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Hello Delegates!

My name is Alex Blumenfeld and I'm a senior in the Academy for Business and Finance, and I'm looking forward to spending my final AMUN with all of you in World Bank. I've been involved in MUN since the very beginning of my freshman year at BCA, and after being a chair in DISEC last year, I am now chairing this wonderful committee (in addition to serving as one of the Directors of External Affairs for this year's AMUN). Model UN has been such a great experience for me throughout my four years of involvement in it, from hectic last-minute resolution writing to getting to know some of my closest friends just because we happened to go to a conference together, and I hope that you will enjoy participating in this committee as much as I've enjoyed my entire MUN career. When I'm not asking for motions to set the agenda to Improving Microfinance or Urban Growth in Developing Countries, you can find me being repeatedly beaten at soccer by Kairui, obsessing over my biology research or simply trying to follow DJ Khaled's many keys to success. Kairui and I picked these two topics for our committee because we think they're two often-underappreciated issues that all of you will really be able to have a substantive discussion on, and I'm looking forward to hearing all of your innovative solutions! If you have any questions about the committee or just want to distract me for a couple of minutes, feel free to email me.

Best of luck, and may the odds be ever in your favor!

Sincerely,
Alex Blumenfeld
aleblu@bergen.org

Hello Delegates,

My name is Kairui Huang, and I am very excited to be one of your chairs for World Bank this year at AMUN XIX. I am currently a junior in the Academy for Technology and Computer Science, and I have participated in Model UN since the second half of sophomore year, attending a couple of conferences including AMUN itself. As this my first year chairing for AMUN, I look forward to viewing debate and discussion from the perspective of the chair than from a delegate, which will be a fresh and interesting experience. Aside from Model UN, some of my passions include soccer, photography, and programming, and during my free time you may find me working on and developing web apps or enjoying an episode of *House of Cards*, both equally as stressful yet fun at the same time!

I believe the topics set forth in the committee this year will provide some interesting and unique debate. I look forward to hearing your thoughts and solutions about these matters. If you have any questions or concerns, please feel free to email me.

Good luck!

Sincerely,
Kairui Huang
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TOPIC A: IMPROVING MICROFINANCE

Introduction

The World Bank is an international financial institution whose primary purpose is to provide loans to countries to support their infrastructure or economy, with the goal of reducing world poverty and hunger, particularly in developing nations. The International Bank for Reconstruction and Development (IBRD), and the International Development Association (IDA), are institutions that fall under the World Bank, which itself is a component of the World Bank Group. The International Finance Corporation (IFC), which focuses on loans to the private sector aimed at encouraging investment and economic growth, is also part of the World Bank Group, but is not officially part of the World Bank; however, it does deal with microfinance extensively.

Topic History

At its core, microfinance consists of providing small loans to very poor borrowers to help them start productive businesses that will give them a steady income and get them out of extreme poverty. With a focus on “social impact” that works with borrowers to ensure their financial security rather than imposing sky-high interest rates in the hope of making huge profits, microfinance lenders have traditionally been nonprofits/NGOs, although this is starting to change somewhat. While the definition of “microfinance” is now expanding to include the provision of other services to the poor, from basic healthcare to cell phone service, small loans to help the extremely poor stay afloat and build businesses are still at the center of microfinance institutions’ (MFIs’) operations.

Despite its clear promise, microcredit has only evolved as a popular approach to combating poverty in the last 40 years or so. Various systems existed in past decades to provide loans to the extremely poor, although few actually caught on due to poor execution or misuse of funds by the government employees running the programs. These government-driven approaches became popular in various developing nations in the early- and mid-1900s, but the governments that ran the programs often deemed them infeasible after low repayment rates left them consistently losing money. The local private sector stepped in to fill the demand for credit, but the high interest rates charged by moneylenders and loan sharks to vulnerable borrowers often led to poor outcomes for everyone involved. In the 1970s, though, there were major advancements that brought microfinance into the public eye as a potential line of attack against poverty, in particular extreme poverty.

Case Study: Grameen Bank

Grameen Bank, a microfinance institution founded by Bangladeshi economics professor Muhammad Yunus in 1976, is perhaps one of the few “household names” when it comes to microfinance, and their unique approach to lending to the poor

eventually won them a Nobel Peace Prize in 2006. With a method predicated on personally engaging with borrowers and establishing terms that were actually feasible for poor people to repay, Yunus rapidly grew his operation, even though the average loan distributed by Grameen was only around \$100. By taking a very local approach and establishing groups of borrowers who can work together to negotiate with the bank instead of only dealing with vulnerable individual borrowers, Yunus's institution maintained high repayment rates from his borrowers across Bangladesh, reaching a level of success previously unforeseen in the field. Grameen Bank's approach is useful for delegates to understand because instead of trying to train borrowers to learn specific skills or start certain kinds of businesses, it assumes that even the poorest of the poor could manage their own finances if they only just had a little capital, and that they will naturally start up their own enterprises if given resources with which to do so. Although there have been issues of certain borrowers abusing Grameen's easy terms to simply obtain another loan right when one comes due, the nonprofit has generally been given the (rightfully earned) title of one of the founders of modern microfinance. Overall, Grameen Bank has had widespread success in giving Bangladesh's poor what famous development economist Amartya Sen refers to as "human freedoms", lifting them out of the cycle of poverty.

Grameen Bank's local successes in Bangladesh encouraged the development of similar projects all around the world, and other institutions like Acción in Latin America and CARD (Center for Agricultural and Rural Development) in the Philippines have copied the Grameen model to great effect. In fact, the phenomenon reached a high point in 2005, which the United Nations declared the "International Year of Microcredit" to honor microfinance's contributions to fighting poverty, one of the key elements of the Millennium Development Goals. As of 2010, microfinance institutions served over 150 million borrowers worldwide, and the industry continues to grow. The crowdsourcing movement has also increased access to credit for the world's poorest, as websites like GlobalGiving and Kiva allow people to make loans or donations toward microcredit projects in developing countries and see updates on the results. However, in recent years, some key problems have emerged that threaten to undermine the image many have of microfinance as a shining pillar of international development, and the World Bank must act to address these issues in order to maintain the promise of microcredit for the world's poorest.

Current Situation

The creation of Grameen Bank in 1976 and the introduction of microcredit by Yunus had a significant impact in Bangladesh by helping people start businesses and lift them out of poverty. As such, microfinance and microfinance institutions have expanded and matured greatly since then. As of 2014, the IFC reports that 130 million people have directly benefited from microfinance-related operations. Currently, there are a combination of nonprofit and for-profit banks, from the international to the local level, that either specialize in providing microcredit or have a microfinance division; some cater to diverse needs, while some aim to achieve more specific goals. In addition, a majority of these institutions operate independently, with little to no direct government involvement in the funding and

distribution of microcredit, aside from the IFC. However, in certain countries such as Zimbabwe, NGOs and thus microfinance institutions are forbidden to lend money without government approval or control.

There is still much that can be done to improve the state of microfinance and the small-scale provision of credit; many problems that existed previously are still pertinent today. One of the main issues is simply accessibility: there are still many people that need and would benefit from these micro-loans but are too geographically isolated to receive one. According to the IFC, “only 20% of the 3 billion people who qualify as poor” have access to microfinance-related operations around the world. Further expanding the accessibility and availability of microfinance will be instrumental in increasing its effectiveness. Another issue concerns the ethics of for-profit banks that provide microfinance services and microcredit. The use of microfinance has typically the ultimate goal of decreasing poverty by encouraging self-sufficiency through local businesses or enterprises, so most micro-loans have traditionally had flexible terms with very low interest rates. So, the intentions and ethics of for-profit microfinance banks, which are becoming ever more influential, are often criticized because profit is directly gained off the backs of the poor. The Mexican bank Compartamos Banco is an example: it was criticized by Yunus in 2008 for its purely for-profit approach to providing microfinance services. The integration of microfinance into the traditional financial system has other issues too, as for-profit MFIs that have gone public (meaning that their stock is sold on an exchange) are now also beholden to shareholders, not just their borrowers. Finally, the actual benefit of microcredit has also been called into question, with fears that funds provided will be used for short-term consumption rather than self-sufficient businesses and ventures. Throughout the industry, the risk of defaulting is still high if programs are poorly managed, and this can make everyone worse off, not just the creditor, but also the borrowers facing poverty.

Possible Solutions

Although the World Bank’s power to regulate individual microfinance institutions is limited, it is still a major player in the field especially in terms of research and determining which microcredit strategies are most effective, so it does certainly have an important role play in reforming the current system.

As one of the most pressing issues that threatens to derail the progress of microfinance is the prevalence of new for-profit banks that focus less on “social impact”, the initial mission of providing micro-loans, the World Bank should collaborate with the banks themselves and national governments to set guidelines on what practices are acceptable and how the profit motive factors into providing loans to the poor. For example, regulations requiring better documentation of the identities of an MFI’s clients as well as tighter record-keeping of how profits are used could help to prevent fraud or money laundering, which could become problematic especially in developing countries with loose oversight of MFIs and many very vulnerable borrowers.

In addition, in terms of addressing how microfinance is actually tied to reducing poverty, it will be the responsibility of this committee to determine what

uses of microfinance are the most effective and how to subsequently promote them. Some MFIs follow the Grameen approach, simply giving out small loans with the confidence that everyone has marketable skills that simply require a little capital in order to start a business, while others, like some UN-run programs, focus on teaching new skills that will make borrowers more likely to be able to pay off their loans. Deciding on which type of approach to pursue will also need to address the rising rates of default in various microcredit programs, as no MFI will be sustainable if borrowers can't generate enough income through their own entrepreneurial ventures to pay off their loans.

Bloc Positions

The two main blocs that would most likely emerge from this topic would be developed and developing countries. Since developing countries would benefit the most from establishing and utilizing microfinance systems and infrastructure, they will likely be the highest priority for international funding if applicable. In addition, these countries may advocate for the bulk of such funding to come primarily from developed countries. In contrast, developed countries may call for policies surrounding microfinance that encourage self-sufficiency in establishing microcredit systems, rather than directly contributing funds to help individual projects.

Questions to Consider

- Should microfinance lenders impose conditions on what borrowers can use the money for in order to increase repayment rates? If so, what should these conditions be?
- Do micro-loans have greater potential than simply allowing the poor to become self-employed and earn a limited income?
- Should nations restrict who can provide micro-loans? If so, who should be allowed to run microcredit programs: governments, non-profit NGOs, for-profit businesses or some combination of all three?
- Is microfinance a popular tool for encouraging economic development in your country? How has your country altered the basic model of microfinance to fit its own unique needs?
- What other poverty reduction strategies can member nations use instead of or in tandem with microfinance?

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TOPIC B: URBAN GROWTH IN THE DEVELOPING WORLD

Topic History

Urbanization is one of the most important economic trends occurring in the world today, and it presents unique opportunities for nations across the globe, but with dangerous consequences too. As humanity has developed over the years, societies have become gradually more densely populated and based in cities, with far-reaching effects on everyone involved. Up until the Industrial Revolution, the development of cities had been somewhat limited, with most urbanization concentrated among a few European city-states and some other metropolitan areas like London and Tokyo. However, with the growth of modern manufacturing and the subsequent need to locate factories near large numbers of workers, along with the development of new urban planning methods that allowed for taller buildings and higher population density, the world's cities started to take off.

Many of the problems currently being encountered by the rapidly growing cities of developing countries, which will be the focus of this committee, were also dealt with by today's more-developed cities in their earlier stages of growth. As earlier cities grew in population, their ever-more-tightly-packed citizens became more vulnerable to infectious diseases amid terrible sanitary conditions, and tuberculosis and cholera claimed the lives of many a middle-class manufacturing worker. At the same time, income inequality skyrocketed and wealthier classes took to inhabiting separate zones of the city to avoid the squalor of the slums that housed middle-income workers. In fact, the modern discipline of "urban planning" was originally conceived as a way to "divide the city, creating beautiful spaces at the expense of the poor" (CityLab). However, over time, expanding the role public health initiatives played in city life, no doubt amid political pressures from the lower-income groups getting the short end of the stick, would help to clean up some of the world's dirtiest metropolitan areas - 19th-century London, we're looking at you.

Progressing into the 1900s, one of the major concerns for the future of the world's cities became the simple issue of volume: how was one city going to move previously unforeseen numbers of people to work and school and everything in between? While better public transportation-oriented solutions were helpful, the decision by many an American city to spread out into suburbia, though it may look nice on paper, has led to substantial environmental consequences that this

committee will have to address in supporting the development of third-world cities. Urban overcrowding and issues of property rights in slums should be handled in an organized fashion by institutions like the World Bank, but it's clear that spreading out as many people as possible into the suburbs (i.e. northern New Jersey) just makes a city more dependent on cars from day to day, substantially increasing pollution in already high-emission areas. Now, as developing countries' cities grow and expand in new and unexpected ways, they will have to contend with the same issues that the New Yorks and Londons of the world did in their past, from pollution to disease to electricity: the World Bank's proposals to address these issues will have economic, social and humanitarian ramifications for years to come.

Current Situation

The demographic factors at work cannot be denied: 96% of all urbanization will occur in the developing world between now and 2030, and Africa and Asia will account for the bulk of this expansion. In the face of this impending situation, today's developing cities have a host of new opportunities and challenges to address. One of the positives of increased urbanization is high economic growth, as many third-world cities like Dhaka, Bangladesh and Mumbai, India account for more than twice as much of national GDP as their shares of national population. Urbanization has also been an aid to poverty reduction efforts like the Millennium Development Goals, as World Bank studies have shown that certain cities in developing nations have 8-9% lower infant mortality rates and 17% greater access to clean water than rural areas in those same nations.

However, this rapid development, if unplanned or improperly managed, can be hugely destructive at the same time, and as mentioned before, the growth of cities can also be a vehicle for increasing income inequality if governments fail to address this issue. The World Economic Forum's 2015 report on the dangers of uncontrolled urbanization (referenced at the end of this guide) effectively summarizes the main issues at hand, and delegates would do well to keep some of these in mind: maintaining and expanding infrastructure, improving public health and controlling climate change are three daunting problems tomorrow's global cities have to contend with today.

Hopefully, as it is focused on providing loans to developing countries to spur economic development and poverty reduction, the World Bank will be able to help developing nations improve their infrastructure and public transportation systems to cope with rapidly expanding populations. For example, funding the Programme for Infrastructure Development in Africa, which has identified some key projects that will be essential to African economic development, is estimated to cost \$360 billion between now and 2040. Given the limited budgets of many developing countries' governments, one solution to upgrading transportation, electrical and other infrastructure has been involving private enterprise through public-private partnerships. A stunning example of this is found in the city of Gurgaon, India, which has basically no municipal government but instead has its public services provided by the major corporations with offices in the city. Within the confines of the downtown area, modern amenities like well-functioning sewage systems and amply funded fire departments are readily available, but outside the zones where

the corporate offices are located, there is not nearly the same level of investment, and that same sewage originating in the central business district is simply dumped on the lands of the less privileged. So, public-private partnerships may be a promising way to fund infrastructure upgrades in the places that need them, but the World Bank will need to find ways to keep them under control to avoid corruption and ensure equitable access to these hugely important public services.

Next, the overcrowding in many developing cities' slums and the lack of access to modern medicine in many areas threaten to exacerbate existing public health issues. While urbanization can have benefits for a population's overall health by making medical services and better sanitation available to more people, this is not simply a one-way street. Throughout history, densely populated slums with inadequate sanitation have been bastions of infectious disease and contributed to global panics - as recently as 2014, one UN epidemic-response expert concluded that "when [Ebola] gets into the cities [in West Africa], it takes on a whole new dimension". If urbanization is unplanned or not given sufficient oversight, any developing metropolis could soon trigger the next epidemic-level crisis. However, infectious diseases are not the only public health issue present in cities: pollution and unhealthy diets are two key causes of non-communicable diseases (NCDs) that naturally go hand in hand with urbanization in previously rural regions. Along with other factors like tobacco use, all of these things contribute to NCDs such as cancer and diabetes, and although tackling these issues may not have the same political imperative as controlling an epidemic, they are still major health threats that are already being encountered by the next crop of expanding cities.

Finally, although it is not an issue unique to cities, the present and future dangers posed by climate change will also be influential, both in how developing cities choose to limit future contributions to global warming and in how they adapt to its existing effects. Coastal cities in particular will be very vulnerable to sea level rise in the coming decades - Ho Chi Minh City in Vietnam is just one of the developing cities that is at risk of being inundated by rising oceans by 2100 - so they will have to place a particular focus on adaptation measures to keep their citizens safe, something that the World Bank will hopefully be able to help with. Responding to extreme-weather phenomena like hurricanes and typhoons, which are being exacerbated by the effects of climate change, is also difficult for densely populated cities with poorly organized streets and flawed building codes. On top of these reactionary measures, the world's most rapidly growing cities will also have to control their own contributions to climate change, as having so many people and such a large portion of the economy in one place can rapidly create huge pollution and adverse effects on the environment if more energy-efficient technologies are not implemented.

Possible Solutions

Although the World Bank's status as an international organization prevents it from creating any binding requirements for how developing countries' cities should grow, it still serves an important role in this process. The World Bank has the ability to take the best available research on the subject and transform it into

legitimate policy recommendations, and it can also get involved with individual cities' governments and private businesses to facilitate responsible development. One key area where the World Bank has work to do is facilitating the formation of public-private partnerships to improve infrastructure or to develop affordable housing in rapidly growing cities, if not with direct loans then by investigating what incentives cities can offer to get the private sector involved. Because of its ties to other UN institutions like the World Health Organization through its poverty reduction programs, the World Bank also has a role to play in addressing impending health threats, possibly by funding improved public sanitation programs or collaborating with local governments to design more efficient response systems for when infectious diseases do flare up. In addition, the World Bank can collaborate with governments to implement schemes like congestion pricing in downtown areas (to mitigate future pollution) and improving registration of new construction projects (to ensure that natural-disaster-resistant building codes are followed), both to help developing cities respond to climate change over the long term. Of course, these are only a few general directions that the World Bank could pursue, and it will be up to this committee to develop other innovative ways to help under-resourced developing countries build their cities sustainably.

Bloc Positions

Because of the diverse situations affecting various nations' cities, it is difficult to establish clear blocs for a topic like urbanization, but as with microfinance, the clearest divide is between developed and developing countries. Those that have already encountered many of the fundamental issues of urbanization have expertise, as well as hopefully funding, to provide, while up-and-coming nations will be able to help each other as well as they each go through the journey of establishing sustainably built cities. In any case, all nations should be looking at how the status of their urban areas gives them unique experience or resources to contribute to addressing this topic.

Questions to Consider

1. How can wealthier nations that already have many well-designed cities help less developed countries to make their process of urban growth as problem-free as possible?
2. How can the problems of urban sprawl that have appeared in many cities in wealthier countries be prevented in the development of newer metropolitan areas in developing countries?
3. How can renewable energy methods be incorporated into developing cities to provide sustainable electricity, especially for the poorest residents?
4. What types of infrastructure and methods of transportation will be most beneficial to existing poorly organized slums in terms of both expanding economic opportunities and promoting public health?
5. What steps can member states take to protect already-vulnerable cities from adverse effects of climate change like earthquakes, hurricanes and long-term sea-level rise?

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