical to channel support to households and businesses and reaching people in remote regions.

This series has enabled Morocco to significantly move the frontiers of financial and digital inclusion. 44% of Moroccans today have access to a bank account versus 29% in 2017, and 30% use digital payments versus 17% in 2017 (Findex survey). The infrastructure for digital payments has expanded with 31% of rural districts now covered by mobile payment networks and 19 mobile payment providers operating. The value of digital payments has significantly grown to reach 2 billion MAD (approximately $195 million) in 2021, laying the ground for reforming social protection programs with digital cash transfers. The series has enabled the development of micro insurance, collateral registry and guarantees to support credit to MSMEs. Various actions directly supported women's access to finance and economic empowerment. For instance, women's participation in the Boards of listed companies has increased from 14.9% in 2019 to nearly 20% by the end of 2022; and women-led 13.5% of tech start-ups have benefitted from an annual foreign currency allocation during the pandemic to import goods and services required by their activities. Important challenges remain, nonetheless: the gender gap in access to financial services is still at 25 percentage points, and there is a need to strengthen the use and acceptance of digital financial services by merchants.

This third financing consolidates reforms initiated by Morocco to foster financial inclusion by expanding access to a diverse range of financial services to rural populations, women, and youth, and digital entrepreneurship by diversifying the financial instruments available to young and innovative firms to support job creation.

The microfinance sector will be able to transform from non-profit associations into deposit-taking institutions to grow their funding base and offer a wider range of savings and credit products to women and rural populations. Currently, the number of beneficiaries is well below the targets of 1.8 million in 2023 and 3 million in 2030, outlined in the National Financial Inclusion Strategy.

The amendment of the private equity law will support the government's efforts to modernize and decarbonize the economy through the Mohammed VI Fund for Investment which will raise and invest private equity funds. This reform, as well as the introduction of the regulatory framework for debt funds were also supported by the Joint Capital Market Program (JCAP)[1].

The World Bank Group considers financial and digital inclusion key enablers in reducing extreme poverty and boosting shared prosperity.

Results of DPF policy in countries

- **More efficient support for farmers.** Agriculture is a cornerstone of Kenya's economy, accounting for about 60 percent of employment. The DPF helped modernize the distribution of government input subsidies, moving from a paper-based to an e-voucher system, whereby farmers can buy certified inputs from private providers. The result is a better-targeted subsidy, higher yields, and reduced market distortions. It is also the end of the rent-seeking encouraged by the old system, and new opportunities for private suppliers.

- **Improving commercialization opportunities in agriculture.** A new Warehouse Receipt System and Commodities Exchange System have been established, and government purchases for the national strategic grain reserve are now done at market prices. This helps farmers reduce post-harvest losses due to storage problems (estimated at up to 35 percent), reduces exploitation by middle-men, and improves access to credit, as well as crowding in private investors.

- **Increased availability of credit**. In 2016, Kenya's parliament had capped bank lending rates to reduce credit costs. However, the measure was counterproductive as it caused credit to be rationed and locked many small businesses out of the market. Its repeal removed an impediment to private credit growth and improved monetary policy transmission.

- **More private investment in affordable housing.** Kenya has a large affordable housing gap, and urgently needs more private investment to fill it. The DPF supported new mortgage refinance regulations to channel fresh investment into the sector through a new Kenya Mortgage Refinance Company. New legislation removed bottlenecks and regulatory uncertainties weighing on affordable housing construction. These efforts have stimulated equity investment from commercial banks and the International Finance Corporation.

Conclusion

Development Policy Financing was effective in supporting client countries key development priorities in the context of the Bank core corporate commitments.

- DPFs should maintain and enhance the sharp focus on fiscal and debt-related reforms for countries at higher risk of debt distress.
- DPFs can further focus on policy dialogue and reforms to advance gender equality, such as improving girls' education; incorporating family planning, reproductive and sexual health; strengthening childcare policies; improving systems and institutions to address gender-based-violence and sexual harassment across sectors; addressing gender gaps related to climate change; increasing women in leadership and decision-making roles.
- DPFs can play an important role in supporting the business environment for private sector development. It would be useful to expand the use of DPFs in support of private capital mobilization for investment and job creation.
- The "Catastrophe Deferred Drawdown Option" (CAT DDOs) can be enhanced to allow access to additional sources of financing for rapid liquidity support in the wake of a disaster while incentivizing further reforms for crisis preparedness and climate adaption and resilience.
- Continued focus on reforms to support climate mitigation efforts—such as renewable energy, transport, and energy subsidy reform—as well as climate adaptation efforts—such as climate smart agriculture and water conservation—will help countries on their pathways toward climate-resilient development and low greenhouse gas emissions. As part of its Climate Change Action Plan, the Bank has also committed to align all its DPOs, and indeed all its operations, with the objectives of the Paris Agreement as of July 1, 2023.

Apart from that a strong macroeconomic policy framework is necessary to achieve stable economic growth, curb inflation and promote employment. It serves as the cornerstone of the country's economic administration and directs decision-makers to take decisions affecting various economic sectors. This essay explores the importance of maintaining an adequate macroeconomic policy framework and discusses the key components and challenges involved.

The Importance of an Adequate Macroeconomic Policy Framework:

1. Stability: One of the main objectives of macroeconomic policy is to ensure economic stability. This requires maintaining price stability, low unemployment and sustainable economic growth. A well-thought-out policy framework helps mitigate fluctuations in economic indicators and creates a favorable environment for businesses to invest and consumers to spend.

2. Controlling inflation: Controlling inflation is essential to maintain the purchasing power of a currency and maintain price stability. Central banks try to keep inflation within the target range through monetary policy tools such as interest rates and reserve requirements. An effective macroeconomic policy framework provides policymakers with the necessary guidance to address inflationary pressures while supporting economic growth.

3. Fiscal responsibility: Fiscal policy plays a central role in managing government spending, taxes and borrowing. A credible fiscal policy framework ensures that public finances remain sustainable in the long term, preventing excessive budget deficits and debt accumulation. By balancing the priorities of income and expenditure, decision-makers can effectively allocate resources and promote the stability of public finances.

4. Exchange rate management: Fluctuations in exchange rates can significantly affect a country's trade balance, inflation and overall economic performance. A well-defined macroeconomic policy framework includes measures to control exchange rate fluctuations, such as interventions in the foreign exchange market and controls on capital flows.

These measures help maintain competitiveness in international trade and avoid disruptive currency movements.

Key components of appropriate macroeconomic policy:

1. Clear objectives: A successful macroeconomic policy framework begins with clearly defined objectives such as price stability, full employment and sustainable economic growth. These goals provide policymakers with an agenda and help align their actions with broader economic goals.

2. Policy instruments: Macroeconomic policy relies on several instruments to achieve its goals. The instruments of monetary policy are interest rates, open market operations and reserve requirements, while the instruments of fiscal policy are public sector spending, taxes and borrowing. To maximize the impact of these instruments, effective coordination of financial and budgetary authorities is essential.

3. Institutional Framework: Strong institutions are crucial for the effective implementation and enforcement of macroeconomic policies. These include central banks responsible for monetary policy, ministries of finance overseeing fiscal policy, and independent agencies responsible for economic regulation and control. Above all, an independent and reliable central bank increases political credibility and reduces the risk of political interference.

4. Data and Analysis: Timely and accurate economic data are essential for the formulation and evaluation of macroeconomic policy. Governments and central banks rely on various indicators such as GDP growth, inflation, unemployment figures and balance of payments data to assess the economic situation and adjust policy measures. Good economic analysis helps decision makers understand the factors behind economic trends and anticipate potential risks.

Challenges in maintaining an appropriate macroeconomic policy framework:

1. Uncertainty and complexity: The global economy is characterized by uncertainty and complexity, which makes it difficult to predict and respond to macroeconomic developments.

External shocks such as financial crises, geopolitical tensions and natural disasters can disrupt economic stability and require rapid policy adjustments.

2. Trade-offs and conflicting objectives: Policy makers are often faced with trade-offs between conflicting macroeconomic objectives such as inflation and unemployment. For example, aggressive monetary policy tightening to control inflation can lead to higher unemployment in the short term. Balancing these trade-offs requires careful consideration and often involves a flexible approach to policy implementation.

3. Policy Constraints: Macroeconomic policy is subject to political constraints and pressures that may prevent optimal policy actions from being taken. Politicians may prioritize short-term electoral considerations over long-term economic sustainability, leading to optimal policy outcomes. Maintaining the independence and credibility of macroeconomic institutions is essential to mitigate political interference in political decisions.

4. Global interdependence: In an interconnected global economy, domestic macroeconomic policies can have spillover effects on other countries and vice versa. Exchange rate movements, trade policy and capital flows are very sensitive to international developments, which requires coordinated political actions between countries. Managing global interdependence requires effective communication and cooperation between politicians at the international level.

Conclusion:

An adequate macroeconomic policy framework is necessary to promote economic stability, sustainable growth and prosperity. By setting clear goals, using appropriate policy instruments, strengthening the institutional framework and increasing data analysis capabilities, policymakers can navigate the complex conditions of the global economy and respond to today's challenges. Despite uncertainties, trade-offs and political constraints, a commitment to good macroeconomic management can help countries achieve their economic goals and improve the well-being of their citizens.

For further reference please visit: https://www.worldbank.org/en/projects-operations/products-and-services/publication/2021-development-policy-financing-retrospective-facing-crisis-fostering-recovery

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