XI International MUNRFE Session

ISSUE BOOK

International Monetary Fund

TABLE OF CONTENTS

Welcoming Letter from Under-Secretary General for foreign affairs

Distinguished Delegates,

My name is Made Handijaya Dewantara from Bali, Indonesia and I humbly welcome you to the Model United Nations of Russian Far East (MUNRFE) 2012 as Vice chairperson. It is my distinct honor to be able to devote myself on of International Monetary Fund committee, for MUNRFE this year. It has been a tremendous hard work but also an enjoyment to behold each and every process in composing study guides, researching and moderating practices. I hereby convey my gratitude to **Mr. Sergey Lebedev**, for his constructive inputs and improvements. I also wanted to confer my credits into my gorgeous yet professional chair, **Alexander Pilyay** for his outstanding spirit and constant versatility to my critics and revisions, as well as **other official** for the kind assistance to conduct our session.

The International Monetary Fund (IMF) recently consists of 188 countries. As the Second World War ends, the job of rebuilding national economies begins. The IMF was charged with overseeing the international monetary system to ensure exchange rate stability and encouraging members to eliminate exchange restrictions that hinder trade. The implications of the continued rise of capital flows for economic policy and the stability of the international financial system are still not entirely clear. The current credit crisis and the food and oil price shock are clear signs that new challenges for the IMF are waiting just around the corner.

As one of IMF main responsibilities is to secure financial stability, the IMF has three ways in order to pursue that mission. The ways are as follows: by keeping track of the global economy and the economies of member countries, lending to countries with balance of payments difficulties, and giving practical to members. The IMF has a significant role to oversee the global monetary system and monitors the financial and economic policies of its members.

Withstanding the goal of the committee, it is expected to generate one resolution, which is able to portray significant role of the countries. From the dynamics of the debate, the committee should emphasize on international monetary action, and global cooperation to tackle the problem rose in the committee.

Until then, see you in Vladivostok and wishing you a fruitful and unforgettable experience!

Warmest regards,

Made Handijaya Dewantara, S. ST. Par.

Vice Chairperson of the International Monetary Fund

Welcoming Letter from Vice-Chairperson

Honorable delegates of the XI International MUNRFE Conference,

I would like to welcome you at the International Monetary Fund, Executive Board.

The world financial and economic system is now undergoing a global economic recession of staggering proportions and a number of countries have reached the limits of their current development capacities.

We have interesting and controversial agenda items for the coming XI MUNRFE Session concerned about European economies and Asian emerging markets.

Now major international economic institutes are working on limiting of negative outcomes of Economic Crisis. Being representative of the country in IMF do not forget the main principle of IMF «to promote economic stability and global growth, by providing policy advice and financing to members in economic difficulties and also work with developing nations to help them achieve macroeconomic stability and reduce poverty».

I wish you good luck and find successful solutions of the problems the world economy faced with and remember that "Economy is how to spend money without enjoying it".

Faithfully yours,
Shchur Evgeniya
Vice-Chair of the International Monetary Fund
(Executive Board)

BACKGROUND OF THE COMMITTEE

United Nations – is the biggest international organization, which includes 193 States. To work more affective there are several committees, programmes and funds, which are work complex and complementary in all spheres: political, economic and social.

The International Monetary Fund (IMF) is a specialized agency of the UN, comprised of 188 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.

The IMF was founded more than 60 years ago toward the end of World War II. The founders aimed to build a framework for economic cooperation that would avoid a repetition of the disastrous economic policies that had contributed to the Great Depression of the 1930s and the global conflict that followed.

Since then the world has changed dramatically, bringing extensive prosperity and lifting millions out of poverty, especially in Asia. In many ways the IMF's main purpose—to provide the global public good of financial stability—is the same today as it was when the organization was established. More specifically, the IMF continues to:

- ✓ provide a forum for cooperation on international monetary problems;
- ✓ facilitate the growth of international trade, thus promoting job creation, economic growth, and poverty reduction;
- ✓ promote exchange rate stability and an open system of international payments;
- ✓ provide loans to countries when needed, on a temporary basis and under adequate safeguards, to help them address balance of payments problems.

The IMF is uniquely placed to help member governments take advantage of the opportunities—and manage the challenges—posed by globalization and economic development more generally. The IMF tracks global economic trends and performance, alerts its member countries when it sees problems on the horizon, provides a forum for policy dialogue, and passes on know-how to governments on how to tackle economic difficulties.

The IMF provides policy advice and financing to members in economic difficulties and also works with developing nations to help them achieve macroeconomic stability and reduce poverty.

Marked by massive movements of capital and abrupt shifts in comparative advantage, globalization affects countries' policy choices in many areas, including labor, trade, and tax policies. Helping a country benefits from globalization while avoiding potential downsides is an important task

for the IMF. The global economic crisis has highlighted just how interconnected countries have become in today's global economy.

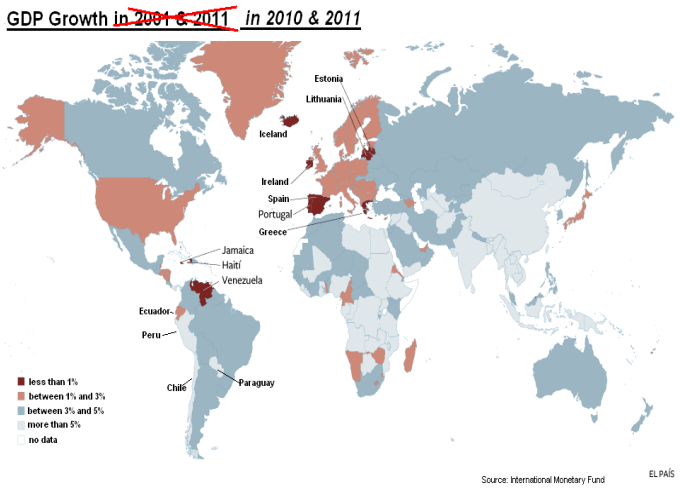
The IMF promotes economic stability and global growth by encouraging countries to adopt sound economic and financial policies. To do this, it regularly monitors global, regional, and national economic developments. It also seeks to assess the impact of the policies of individual countries on other economies.

This process of monitoring and discussing countries' economic and financial policies is known as bilateral surveillance. On a regular basis—usually once each year—the IMF conducts in depth appraisals of each member country's economic situation. It discusses with the country's authorities the policies that are most conducive to a stable and prosperous economy, drawing on experience across its membership. Member countries may agree to publish the IMF's assessment of their economies, with the vast majority of countries opting to do so.

The IMF supports its membership by providing:

- policy advice to governments and central banks based on analysis of economic trends and cross-country experiences;
- research, statistics, forecasts, and analysis based on tracking of global, regional, and individual economies and markets;
- loans to help countries overcome economic difficulties;
- concessional loans to help fight poverty in developing countries; and
- technical assistance and training to help countries improve the management of their economies.

To become a member, a State must apply and then be accepted by a majority of the existing members. Upon joining, each member country of the IMF is assigned a quota, based broadly on its relative size in the world economy. The IMF's membership agreed in November 2010 on a major overhaul of its quota system to reflect the changing global economic realities, especially the increased weight of major emerging markets in the global economy.



A member country's quota subscription determines the maximum amount of financial resources the country is obliged to provide to the IMF. A country must pay its subscription in full upon joining the IMF: up to 25 percent must be paid in the IMF's own currency, called Special Drawing Rights (SDRs) or widely accepted currencies (such as the dollar, the euro, the

yen, or pound sterling), while the rest is paid in the member's own currency.

The quota largely determines a member's voting power in IMF decisions. Each IMF member's votes are comprised of basic votes plus one additional vote for each SDR 100,000 of quota. The number of basic votes attributed to each member is calculated as 5.502 percent of total votes. Accordingly, the United States has 421,965 votes (16.76 percent of the total), and Tuvalu has 759 votes (0.03 percent of the total).

The IMF collaborates with the World Bank, regional development banks, the World Trade Organization (WTO), UN agencies, and other international bodies. While all of these organizations are involved in global economic issues, each has its own unique areas of responsibility and specialization. The IMF also works closely with the Group of Twenty (G-20) industrialized and emerging market economies and interacts with think tanks, civil society, and the media on a daily basis.

The IMF has a Special Representative to the United Nations, located at the UN Headquarters in New York. Collaboration between the IMF and the UN covers several areas of mutual interest, including cooperation on tax issues and statistical services of the two organizations, as well as reciprocal attendance and participation at regular meetings and specific conferences and events.

AGENDA

1) Loan Case: Republic of Serbia application for IMF Fund

2) Austerity vs. Growth in European Union: Strategy over Euro Zone Development

3) The Need of Fiscal Transparency in Asian Emerging Countries

DESCRIPTION OF THE AGENDA ITEMS

1. UN Loan Case: Republic of Serbia application for IMF Fund

Background of the loan case

Currently Serbia is going through numerous economic challenges caused by imperfection of national economic system, dependence on demand from European Union and crisis aftershocks. All major macroeconomic indicators show recession. In 2009 Serbia experienced negative GDP growth at the rate of -3.5% because of global economic crisis. In 2010 GDP reached 1.0%. For more than last seven years current account balance remains negative at the average level of -10% to GDP. Trade of goods balance is also remaining negative and accounted -19.3% to GDP. Fiscal balance stays negative as 3% to GDP. Inflation keeps stable at the level of about 10%. Around 20% of population are unemployed and absolute poverty rate has reached almost 10% in 2011.

In September of 2011 the Executive Board of the IMF has approved Stand-By Arrangement (SBA) loan for the Republic of Serbia. The aim of SBA was to bring fiscal and macroeconomic stability and to promote investments with the purpose of employment creation. The SBA was aimed to cause structural reforms such as privatizing state-owned enterprises.

As the result inflation has slightly gone down but unemployment still remains a concern. The government of Serbia has concentrated its efforts on keeping budget debt in limit of 45% to GDP; however it strongly depends on fiscal policy. Serbian fiscal policy remains an ambiguous issue. In 2011 the Parliament adopted a fiscal decentralization law that transferred additional fiscal funds to regions. It caused disfavour of IMF staff.

In May, 2012 Serbia held parliamentary and presidential elections. The centre-right Progressive Party and its allies took 73 seats in a Parliament. Democratic Party and its partners occupied 68 seats and Serbia Socialist Party got 45. After the second round of presidential elections the leader of centre-right progressive party became a new president of Serbia.

The task for new government is clear to cope with unemployment at 24%, average monthly wages of USD 470 and external debt of 29 billion USD at the end of 2011. After the new government is formed it will discuss a new deal with the IMF. It means **the request of a new loan for the Republic of Serbia.**

The Executive Board, discussing the current loan issue, takes into consideration the analyse of the current economic situation in Serbia, possible structural reforms, measures for improvement of economic situation. It is important to estimate target economic indicators for Serbian government if funds will be approved and to identify political claims of the IMF.

Stand-By Arrangement (SBA)

SBA is one of the most popular IMF lending instruments applicable for both developing and advanced market economies. Despite the fact the rates are non-concessional they are lower than private banks rates. Typically middle income and advanced countries apply for SBA as low income countries are eligible to apply for concessional instruments.

The **duration** of SBA varies from 12 to 24 month and no more than 36 month to address short-term balance of payments problems.

Borrowing terms depend on record of the usage of previous IMF resources, needs of the country, capacity to repay. The individual approach can be applied in terms of timing and amount of the loan. There are four major types of access for IMF SBA: normal access, exceptional access, front-loaded access, and rapid access:

- **Normal access.** Borrowing limits were doubled in 2009 to give countries access of up to 200 percent of quota for any 12-month period, and cumulative access over the life of the program of up to 600 percent of quota, net of scheduled repayments.
- **Exceptional access.** The IMF can lend amounts above normal limits on a case-by-case basis under its Exceptional Access policy, which entails enhanced scrutiny by the Fund's Executive Board. During the current global economic crisis, countries facing acute financing needs have been able to tap exceptional access SBAs.
- **Front-loaded access.** The new SBA framework provides increased flexibility to front-load funds when warranted by the strength of the country's policies and the nature of its financing needs.
- **Rapid access.** Fund support under the SBA can be accelerated under the Fund's Emergency Financing Mechanism, which enables rapid approval of IMF lending. This mechanism was utilized in several instances during the recent crisis.

In 2008 the IMF elaborated a new type of access – precautionary access that was chosen for the SBA loan to Serbia in 2011. Precautionary access allows to get funds and to draw them only if needed.

There are few types of conditions in frames of IMF SBA. Quantitative conditions determine target economic indicators to measure performance of the country. Structural measures help to evaluate changes in key policy areas of the country.

Delegates are expected to do research in three following dimensions:

- The activities of IMF relations with states, its results, consequences for the different countries. It takes to analyze the history of IMF and relations of the Executive Board with different countries who apply for IMF funds and the principles these relations are based.

- Situation in Serbia: political climate, economic trends. What happened after collapse of Yugoslavia? What economic impact it made on the new state (taking into account all economic indicators)? What changes took place in the economic system of the country? In what way it affected Serbian population?
- Relations between Serbia and IMF. For what instruments Serbia applied in the past? What were the terms, what changes took place and the results?

Critical questions:

1. What are the key elements of reforms needed for the economic recovery of Serbia?
2. What are the target indicators for evaluation of the progress made by Republic of Serbia?
3. What are the justifications for political conditions demanded by the IMF when the country tends to get IMF loan.
4. What is the current political and economic situation in Serbia?
5. What were the conditions and consequences for other countries applied for IMF funds?
6. What are the reasons for IMF criticism?
7. What are the most significant results of IMF activities?
8. What are the key differences between lending instruments of IMF, World Bank and private banks?
9. What are the success stories of IMF borrowers?

Links:

http://www.imf.org/external/np/sec/pr/2011/pr11353.htm

http://www.imf.org/external/np/exr/facts/sba.htm

http://www.imf.org/external/pubs/ft/scr/2011/cr11311.pdf

http://www.imf.org/external/country/srb/index.htm

http://www.nybooks.com/articles/archives/2002/aug/15/globalization-stiglitzs-case/

http://www.imf.org/external/np/exr/facts/surv.htm

http://www.imf.org/external/np/exr/facts/quotas.htm

http://www.icrier.org/pdf/harma.pdf

2. Austerity vs. Growth in European Union: Strategy over Euro Zone Development

"European elites, including German elites, must decide if they want the euro to survive - even at a high price - or not. If not, we should prepare for a controlled dismantling of the currency zone." (Jacek Rostowski, Polish finance minister)

"The euro is in danger ... If we don't deal with this danger, then the consequences for us in Europe are incalculable." (German Chancellor Angela Merkel)

Background of the European sovereign debt crisis

As a result of the global financial crisis that began in 2007, the eurozone entered its first official recession in the third quarter of 2008, official figures confirmed in January 2009. The EU was in negative growth for the 2nd, 3rd and 4th quarters of 2008 and the first quarter of 2009 before returning to positive growth (for the Eurozone as a whole).

From late 2009, fears of a sovereign debt crisis developed among investors as a result of the rising private and government debt levels around the world together with a wave of downgrading of government debt in some European states.

In several countries, private debts arising from a property bubble were transferred to sovereign debt as a result of banking system bailouts and government responses to slowing economies post-bubble. In others, unsustainable public sector wage and pension commitments drove the debt increase. The structure of the Eurozone as a monetary union (i.e., one currency) without fiscal union (e.g., different tax and public pension rules) contributed to the crisis and harmed the ability of European leaders to respond. European banks own a significant amount of sovereign debt, such that concerns regarding the solvency of banking systems or sovereigns are negatively reinforcing.

In the first few weeks of 2010, there was renewed anxiety about excessive national debt, with lenders demanding ever higher interest rates from several countries with higher debt levels, deficits and current account deficits. This in turn made it difficult for some governments to finance further budget deficits and service existing debt, particularly when economic growth rates were low, and when a high percentage of debt was in the hands of foreign creditors, as in the case of Greece and Portugal.

Some governments have focused on austerity measures (e.g., higher taxes and lower expenses) which have contributed to social unrest and significant debate among economists, many of whom advocate greater deficits when economies are struggling. Especially in countries where budget deficits and sovereign debts have increased sharply, a crisis of confidence has emerged with the widening of bond yield spreads and risk insurance on CDS between these countries and other EU member states, most importantly Germany.

The crisis has had a major impact on EU politics, leading to power shifts in several European countries, most notably in Greece, Ireland, Italy, Portugal and Spain.

Case Study – Greece

In late 2000 due to financial crisis the Greece largest industries, tourism and shipping, were badly affected. Greeks continued lavish spending combined with long following trade deficits and large tax evading population lead the Greece budget deficit and public debt to rise to insurmountable amount. And now the deficit percentage and the debt to GDP ratio for the Greece are highest among all the European States.

For example, Greece has a total debt of $540 billion dollars, 125% of its GDP. In order to raise money to pay its debt obligations, the Greece increased the interest rate on its bonds to 15%.But because of the already piled up huge debt obligation, there is huge risk involved in investing in Greece sovereign bonds as they might default, therefore nobody is buying Greek bonds.

Definitely, Greece carries only a part of the Europe debt and solving the Greece debt crisis will not be the answer for the entire Europe. But Greece has the highest debt to GDP ratio and is closest to default. Therefore solving the Greek Domino would definitely bring confidence in the European economies and the way ahead for the Euro zone to look out for.

At the same time it did tension inside of European Union. The markets expressed concerns over ability of Greece to repay its debt which it has taken from stronger economies like Germany, France, UK, US and others.

If Greece does not repay its creditors, a dangerous precedent will have been set. This will make investors increasingly nervous about the likelihood of other highly-indebted nations, such as Italy, or those with weak economies, such as Spain, repaying their debts. If investors stop buying bonds issued by other governments, then those governments in turn will not be able to repay their creditors - a potentially disastrous vicious circle.

If Greece's economy continues to contract sharply, the country may not be able to repay its debts, meaning it will need further help. If the rest of Europe is no longer willing to provide it, then Greece may be forced to leave the euro. However, European leaders are hoping that the Greek economy will slowly begin to recover, thanks to the wide-ranging reforms insisted upon by the EU and IMF, allowing Greece to make its repayments and once again, stand on its own two feet.

Case Study – Spain

Spain also has become the biggest worry facing the European Union, due to soaring unemployment rate and weakness of its banks. In 2010, Spain has pushed through a series of austerity measures meant to rein in its deficit. In December 2011, Mariano Rajoy, who won a parliamentary

majority in elections in November 2011, announced an austerity package consisting of $7.8 billion in tax hikes and $11.5 billion in spending cuts. Three months later, Mr. Rajoy had to announce that his government would not be able to meet the deficit targets it had promised, as the economy slid back into recession, depressing government revenues still further. In April, Spain's unemployment rate reached 24.4 percent, the highest in Europe and an especially stark figure given that the government had not yet begun to lay off public sector servants in any significant number.[1]

The country's banks were in even worse shape: an increasing number of debt-heavy Spaniards could no longer meet payments on mortgages that their banks were all too eager to give during the last decade's boom. In May, Bankia, the nation's largest real estate lender — requested an additional 19 billion euros in rescue funds from the country, far beyond initial government estimates. Spain's borrowing costs rose toward the redline of 7 percent, even as Mr. Rajoy continued to insist that there would be no need for a European bailout.

On June 9, 2012, responding to increasingly urgent calls from across Europe and the United States, Spain agreed to accept a bailout for its cash-starved banks as European finance ministers offered an aid package of up to $125 billion. In July, as the markets continued to pummel Spain, European finance ministers announced that the first, $37 billion installment of the bank rescue package would be disbursed by the end of the month, with the rest coming by the end of the year. They also agreed to ease Spain's deficit targets, although new cuts were needed to meet even the adjusted goals.

Role of the IMF

During the global financial crisis, a number of European countries requested financial support from the IMF to help them overcome their fiscal and external imbalances. In 2010-12, three members of the euro area—Greece, Portugal, and Ireland—also accessed IMF resources.

Most of IMF resources allocated to different activities in Europe are provided by Member States, primarily through their payment of quotas. Starting in early 2009, the IMF signed a number of new bilateral loan and note purchase agreements to bolster its capacity to support Member States during the global economic crisis. In early 2011, the amended and expanded New Arrangements to Borrow (NAB) became effective and was activated. At that point, the bilateral agreements of NAB participants were folded into the NAB.

In December 2011, euro area countries committed to providing additional resources to the IMF of up to 150 billion euro ($200 billion). Following the request of the IMF membership of 2011 through the International Monetary and Financial Committee and the general support by the G-20 leaders at the Cannes Summit, the IMF Executive Board discussed the adequacy of the Fund's

[1] The New York Times. http://topics.nytimes.com/top/news/international

resources in January and March 2012. In April 2012, numerous member countries pledged over $430 billion in additional bilateral commitments to further augment the IMF's resources.

In 2011, IMF conducted for the first time a European Financial Stability Framework Exercise (EFFE), which is expected to be a precursor to a Financial Sector Assessment Program (FSAP) for the EU. A particular focus of the 2011 EFFE was the internal consistency of the design of the new EU financial stability framework, which is being markedly strengthened with more responsibility for financial stability moving to the EU level. An EU FSAP will take place in the second half of 2012.

As of August 15, 2012, the IMF had arrangements with 10 countries in Europe with commitments totaling about €124.06 billion or $186.97 billion (using the exchange rates prevailing on August 15, 2012). This means that, of the IMF's total disbursing and precautionary commitments, about 62 percent are currently to Europe as a whole.

Most of the first wave of IMF-supported programs in 2008-09 was for countries in emerging Europe. The IMF provided front-loaded, flexible, and high levels of financing for many emerging European countries. In EU countries—including in Hungary, Latvia, and Romania—this financing was provided in conjunction with the EU. The IMF also provided financing to Iceland when its banking system collapsed in late 2008.

The experience developed with the joint programs in Central and Eastern Europe proved useful when euro area countries—Greece, Ireland, and Portugal—requested IMF support. At that stage, the collaboration was further extended to include another partner—the ECB. This enhanced cooperation between the IMF, the EC, and the ECB in program countries has become known as the "Troika."

Most recently, the IMF has agreed to monitor European financial assistance for Spain's bank recapitalization program under technical assistance. The purpose of the IMF's involvement is to support the efforts of the Spanish authorities to restore the health of the financial sector by providing independent advice. This will involve monitoring Spain's financial sector regularly, including the progress on the financial sector reforms the government has committed to when it agreed the loan with its European partners.

Another cooperative effort, the European Bank Coordination Initiative (better known as the "Vienna Initiative"), was launched at the height of the financial crisis to prevent a large-scale and uncoordinated withdrawal of cross-border bank groups from the region, something that could have triggered systemic bank crises not only in individual countries but in the region as a whole.

The Vienna Initiative brought together the IMF, the European Bank for Reconstruction and Development, the European Investment Bank, the World Bank, the EC and ECB, home and host country central banks, regulatory and fiscal authorities, as well as the largest western banking groups active in emerging Europe. It helped ensure that foreign banks remained engaged in Eastern Europe

and that overall commitments remained intact, in conjunction with IMF-EU supported packages for Bosnia and Herzegovina, Hungary, Latvia, Romania and Serbia.

Controversies with the EU agreements

The EU's Maastricht Treaty contains juridical language which appears to rule out intra-EU bailouts. First, the "no bail-out" clause (Article 125) ensures that the responsibility for repaying public debt remains national and prevents risk premiums caused by unsound fiscal policies from spilling over to partner countries. The clause thus encourages prudent fiscal policies at the national level.

The European Central Bank's purchase of distressed country bonds can be viewed as violating the prohibition of monetary financing of budget deficits (Article 123 TFEU). The creation of further leverage in EFSF with access to ECB lending would also appear to violate the terms of this article.

Articles 125 and 123 were meant to create disincentives for EU member states to run excessive deficits and state debt, and prevent the moral hazard of over-spending and lending in good times. They were also meant to protect the taxpayers of the other more prudent member states. By issuing bail-out aid guaranteed by prudent eurozone taxpayers to rule-breaking eurozone countries such as Greece, Spain, Italy and Portugal, the EU and eurozone countries also encourage moral hazard in the future. While the no bail-out clause remains in place, the "no bail-out doctrine" seems to be a thing of the past.

As the IMF became one of the guarantee of the financial and economic safety and security of the euro area, the Executive Board of the Fund shall coordinate and regulate the European financial issues and, therefore, establish the comprehensive program for the euro area way out from the sovereign debt crisis.

What is expected from delegates?

The delegates of the IMF Executive Board shall analyze the current measures, implemented by the European community (primarily by euro area), proposals that are discussed by the European institutions, the G20, famous economists. Delegates, take into account the benefits and drawbacks of the proposals for their own country or economic bloc, shall establish the policy of the state and find the solution how to solve the sovereign debt crisis in Europe and achieve the consensus about the IMF final policy advice toward euro area.

The recommendations may include monetary, fiscal measures of the European states and economic and/or structural reforms of the European institutions.

Questions for Consideration:

1. What is connection between economic crises in 2009 and crisis which exists now?

2. What is role of IMF in stabilizing the situation in Eurozone?

3. How does the finance crisis in EU affect to the world economy? What can non-European States do to address these issues?

4. What will be more affective in stabilizing the finince situation: to reduce expense or to stimulate economy?

5. What Greek leaving of EU will bring to European Union? How it will impact on World economy and affect to the rest of the World?

Links:

http://www.imf.org/external/region/eur/index.htm

http://www.imf.org/external/np/exr/facts/europe.htm

http://www.imf.org/external/np/exr/facts/europe.htm

http://www.imf.org/external/pubs/ft/survey/so/2009/INT102809A.htm

http://www.imf.org/external/news/default.aspx?pn

http://www.imf.org/external/np/sec/pn/2012/pn1280.htm

http://www.imf.org/external/pubs/ft/survey/so/2012/CAR062112A.htm

http://www.imf.org/external/pubs/ft/gfsr/2012/01/pdf/text.pdf

http://www.guardian.co.uk/business/2012/apr/12/imf-eurozone-crisis-christine-lagarde

http://www.nytimes.com/interactive/2010/04/06/business/global/european-debt-map.html

3. The Need of Fiscal Transparency in Asian Emerging Countries

"*Fiscal transparency is defined as openness toward the public at large about government structure and functions, fiscal policy intentions, public sector accounts, and projections. It involves ready access to reliable, comprehensive, timely, understandable, and internationally comparable information on government activities so that the electorate and financial markets can accurately assess the government's financial position and the true costs and benefits of government activities, including their present and future economic and social implications*" (Kopits and Craig 1998: 1).[2]

Definition of fiscal transparency

The literature also provides specific examples of transparent budget reporting procedures: "A transparent budget process is one that provides clear information on all aspects of government fiscal policy. Budgets that include numerous special accounts and that fail to consolidate all fiscal activity into a single 'bottom line' measure are not transparent. Budgets that are easily available to the public and to participants in the policymaking process, and that do present consolidated information, are transparent".

As features of non-transparent financial reporting, Alesina and Perotti (1996) identify optimistic predictions on key economic variables and forecasts of the effects of new policies, and creative and strategic use of what is kept on or off budget, budget projections, and multi-year budgeting. More transparent procedures have four distinct characteristics. First, more transparent procedures should process *more information*, and, other things equal, do so in *fewer documents*. This speaks to openness and ease of access and monitoring. Second, the possibility of *independent verification*, which has been shown experimentally to be a key feature in making communication persuasive and/or credible, increases transparency. Third, there should be a commitment to *non-arbitrary language*: words and classifications should have clear, shared, unequivocal meanings. The use of generally accepted accounting principles in some of the American states is a good example of this. Finally, the presence of *more justification* increases transparency, reducing the optimism and strategic creativity referred to above.

Fiscal Transparency History to Present Day

The preparation of government-wide accrual-based accounts is a relatively new phenomenon, having arisen in the 1990s in countries such as Australia, New Zealand, Sweden, and the United States. Not surprisingly, there remain important unanswered questions about what constitutes good financial reporting by governments and how that differs from good reporting by companies.

[2] In studying retrospective economic voting, the political science literature calls this consequence of transparent institutions "clarity of responsibility" (Paldam, 1991; Powell and Whitten, 1993; Lowry, Alt, and Ferree, 1998; Nadeau, Niemi, and Yoshinaka, 2002; Alt, Lassen, and Skilling 2002).

Inadequate regulation and supervision as well as the lack transparency in government and private financial sector are without question the main cause of the economic crisis in the late 90s. The crisis has triggered the G7 countries to pursuit an intensive discussion that resulted in the establishment of the Financial Stability Forum (FSF) in April 1999. The IMF and the World Bank has also undergone similar effort to improve the soundness of the international financial framework through the Financial System Assessment (FSA). Since 1998, the IMF has also prepared a Code of Good Practices on Fiscal Transparency that later became a major element of the International Standard and Codes within Reports on the Observance of Standards and Codes (ROSCs). Furthermore, IMF together with the World Bank is designated to serve as the coordinator of the implementation of the ROSCs. From the total of 12 sectors of ROSCs, IMF supervises the sector of Data, Fiscal Transparency, Monetary and Financial Policy, while the World Bank supervises Banking Supervision, Insurance Regulation, Securities Market, Insurance, Payment System, Corporate Governance, Accounting, Auditing, and Insolvency and Creditor Right.

The Code on Good Practices on Fiscal Transparency (CGPFT)

The CGPFT was adopted by the IMF on 1998. The Code, together with the explanatory Manual on Fiscal Transparency, is based on the following four principles which provide the organization of the Code.

The first principle deals with the *clarity of roles and responsibilities* of the government. This principle assesses the extent to which the non-commercial activities of the government are clearly distinguished from the rest of the economy; how clearly defined the responsibilities of the executive, legislative and judicial branches are; how the budgetary and extra-budgetary activities are coordinated and managed; how clear are the arrangements between the government and non-government public agencies; how clear and nondiscriminatory is the government involvement in the private sector; how open and comprehensive are the budget laws defining the commitment and administrative rules; how explicit, easily accessible and understandable is the legal framework for taxation; and how well defined and publicized are ethical standards of public servants' behavior.

The second principle, *public availability of information*, relates to the publication of comprehensive fiscal data and information at specified times. The principle stresses the publication of all the budgetary and extra-budgetary operations of the government; the comparison of the current year budget with two previous year outturns and to two projected year fiscal aggregates; the assessment of quasi-fiscal activities, contingent liabilities, and tax expenditures; the publication of full information on the level and composition of government's debt and assets as well as the consolidated account with the sub national level of government; the legal obligation nature of fiscal data publication and the need to announce advance release date calendars for fiscal publications.

The third principle is about *open budget preparation, execution and reporting*. The annual budget framework should include an assessment of fiscal sustainability and be based on fiscal policy objectives; fiscal rules should be clearly specified; the annual budget should be prepared within a comprehensive and consistent quantitative macro framework, and the main assumptions underlying the budget should be provided; the budget should identify major fiscal risks; budget data should be reported on a gross basis distinguishing revenue, expenditure, and financing, with expenditure classified in economic, functional and administrative category; the public sector balance should be reported in cases where non government public agencies undertake significant quasi fiscal activities; payments arrears should be comprehensively reported; procurement and employment regulations should be standardized and accessible to all parties; budget execution should be internally audited, and audit procedures should be open to review; the tax administration should be legally protected from political direction, a mid-year report on budget developments should be presented to the legislature.

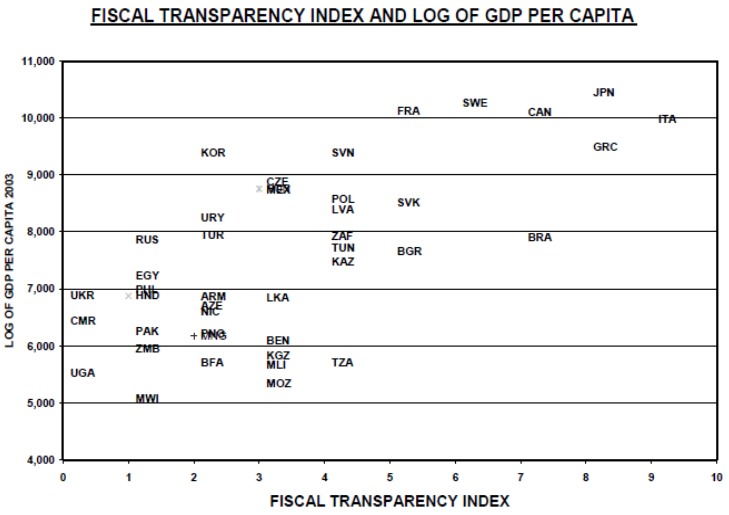
Finally, the fourth principle refers to *assurances of integrity*. Budgetary data should reflect recent revenue and expenditure trends, underlying macroeconomic developments, and well-defined policy commitments; the annual budget and the final accounts should specify the accounting basis (cash or accrual) and the standards used in the compilation and presentation of data; specific assurances should be provided as to the quality of the fiscal data. It should be indicated if fiscal data is internally consistent and has been reconciled with data from other sources; a national audit body, which is independent of the executive, should provide timely reports to the legislature and public on the financial integrity of fiscal accounts; independent experts should be invited to asses fiscal forecasts; an independent national statistics agency should verify the quality of the fiscal data.

Role of IMF

Major progress has been made throughout virtually the entire IMF membership toward fiscal transparency. The IMF has played a role in this endeavor through various channels: surveillance in the context of Article IV consultation discussions and World Economic Outlook (WEO) exercises; conditionality in IMF-supported programs; technical assistance, including training covering a wide range of public finance and statistical issues; development and publication of the Government Finance Statistics (GFS) Database; development of standards for data dissemination; publication of research on selected fiscal policy issues; and the recent initiative to promote good governance. For the most part, with the exception of technical assistance, IMF involvement has focused on fiscal transparency at the macroeconomic level, as well as on microeconomic issues (e.g., quasi-fiscal operations of public enterprises) that have direct macroeconomic repercussions.

In recent years, most IMF member countries have made important steps toward greater fiscal transparency. To be sure, however, even the advanced economies exhibit some nontransparent

arrangements and practices. The economies in transition—which until the beginning of the decade had conducted fiscal policy in virtual secrecy—have made the greatest leap toward transparency, although some of them still have among the least transparent fiscal systems. Considerable scope remains for eliminating nontransparent practices in many countries; nevertheless, it is important to keep in mind the distinction between unintended non-transparency attributable to slow technical and institutional development and deliberate misrepresentation or suppression of information. The latter, in principle, can be remedied over a shorter time horizon.



In future, for the advanced economies, the main priority appears to lie in making public comprehensive information to facilitate the debate over fiscal discipline and debt sustainability issues. To this end, more precise specification of policy targets and subsequent monitoring of progress toward achieving them are required. These steps, in turn, presuppose increased attention to most measurement issues raised in the previous section, including those that bear on the intertemporal implications of fiscal policy—especially entitlement programs associated with aging. In particular, progress on these issues involves estimates of net unfunded liabilities and quasi-fiscal operations, costing of tax expenditures and regulation, and improved documentation of fiscal projections.

In the developing economies, attention should be focused on institutional reforms—enhancing transparency mainly in the budget process, taxation, and quasi-fiscal activities of public or private nonfinancial enterprises and financial institutions—and on the compilation and dissemination of essential fiscal data and projections. The economies in transition share many of the needs of developing countries, but their history of secrecy—including widespread quasi-fiscal activities and data systems oriented to planning rather than to market needs—may make it more difficult for them to move rapidly toward transparent fiscal practices. In many Asian developing and transition economies, efforts in this area are particularly important for promoting good governance.

Asian Emerging economies

More green shoots have appeared in America in recent weeks, but they are nothing by comparison with the lush jungle sprouting in the East. Asia's emerging economies probably grew at an average annualised rate of over 10% in the second quarter, while America's GDP fell by 1%. In 2009

as a whole, recent forecasts suggest that emerging Asia could grow by at least 5%, while the G7 economies contract by 3.5%.

Average growth figures conceal big differences within Asia over the past year. China, India and Indonesia were among the few economies in the world that continued to expand throughout the global downturn (though China's virtually stalled late last year). Between September and March real GDP fell by an average annualized rate of 13% in Hong Kong, Malaysia, South Korea, Singapore, Taiwan and Thailand. All of these Asian emerging countries growing while several countries in Europe and America faced a trouble in their economic growth. Many experts believe that the crisis might be happened related with a kind of policy which is mainly about not publish all of the fiscal policy and transaction in to the public.

Many analyses of public debt focus on the number of actors involved in the budget process. Two conjectures predominate: either there is a "common pool problem" so that actors do not internalize the full cost of their spending or there is a "fragmentation problem" so that they cannot coordinate, for instance on a response to negative shocks. "Actors" include the number of spending ministers, parties in a governing coalition, decentralized units in a federal system, or veto players. Since there are a lot of Asian Countries play their significant role in worldwide economic situation, the attention of fiscal transparency should be paid comprehensively. The cooperation among United Nations special committee, parties in government, and people are needed through this project.

In summary, the case for fiscal transparency rests on the fundamental principles of public finance: stability, efficiency, and fairness. Overall, fiscal transparency tends to be associated with fiscal discipline and enhances good governance, thus contributing to improved economic performance. Because transparency leads to government accountability—whereas, conversely, statutory accountability requirements can bring about transparent practices—and credibility, the beneficial effects are reflected in lower risk premiums in financial markets and stronger support of government policies by a wellinformed electorate. Nonetheless, the arguments in favor of transparency are subject to certain caveats; under certain well-defined circumstances and for a limited time, access to sensitive budget data or information on specific policy measures that may confer unfair benefits on some groups may have to be restricted to a few key government officials.

What is expected from delegates?

Delegates are expected to elaborate the strategy of fiscal transparency mechanism implementation in Asian Emerging countries, taking into consideration the national peculiarities of doing business. Basing on the experience of implementing fiscal transparency in your own countries and internationally adopted principles and methods, you shall combine them in the joint comprehensive fiscal policy advice.

Critical Questions

1. What is fiscal transparency? How has the meaning of fiscal transparency in Asian Emerging Countries, and how should it be defined?

2. How far is the use of force the defining characteristic of fiscal transparency? How should fiscal transparency be redefined in Asian Emerging Countries?

3. How far is fiscal transparency force policy an effective instrument for the promotion of development projects?

4. What are the strengths and weaknesses of a strategy of fiscal transparency?

5. On what grounds should fiscal transparency policy be implemented? Are current standards enough?

6. How do non-state actors (NGOs, world organization, etc.) affect fiscal transparency policy before, during, and after implementation? How should states and the UN deal with such actors, and how can they be held accountable?

7. What should be done if people need such a fiscal transparency, but the local policy does not support that?

8. How has the IMF evolved? What more can be done?

9. What lessons about the present role and future of the UN and the IMF can be used to implement the fiscal transparency?

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VOTING RIGHTS IN IMF EXECUTIVE BOARD

Unlike the UN principle of equal rights of Member-States, the IMF established the quota system of voting rights. The bigger number of reserves a Member Country provides to the Fund, the more votes it receives.

The Executive Board (the Board) is composed of 24 Directors, represent 8 Member Countries (China, France, Germany, Japan, Russia, Saudi Arabia, United Kingdom, United States) and 16 groups of countries, united into regional or economic blocs.

In order to adopt the substantive decision the Board shall have 50% + 1 vote of quotas in favor.

The table below shows quota and voting shares for IMF members in the Executive Board.

Director Alternate	Casting Votes of Countries	Total Votes by bloc	Percent of Fund Total
1) United States	United States	421,961	16.75
2) Japan	Japan	157,022	6.23
3) Germany	Germany	146,392	5.81
4) France	France	108,122	4.29
5) United Kingdom	United Kingdom	108,122	4.29
6) Hungary	Austria, Belarus, Belgium, Czech Republic, Hungary, Kosovo, Luxembourg, Slovak Republic, Slovenia, Turkey	125,191	4.97
7) Guatemala	Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Spain, Venezuela	117,029	4.64
8) Israel	Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Macedonia, Moldova, Montenegro, Netherlands, Romania, Ukraine	113,783	4.52
9) Italy	Albania, Greece, Italy, Malta, Portugal, San Marino, Timor-Leste	107,223	4.26
10) Philippines	Brunei Darussalam, Cambodia, Fiji, Indonesia, Laos, Malaysia, Myanmar, Nepal, Philippines, Singapore, Thailand, Tonga, Vietnam	99,023	3.93
11) China	China	95,996	3.81
12) South Korea	Australia, Kiribati, Korea (South Korea), Marshall	91,302	3.62

	Islands, Micronesia, Mongolia, New Zealand, Palau, Papua New Guinea, Samoa, Seychelles, Solomon Islands, Tuvalu, Uzbekistan, Vanuatu		
13) Canada	Antigua and Barbuda, Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines	90,672	3.60
14) Norway	Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, Sweden	85,615	3.40
15) South Africa	Angola, Botswana, Burundi, Eritrea, Ethiopia, Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Nigeria, Sierra Leone, South Africa, Sudan, Swaziland, Tanzania, Uganda, Zambia. Zimbabwe	81,022	3.22
16) United Arab Emirates	Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, Syria, United Arab Emirates, Yemen	80,061	3.18
17) India	Bangladesh, Bhutan, India, Sri Lanka	70,693	2.81
18) Colombia	Brazil, Colombia, Dominican Republic, Ecuador, Guyana, Haiti, Panama, Suriname, Trinidad and Tobago	70,616	2.80
19) Saudi Arabia	Saudi Arabia	70,592	2.80
20) Serbia	Azerbaijan, Kazakhstan, Kyrgyzstan, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan	69,818	2.77
21) Russian Federation	Russian Federation	60,191	2.39
22) Pakistan	Afghanistan, Algeria, Ghana, Iran, Morocco, Pakistan, Tunisia	57,071	2.26
23) Bolivia	Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay	46,317	1.84
24) Togo	Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, DR Congo, Congo, Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea-Bissau, Mali, Mauritania, Mauritius, Niger, Rwanda, São Tomé and Príncipe, Senegal, Togo	38,973	1.55
Total of eligible Fund votes		**2,512,807**	**99.73**

DOCUMENTS

The IMF delegates are to write four documents on the above mentioned agenda items. These documents are:

1) Memorandum of Economic and Financial Policies for the 1st agenda item
2) 2 policy papers on the 2nd and 3rd agenda item.
3) One Resolution on the 2nd or 3rd agenda item.

Memorandum of Economic and Financial Policies (MEFP)

The document for all the delegates of IMF for the 1st agenda item is the same for Serbia and IMF donors. The purpose of this document is to prepare a project of the contract between the IMF and the Republic of Serbia about the Stand-By Arrangement loan.

The Memorandum includes 4 blocs: **Executive Summary, Introduction, Loan Terms and Conditionality**.

The Executive Summary is divided into two sub-blocs: Background and Main elements of the program:

Background includes short explanation why Serbia needs the IMF loan (no more than 5 points, up to 3 lines foreach point).

Main elements of the program include the following statements:

- How much money should IMF provide for Serbia (in SDR) and for which period of time, with the equivalent to quota of Serbia
- Purpose of the IMF loan, (no more than 5 points)
- Risks. No less than 3.

Note (!): There shall be no more than 3 lines for each point

I. Introduction includes the following statements:

- Review of economic changes in the country during last ten years (no more than 20 lines totally)
- Relations between Republic of Serbia and the IMF, the information concerning funds provided for Serbia by IMF for last ten years and other agreements between them.

II. Loan Terms include the following points:

1. Loan sum
2. Currency
3. Maturity
4. Grace period (if applicable)
5. Interest rate

Note (!): Delegates are expected to do research in the field of SBA loan terms to correctly fill this section and to reflect real SBA terms in some extend.

IV. Conditionality might contain following sub-blocs:

- **Prior Action**
- **Quantitative Performance Criteria**
- **Structural Performance Criteria**
- **Structural Benchmarks**

Under Conditionality all the delegates except the delegate of Serbia should write economic, social, structural and political reforms. Delegate of Serbia should write here what changes they are willing to implement to receive the IMF SBA funds and for which needs or reforms Sebia applies for the IMF loan.

Policy paper

A written policy statement is REQUIRED of all states delegations participating in the Annual Session of the MUNRFE. A policy paper should be prepared by each delegate for each agenda item that will be discussed. The statements are to be based upon the knowledge that the delegation has acquired of its country and of the agenda items.

The written statements serve several functions for the delegation preparing for the conference. First, it provides an important exercise in the concise expression of national policy views. Second, it provides an important guide post in the preparation efforts. Third, it will provide a policy reference file in each committee during the conference session. Fourth, hopefully it will foster clearer, more concise and directed committee discussions. The policy statement must be 2/3 of sheet in length. It must consist of three paragraphs and contain the following:

The first paragraph

a. Background of the main elements of the problem or concern (e.g. brief historical overview of the issue)

b. UN action taken in the past on the issue

c. Can include, if appropriate, positions on the issue of major blocs or groups of nations;

The second paragraph

a. Provide the current status of the issue,

b. Current action or resolutions by the UN (i.e. current or last session of UN);

The third paragraph

a. Main reasons that support your country's point of view or position on the issue, or strongest reasons favoring opposition and strongest points of rebuttal,

b. Solution or resolution your country might propose to the issue.

The proposed solution should be directed toward the issue at the international level and not toward the selected country's internal policy.

Important note: If the selected country has 5 seats and the delegation only has 4 delegates in fact, the delegation is still responsible for the submission of policy papers and resolutions for all 5 seats to which the country is assigned in case it claims to occupy the position of the best three teams at the Conference.

Resolution

A resolution is a formal statement of opinion or recommendation to be presented to the appropriate organ of the MUNRFE for adoption. Armed with a full understanding of its country's stand on an issue, a delegation can draft a suitable resolution on the issue. A resolution must be directly concerned with the agenda item and must accurately represent the position and national policy of its proposer and sponsors. Resolutions are the basic decisions or statements of the constituent units of the United Nations. While drafted by individual states or groups thereof, they declare the official policy for the particular organ or body. While resolutions have a standard format, they may serve different purposes. Most resolutions state or reaffirm Assembly policy on a particular item. Some resolutions include an entire treaty, declaration, or convention, making it available for state accession. Some resolutions may give directions, requests, or suggestions to other UN bodies, other international bodies, or specific funds and programs. They may condemn the actions of a state, urge collective action, and, in the case of the Security Council, require compulsory compliance.

The length of resolution is not limited but should be of a reasonable size and sufficient for encompassing all important details. The resolution can be divided into two parts: preamble and operative.

The preamble phrases are the justifications for action. They denote Charter authorization for action, past resolution precedents, and statements about the particular problem. They are similar to the given in a logic proof. All actions taken in the resolution should be deductible from or supported by the preamble phrases.

The policy portion of the resolution is composed of operative paragraphs. Each of these starts with a verb. Taken as a whole, the operatives should deal thoroughly with one complete idea and should be arranged in logical progression. They should not be a collection of unrelated thoughts or statements on a broad topic. Instead, the resolution should deal as completely as possible with a given aspect of a topic. In doing so, more states can become involved in the resolution process, the quality of the resolutions will improve, and the overall treatment of a topic will be more detailed and specific.

Delegations are required to submit one high quality draft resolution on one agenda item prior to conference. Additionally, delegates are urged to draft a resolution on each of the other agenda items before conference. All drafts should reflect the positions and ideal outcomes desired by the countries represented. At the Conference however, it is stressed that these resolutions should not be expected to be submitted to the Chairperson in their draft form or unchanged. They should rather, be seen as starting points for discussion and negotiation with other countries during caucus sessions. It is expected that delegates, while striving to role play their countries accurately, should strive to combine the best parts of several draft resolutions. The result should be the creation of a more comprehensive resolution on which there is greater consensus.

The format of the documents is as follows:

Memorandum of Economic and Financial Policies (MEFP) Format

Margins: Up – 2 cm, Down – 1.5 cm, Left – 3 cm, Right – 1.5 cm;

The heading: first the FULL name of the country, then the name of the committee, then the name of the document;

then skip 2 lines, "The Stand-By Arrangement for the Republic of Serbia" (see example below), then skip 1 line; and

the first bloc starts. The name of all blocs and sub-blocs shall all be **bold**;

There is a SINGLE SPACE between each name of blocs, each name of sub-blocs and each paragraph:

The entire text should be JUSTIFIED, except the name of blocs (CENTERED);

The font is Times New Roman, 12.

MEFP should not be longer than 5 pages of the A4 length (18 cm) INCLUDING the heading.

Please refer to the document sample below.

For Policy Papers:

Margins: Up – 2 cm, Down – 1.5 cm, Left – 3 cm, Right – 1.5 cm;

The heading: first the FULL name of the country, then skip one line, the name of the committee (INTERNATIONAL MONETARY FUND); then again skip one line, AGENDA ITEM, then skip 2 lines and the first paragraph starts. The heading of the policy paper is all in CAPITAL LETTERS;

There is 0.7 cm INDENT in the beginning of each paragraph below the heading;

There is a SINGLE SPACE between each paragraph;

The entire text should be JUSTIFIED (even on both margins);

The font is **Times New Roman, 12**.

Policy Papers should not be longer and shorter than 2/3 of the A4 length (18 cm) INCLUDING the heading. All three parts should have approximately EQUAL SIZE; otherwise, the evaluation on format will be influenced.

For Resolutions:

Margins: Up - 2 cm, Down – 1,5 cm, Left – 3 cm, Right- 1,5 cm.

The heading of the resolution looks like this:

First: E/11/1/Res.1 (E means ECOSOC, 11 – number of session, 1 – number of agenda item, Res.1 – number of a resolution)

No space

Second: Committee name

No space

Third: XI MUNRFE International Conference

No space

Forth: name of the country you represent

Then DOUBLE space

Name of the resolution CENTERED and in CAPITAL LETTERS

Then SINGLE space and you write the phrase: The International Monetary Fund Executive Board,

Then single space and first preamble clause starts

Also keep in mind that there is a single space between the clauses, and double space between preamble and operative clause.

The entire text should be JUSTIFIED (even on both margins).

Make sure you use **Times New Roman, 12.**

DEADLINES

The delegates of the International Monetary Fund shall submit the following documents:

MEFP on the first agenda item are to be submitted by 23.59 on **December 2, 2012, GMT +10**.

2 Policy Papers on 2nd and 3rd agenda items are to be submitted by 23.59 on **December 2, 2012, GMT +10**.

1 Resolution on any agenda item is to be submitted by 23.59 **on December 9, 2012, GMT +10**.

A leader of a team sends all the documents of his/her teammates in one archive to xi_munrfe_ic_sg@mail.ru.

Each document should be named as follows:**CountryName_Committee_Document-Name_NumberOfIssue.doc**, e.g. **Peru_IMF_PP_1.doc**, **Chili_IMF_MEFP.doc**, or **UK_IMF_Res_3.doc**.

Please save documents as .doc but not .docx

Please, take into account that in case you are late with your documents sending, you won't have a chance to get high scores for them.

Anyway, if you are eventually late with the deadlines, it doesn't mean that you mustn't send your documents at all.

Please, contact us if you have any questions: swanson@bk.ru

SAMPLE OF DOCUMENTS

Policy Paper

THE REPUBLIC OF CAMEROON
AFRICAN UNION
NEPAD: PROGRESS IN IMPLEMENTATION AND INTERNATIONAL SUPPORT

Historical introduction to the topic (with exact date).

Description of NEPAD's authority and their functions in years 2001-2004 (exactly past).

Results of actions described above.

Reaction of international community (again with exact dates)

Introduction to the challenge of this Policy Paper.

The adoption of the New Partnership for Africa's Development (NEPAD) by the African Heads of State and Government in 2001 signed a new beginning that would inspire and energize socio-economic renewal of the continent. In 2001-2004, the focus of the Heads of States and Government Implementation Committee (HSGIC), the primary authority of NEPAD, together with the activities of NEPAD Secretariat was on advocacy and elaboration of sectoral development programs. As the result, the African Peer Review Mechanism (APRM), Comprehensive Africa Agriculture Development Programme and other sectoral plans were developed. At the global level, in 2002 the United Nations adopted NEPAD as a framework for its agencies working in Africa. The Group of Eight also supported NEPAD by developing in 2002 the Africa Action Plan focused on the program's objectives. However, in terms of the overall strategy, further NEPAD implementation was considered to be the responsibility of national governments, Regional Economic Communities (RECs) and the African Union (AU) that would become the centers of activity from 2004.

SF obligatory component – involvement of your country to the issue.

Reasons of challenge – Answer to the question "WHY?"

Challenge itself.

Analysis of current failures (the latest dates – indicator of adequacy of proposals that will be in the 3rd part of PP.

Conclusion of analysis of the challenge.

Being one of twenty members of the HSGIC, the Republic of Cameroon participates in a number of NEPAD's sectoral plans, including APRM, the NEPAD Cities Programme, and e-Schools initiative. However, NEPAD appears to be not the only development framework in the country being implemented along with the policies under the Poverty Reduction Strategy Paper. As such a diversification of development programs and, consequently, resources for their implementation is typical for most of African States, NEPAD is considered to be a competing framework that requires additional funding. Therefore, NEPAD objectives are still not integrated by most of African governments into their national development plans. Moreover, the role of NEPAD Secretariat in the implementation phase has not been agreed with the AU Commission, although the NEPAD's integration into AU structures and processes is to be completed by June 2008 according to the decision of the 17th HSGIC Summit in 2007. Consequently, the expected shift in the activity from the NEPAD Secretariat to national governments, RECs and AU does not accompany the current stage of the program's implementation.

Country's official policy to the issue

Proposal itself.

Detailed explanation of proposal

The Republic of Cameroon believes that the challenges to the current implementation phase are not insurmountable. Cameroon considers that in order to overcome them it is crucial to clarify NEPAD status within the AU structures in the context of on-going NEPAD integration into the AU. In this regard, the Republic of Cameroon proposes NEPAD Secretariat to be a development agency within the AU. The primary functions of the NEPAD Agency will be harmonization of existing development frameworks in African countries, assistance in implementing on-going national development initiatives and support in elaboration of new ones. In addition to that, the NEPAD Agency will be generating innovative strategies for external and internal partnership aimed at funding development projects. Cameroon deems that the mechanism of interaction between NEPAD and national governments is to be determined by each individual country, while in order to fulfill the proposed functions the NEPAD Agency will be working, first of all, through RECs where NEPAD focal points will be established.

Sample of the MEFP

The French Republic
The International Monetary Fund
Memorandum of Economic and Financial Policies

Stand-By Arrangement for the Republic of Iceland

Executive Summary

Background

Iceland's economy is in the midst of a banking crisis of extraordinary proportions that is expected to lead to a deep recession, a sharp rise in the fiscal deficit, and a dramatic surge in public sector debt, reflecting a very high fiscal cost of restructuring the banking system.

The virtual collapse of the on-shore foreign exchange market poses a serious and immediate risk to the economy considering its very high import dependence.

Main elements of the program

The authorities have requested a two-year Stand-By Arrangement from the Fund in the amount of SDR 1.4 billion (1190 percent of quota), with SDR 560 million available upon Board approval and the remainder in eight equal installments of SDR 105 million, subject to quarterly reviews.

The purpose of the loan is addressing three key challenges: preventing further sharp krona depreciation, ensuring medium-term fiscal sustainability and developing a comprehensive bank restructuring strategy.

The immediate emphasis of the program is on stabilizing the króna, to reduce the risk of highly adverse balance-sheet effects and attendant further output compression.

The medium-term purpose is to secure medium-term fiscal sustainability following the sharp increase in public sector debt in end 2009-2010.

The long term purpose is the bank restructuring strategy that includes measures to ensure fair valuation of assets, maximize asset recovery, and strengthen supervisory practices, among other measures.

The risk of potentially large capital outflows is significant.

Significant risk of losing capacity to repay the Fund arises from the scale of public and public sector guaranteed external debt and the sum of the exceptional loan.

The banking sector disruption is of an unprecedented scale and there is a risk that its resolution could take much time.

I. Introduction

Iceland's economy is facing a banking crisis of extraordinary proportions. Caused by a loss of confidence and fuelled by the financial sector's high leverage and dependence on foreign

financing, the crisis led to the collapse of Iceland's three main banks, accounting for around 85 percent of the banking system. This accelerated a sharp adjustment in key asset prices and severely disrupted operations in the onshore foreign exchange market and external payment systems. The economy is heading for a deep recession, a sharp rise in the fiscal deficit, and a dramatic increase in gross public sector debt reflecting an unprecedented high fiscal cost of restructuring the banking system.

Iceland's highly leveraged economy was unprepared to withstand the global financial turmoil. Over the past several years, a number of underlying imbalances built up, which made the economy vulnerable to strong external shocks. A long homegrown, foreign-funded boom led to overstretched private sector balance sheets, with high corporate and household debt and a large share of foreign exchange-linked and inflation indexed debt. The current account deficit surged to over 15 percent of GDP in each of the past three years, and inflation soared.

Completely privatized in 2003, the banking sector relied on the availability of ample foreign wholesale funding to rapidly expand abroad and accumulate almost 900 percent of GDP in assets by end-2007. At the same time, gross external indebtedness reached 550 percent of GDP at end-2007, largely on account of the banks. These imbalances and the heightened risk of creditworthiness and contributed to an increased change of the exchange rate throughout 2008.

Reflecting its prosperity and sound macroeconomic performance, Iceland has not borrowed from the Fund for over two decades. The last time it used resources of the Fund was under the Compensatory Financing Facility (CFF) in 1982, on account of a temporary shortfall in fish and aluminum export earnings. Iceland has had no outstanding obligations to the Fund since 1987.

II. Loan Terms

Access: 1.4 billion.

Currency: SDR

Maturity: 5 years

Grace period: 2 years

Interest rate: triple SDR Interest Rate (reconsideration annually)

III. Conditionality

Prior Actions

Raise the policy interest rate to 18 percent.

Establish a committee comprising representatives from the Prime Minister's Office, the Financial Supervisory Authority, the Central Bank of Iceland, the Ministry of Finance and the Ministry of Commerce to coordinate policy input, chaired by the expert in charge of the bank restructuring process.

Quantitative Performance Criteria

A floor on the central government net financial balance (-12 bn krona in December 2008, -55 in March 2009, -55 in June 2009)

A ceiling on new medium and long term external debt (4000 mln US dollars in December 2008, 4075 mln US dollars in March 2009, 4150 mln US dollars in June 2009).

A ceiling on short-term debt (650 mln US dollars in December 2008, 650 mln US dollars in March 2009, 650 mln US dollars in June 2009).

Structural Performance Criteria

A capital injection into the three new banks, made using tradable government bonds issued on market terms, to raise the capital adequacy ratio to at least 10 percent (by end-February 2009).

An experienced banking supervisor to provide an assessment of the regulatory framework and supervisory practices, including rules on liquidity management, connected lending, large exposures, cross-ownership, and the "fit and proper" status of owners and managers, and propose needed changes (by end-March 2009)

Structural Benchmarks
Develop a strategy for asset recoveries (by end-November 2008).

Iceland Financial Supervisory Authority to review the business plans of each of the new banks (by January 15, 2009).

International Auditing Firms to conduct valuations of the old and new banks using a methodology in accordance with international best practice (complete by end-January 2009).

Prepare plans to embark on medium-term fiscal consolidation (by end-2008). Improve the medium-term fiscal framework. (by end-June 2009).

Resolution

E/11/1/Res.1
International Monetary Fund
XI International MUNRFE Session
The French Republic

INSTITUTIONAL AND ECONOMIC REFORMS IN CENTRAL AFRICAN ECONOMIC AND MONETARY COMMINITY

The International Monetary Fund Executive Board,

Recalling all previous relevant Board's documents, including its Public Information Notice No. 11/138 of 11 November 2011,

Taking into consideration that five of the six the Central African Economic and Monetary Community (CEMAC) countries are oil producers, and oil accounts for 41 percent of regional GDP and 86 percent of total goods exports.

Noting that, despite channeled through government spending and the oil revenue as a main driver of economic activity, it is unlikely that the region will meet the Millennium Development Goals by 2015,

Deploring that despite inflation slightly above the convergence criterion of 3 percent and high excess liquidity, the Banque des Etats de l'Afrique Centrale (BEAC) left its policy rate unchanged,

Concerned that public debt remained low at about 18 percent of Gross Domectic Product, as the scaled-up investment is primarily financed from buoyant oil revenue, the current account deficit narrowed despite high import demand from the expansionary fiscal stance and, consequently, international reserves strengthened to about five months of total imports or nearly 100 percent of broad money in 2011,

Convinced that while progress has been made de in improving the convergence criteria, the CEMAC is facing challenges from deep-seated structural problems,

Stressing that the ongoing crisis in the euro area has brought to the forefront a currency union's policy challenges stemming from loss of competitiveness, lack of fiscal coordination, and loose economic and financial integration,

Deeply convinced that the authorities are facing challenges in ensuring fiscal policy coordination and external sustainability; improving the conduct of monetary policy; ensuring financial stability and development; and enhancing growth and competitiveness,

Considering an urgent need to further strengthen the CEMAC's common institutions,

1. Welcomes the CEMAC region's good macroeconomic performance in 2011, underpinned by high oil-related inflows,

2. Notes that while the region's economic prospects remain favorable, it is vulnerable to external developments and challenges arising from structural weaknesses,

3. Commends the authorities for the progress made in improving the convergence criteria and emphasizes the need to address the uncoordinated fiscal policy, financial sector weaknesses, and obstacles to growth and competitiveness,

4. Stresses the importance of strengthening the regional surveillance framework to ensure fiscal coordination,

5. Underscores the need to expedite monetary policy reforms with key priorities to strengthen monetary analysis, rationalize monetary policy instruments, harmonize the required reserves ratios, and develop the regional government securities and interbank markets.

6. Notes that foreign exchange reserves are adequate and that the real exchange rate appears to be broadly aligned with economic fundamentals in the region,

7. Stresses the importance of compliance with the rule for pooling reserves at the Bank of Central African States and highlights the need to reform the management of oil savings,

8. Urges the authorities to accelerate financial sector reforms, that should include measures to resolve the situation of financially weak banks, strengthen the prudential and regulatory framework, and further develop the financial sector,

9. Calls for stronger efforts to foster further integration, strengthen growth, especially non-oil sector growth, and boost competitiveness,

10. Highlights the importance of reducing the common external tariff, removing non-tariff barriers to internal and external trade, and addressing regional labor market mobility issues and infrastructure bottlenecks,

11. Encourages the authorities to further strengthen the governance of the CEMAC's common institutions, notably, making further progress with the BEAC's reform agenda, and enhancing the capacity of the regional banking supervisor,

12. Considers that it is important that the CEMAC Commission's administrative capacity be commensurate with its role in fostering trade and regional integration,

13. Urges the authorities to put in place stringent mechanisms in all regional institutions to ensure transparency and accountability,

14. Decides that the views expressed today will form part of the Article IV consultation discussions on individual members of the CEMAC that take place until the next Board discussion of CEMAC common policies.

PREAMBLE\OPERATIVE CLAUSES APPROVED FOR USE

The Secretariat suggests delegates to use only following preamble\operative clauses during the preparation and session:

Preamble clauses

Acknowledging (with deep gratitude)
Affirming
Alarmed
Alarmed in particular
Anxious
Appreciating
Appreciating highly
Aware
Basing itself
Bearing inmind
Being convinced
Believing
Calling attention to
Cognizant of
Commending
Concerned
Concurring
Confident
Conscious
Considering
Continuing to takethe view
Convinced
Deeply alarmed
Deeply appreciative
Deeply concerned,
Deeply conscious,
Deeply convinced
Deeply disturbed
Deploring
Desirous
Determined
Dismayed
Distressed
Emphasizing
Encouraged
Endorsing
Expressing its appreciation
Expressing concern
Expressing conviction,
Expressing deep appreciation
Expressing sympathy
Expressing the hope
Expressing the urgent need
Firmly convinced
Further recognizing
Further supporting
Further welcoming
Gravely concerned
Grieved
Guided by
Having considered
Having decided
Having examined
Having heard,
Having listenedto
Having received
Having regard for
Having reviewed
Having in mind
Having regard
Looking forward
Mindful
Noting
Noting further
Noting with appreciation
Noting with gratitude
Noting with interest
Noting with satisfaction
Noting with serious concern
Paying tribute
Profoundly concerned
Reaffirming
Reaffirming itscommitment
Realizing
Recalling
Recognizing
Re-emphasizing
Referring
Regretting
Reiterating
Reiterating its appreciation
Reiterating its concern
Reiterating its conviction
Reiterating its regret
Remaining deeply concerned
Resolved
Seriously concerned
Solemnly declaring
Stressing
Strongly emphasizing, supporting, etc.
Taking into account
Taking into consideration
Taking note
Taking note with appreciation
Taking note with interest
Taking note with concern
Thanking
Underlining
Welcoming
Wishing

Operative clauses

Acknowledges
Acknowledgeswith great appreciation
Adopts
Affirms
Affirms its confidence
Agrees
Notes in particular
Also concurs, encourages, notes, requests, welcomes, etc.
Appeals to
Applauds
Appoints
Appreciates
Approves
Authorizes
Calls for
Calls upon
Categorically condemns
Commends
Commends and encourages
Concurs
Condemns
Condemns in particular
Confirms
Congratulates
Considers
Continues to support strongly
Decides
Declares
Declares its firm opposition
Demands
Denounces
Deplores
Designates
Determines
Directs
Draws attention to
Draws the attention of
Emphasizes
Encourages
Endorses
Expresses its concern, determination, gratitude, support, thanks, etc.
Expresses the belief, the hope, the need, etc.
Highlights
Highly appreciates
Insists
Instructs
Invites

Notes with appreciation, satisfaction, etc.
Once again callsupon
Once again encourages
Once again urges
Places on special record

Looks forward to
Notes
Proclaims
Profoundly deplores
Reaffirms
Reaffirms emphatically
Reaffirms its conviction, its request, its full support, etc.
Recognizes
Recognizes and encourages
Recognizes with deep concern
Recommends
Reconfirms
Re-emphasizes
Regrets
Reiterates
Reiterates its call, its invitation, its previous appeals, etc.
Rejects
Reminds
Renews its appeal, its invitation, its request, etc.
Requests
Shares the concern
Solemnly declares
Stresses
Strongly condemns
Suggests
Supports
Takes note
Takes note with appreciation, interest, regret, satisfaction, etc.
Underlines
Underscores
Urgently appeals, encourages, etc.
Urges
Welcomes
Welcomes with satisfaction

PROCEDURAL RULES

Rule	Motion	A/P	Vote	Speaker	Action
P-1	Appointment of Officers	A			The Secretary-General shall appoint the Secretariat officers
P-2	Absence of Officers	P			In Chair's absence the Vice-Chair assumes the duties of the Chair
P-3	General Powers of the Chair	P/A			The Chair performs his general functions under this rule
P-4	Election and Duties of Rapporteur	A	1/2		Secret ballot nomination and elections, reports to GA (P-37)
P-5	Statements by the Secretariat	A			The Secretary-General/Secretariat officers may address the Committee at any time
P-6	Quorum	P			Majority of credentialed members to conduct business/vote determined by the Chair
P-7	Voting Rights	P			One vote in each committee admitted by the SG; One vote per country
P-8	Agenda	A	1/2		Vote only if objection; 2F/2A and 2/3 vote to delete item
P-9	Additional and Supplementary Items	A	1/2	2F/2A	Supplementary-before approval, additional-after. Accompanied by materials; 2/3 vote after adoption
P-10	Order/Reorder of Agenda Items	A	1/2		First proposal to receive a majority; If no majority Secretariat order stands
P-11	Resolutions and Amendments	A			Submitted to the Chair in writing; Reorder after Substantive Debate
P-12	Discussion of Committee Reports	A			Closing Plenary only. If three options fail to pass, the last option is selected
	Option 1		1/1		Approve resolutions separately with debate, 5 min for and against each
	Option 2		1/1		Approve resolutions separately without debate
	Option 3		2/3	2F/2A	Approve resolutions collectively without debate
	Option 4		2/3	2F/2A	Take note of the Committee Report
P-13	Decisions on Competence	A	2/3	2F/2A	Not for agenda items; Jurisdiction of Body to act on the issue in question
P-14	Introduction, Sponsorship & Withdrawal of Proposals	A			Res. In before end of General; Amend. In. & sponsorship changes before end of Substantive
P-l5	Reconsideration of Proposals	A	2/3	2F/2A	Once per proposal, any proposal adopted or rejected. No reconsideration in Voting Bloc
P-16	Division of Resolutions	A	2/3	2F/2A	Immediately prior to voting on a proposal; Operative clauses only; then vote as constructed
P-17	Voting on resolutions and Amendments	P/A	1/2		If no objection by sponsor(s), then friendly; otherwise voted upon in Voting Bloc
P-18	Voting Majority Required	P			Substantive proposals need majority, Procedural motions need majority unless otherwise slated
P-19	Members Present and Voting	P			Applies to yes/no votes; abstentions are not counted in voting members' total
P-20	Equally Divided Vote	P			If vote is equally divided, the proposal is rejected, except elections
P-21	Method of Voting, Roll Call Vote	A			The Chair may adopt "without objection"; request roll call vote
P-22	Conduct During Vote	P			During voting only P-25 point of order & P-14 after amendment may interrupt
P-23	Speeches and Comments	A			Must be recognized by the Chair; time may be limited (P-3) and yielded
P-24	Right of Reply	A			Response to extraordinary insult to national or personal dignity. Discretion of Chair
P-25	Points of Parliamentary Procedures	A			Points of Information, Inquiry, Personal Privilege, Order, Appeal, Dilatory
P-26	Order of Procedural Motions	P			Priority: P-27 (suspend), P-27 (final closing), P-28 , P-30, P-29
P-27	Suspension or Adjournment of the Meeting	A	1/2		Suspend for specified period of" time; Adjournment at the last meeting of the Body
P-28	Postponement of Debate	A	1/2	2F/2A	Delays debate on agenda item for specified time. Moves to next agenda item
P-29	Closure of Agenda	A	2/3	2F/2A	Ends all action on agenda item, unless reconsidered
P-30	Adjournment of Debate	A	2/3	2F/2A	Moves to next order of business; General>Substantive>Voting Bloc
P-31	Credentials Committee	A			Must be submitted to the Chair in writing, offering proof;
P-32	Provisional Admission	P			Challenged delegation retains the same rights until examination is complete
P-33	Security Council Priority	P			Debate is permitted; no voting on items under SC discussion
P-34	Rights of Observer Nations	P			Observer Nations are limited to P-24 & P-25 (Order), unless "invited to participate"
P-35	Invitation to Silent Prayer / Meditation	A			Immediately after opening the first Plenary, or before closing of the Final Plenary
P-36	Order of Plenary Business	A			Each Body determines order of presentation of resolutions to the Closing Plenary
P-37	Selection of Speakers to Plenary Session	A	1/2		A Body may determine speakers for each resolution for Plenary
P-38	Invitation to Participate	A	1/2	2F/2A	Observer Nation may be "invited to participate". Once invited it shall be limited to P-23, P-24, P-25 (all six points) only
P-39	Publicity of Meetings	P/A	2/3		Unless it decides otherwise, a Body shall meet in public
P-40	Call for Conference Meeting	A	2/3+SG		A Body may call for Conference Meeting. Approval of the SG is required
P-41	Call for Regional Blocs Meeting	A	2/3+SG		A Body may call for Regional Blocs Meeting. Approval of the SG is required
P-42	Call for Team Meetings	A	2/3+SG		A Body may call for Team Meetings. Approval of the SG is required