



Montessori Model United Nations (MMUN 2010) The World Bank Background Guide

Honorable delegates,

It is a privilege and an honor to welcome you to the World Bank! It's the first time we will simulate the World Bank in the Montessori Model United Nations.

The Background Guide that follows is a starting point, intended to orient you to the great and important work of the World Bank in helping countries get the funds they need to improve their conditions and the lives of their people. This guide will help you engage in further independent research to better understand your country's need and to design a loan proposal. You will submit your loan proposal to the World Bank President on February 15th, 2010. The President and Vice-president will explore all loan proposals submitted by countries to the World Bank. When you come to New York, be prepared to defend and explain your proposal to other countries present in the World Bank. You will also need to be prepared to ask questions and help improve loan proposals presented by other countries. A complete list of loan proposal and countries will be posted on the webpage one week before the conference so you can have an idea of the range of loan proposals to be discussed. Loan proposals are submitted by developing countries.

Delegates representing the United States, United Kingdom, Germany, Canada, France, and Italy will not prepare or submit a loan proposal. These countries will play a key role in asking questions, making sure the proposals have all required information, and improving the loan proposals before all World Bank countries vote on them.

We appreciate your hard work, and eagerly look forward to meeting you in February.

Montessori Model United Nations 2010 Secretariat

The World Bank Group

The World Bank group is a family of five international organizations responsible for providing finance and advice to countries for the purposes of economic development and eliminating poverty. The Bank came into existence on December 27th, 1945 following international ratification of the Bretton Woods agreements, which emerged from the United Nations Monetary and Financial Conference held from July 1 – 22, 1944. Commencing operations on June 25th, 1946, it approved its first loan on May 9th, 1947.

The five agencies of the World Bank Group are:

- International Bank for Reconstruction and Development (IBRD)
- International Development Association (IDA)
- International Finance Corporation (IFC)
- Multilateral Investment Guarantee Agency (MIGA)
- International Centre for Settlement of Investment Disputes (ICSID)

However, the term “World Bank” is commonly used referring to the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). At MMUN 2010, we will always refer to this committee as the World Bank.

Each of the 5 institutions mentioned above plays a different but supportive role in the mission of global poverty reduction and the improvement of living standards. The International Bank for Reconstruction and Development (IBRD) focuses on middle income and creditworthy poor countries, while the International Development Association (IDA) focuses on the poorest countries in the world. Together they provide low-interest loans, interest-free credit and grants to developing countries for education, health, infrastructure, communications and many other purposes.

Technically the World Bank is part of the United Nations system, but its governance structure is different: each institution in the World Bank Group is owned by its member governments, with votes proportional to shareholding. Membership gives certain voting rights that are the same for all countries but there are also additional votes, which depend on financial contributions to the organization. The President of the World Bank is nominated by the President of the United States and elected by the Bank's Board of Governors.

The IBRD has 185 member governments, and the other institutions have between 140 and 176 members. The institutions of the World Bank Group are all run by a Board of Governors meeting once a year. Each member country appoints a governor, generally its Minister of Finance. On a daily basis the World Bank Group is run by a Board of 24 Executive Directors to whom the governors have delegated certain powers. Each Director represents either one country (for the largest countries), or a group of countries. Executive Directors are appointed by their respective governments or the constituencies.

The International Bank for Reconstruction and Development (IBRD) aims to reduce poverty in middle-income and creditworthy poorer countries by promoting sustainable development through loans, guarantees, risk management products, and analytical and advisory services.

IBRD raises most of its funds on the world's financial markets and has become one of the most established borrowers since issuing its first bond in 1947. The income that IBRD has generated over the years has allowed it to fund development activities and to ensure its financial strength, which enables it to borrow at low cost and offer countries good borrowing terms.

The International Development Association (IDA) is the part of the World Bank that helps the earth's poorest countries to reduce poverty by providing interest-free loans and grants for programs aimed at boosting economic growth and improving living conditions. IDA funds help these countries deal with the complex challenges they face in striving to meet the Millennium Development Goals. They must, for example, respond to the competitive pressures as well as the opportunities of globalization; arrest the spread of HIV/AIDS; and prevent conflict or deal with its aftermath.

IDA's long-term, no-interest loans pay for programs that build the policies, institutions, infrastructure and human capital needed for equitable and environmentally sustainable development. IDA's goal is to reduce inequalities both across and within countries by allowing more people to participate in the mainstream economy, reducing poverty and promoting more equal access to the opportunities created by economic growth.

World Bank in MMUN 2010

In MMUN 2010, countries will be requesting loans to IBRD and the IDA. All participants will be known as "governors" (as well as delegates) and each governor (or pair of governors) represents a member country. Each country will use its voting power in accordance to the quorum established.

Agenda

All countries except for United States, United Kingdom, Germany, Canada, France, and Italy, shall prepare a **loan proposal** that will be described further on. These 6 countries do not ask the World Bank for financial aid (France and Italy received their last loans in 1947 and 1965 respectively), and therefore are required to elaborate a *Position Paper* including: 1) What is the World Bank; 2) Country's History and Involvement in the World Bank; 3) Country's Lending and Economic Policy; 4) What your Country has been doing for Global Development? If you are representing a different country than the 6 above, a Loan Proposal must be prepared. Once all loan proposals are submitted for evaluation, the Presidency will review all of them. The order in which the proposals will be discussed will be set upon by vote of the Board of Governors during the first session of this committee. The loan proposals will be published on the MMUN 2010 website.

Amendments

As the Board of Governors debate the loan proposals in agenda, the committee will be writing and submitting amendments to these proposals. There is no particular form designated for an amendment, however, the President has final authority on an amendment. An amendment can be in the form of anything from a sentence to a paragraph. Amendments to loan proposals require a

simple majority to pass and must have a combination of at least five (5) signatories/sponsors to be considered for debate. A governor or country cannot amend an amendment.

Debate Structure & Procedural Rules

Committee debate and speaking revolves around discussion of the loan proposal presented. Only one loan proposal can be discussed at a time. The structure of the committee is designed in the following five (5) steps outlined. The procedural rules correspond to this structure and state which motion could be made during each step.

1. Order of Loan Proposals is defined
2. Presentation of Loan by Sponsor
2. Questions and Answers Period (questions to the loan sponsor)
3. Substantive Debate (speeches with comments)
4. Informal Caucus on Amendments (presentation of amendments)
5. Voting Bloc

The sponsor of each loan proposal will be given up to a maximum of 10 minutes to present their loan proposal. The sponsor does not have to use the entire 10-minute period.

This Presentation Period should cover:

- What the project is
- Project Costs
- How it will the project be funded
- Interest rates
- Maturity (Timeframe to pay back)
- Country background addressing the need for this loan
- Presentations may be done in PowerPoint.

Upon completion of the presentation, the sponsor will remain at the dais and will proceed to take questions from the committee members. After the presentation, a governor may at any time move for a suspension of the meeting for the purpose of caucus. Governors raise their placards and are recognized by the President during Q&A. A governor must motion to move out of Question/Answer Period and into Substantive Debate. A simple majority is required to move out of Q&A. Following Q&A is Substantive Debate, where the President will then open the speaker's list. Motions will be accepted to set the speaker's time. During Substantive Debate amendments to the Loan Proposal may be written. A motion to move into an Informal Caucus may be called where each amendment can be presented to the Presidency for pre-approval. The committee may also motion to move into Voting Block. This will require a two-thirds majority to pass, according to the conference rules. Only amendments that have been pre-approved by the President will be submitted for voting.

Voting

Delegations will vote in favor, against or abstain to a Loan Proposal. Each delegation's vote will depend on the voting power of the country in accordance to its quota assigned by the Fund. The Board approves a loan proposal when it obtains more than 50% of affirmative weighted votes. Please visit the World Bank website to know your country's voting percentage.

Sample Loan Proposals

Sample #1

LOAN PROPOSAL

LOAN PROPOSAL

Country: REPUBLIC OF GEORGIA

Governors: H.E. JOHN DOE

Description: TRANSPORTATION REFORM PROJECT

I. TOTAL AMOUNT OF LOAN FROM WORLD BANK:	\$40,000,000 USD
TOTAL AMOUNT OF LOAN:	\$60,000,000 USD

II. COUNTRY BACKGROUND:

Georgia is a country of 5.4 million people bounded by the Black Sea, Russia, Azerbaijan, Armenia and Turkey. At independence in April 1991, it appeared to be among the best placed of the former Soviet States to make a successful transition. It had a highly educated staff force, a long tradition of entrepreneurship, a significant underground economy, a prosperous agricultural sector and substantial natural resources. Its location made it a primary transit corridor in the Caucasus. However, two years of civil conflict and an eroded government authority resulted in a collapsed economy with high short-term debt, low output, and hyperinflation.

In early 1994, Georgia made a significant turnaround and embarked in a stabilization program supported by the Bank and the IMF that reduced inflation to less than 12 percent per year and again stimulated the economy. Georgia's opportunities for growth largely depend on the country's capacity to integrate into international markets and attract foreign investment.

III. PROJECT OBJECTIVES:

The Project has three objectives: (i) to lower transport unit costs; (ii) to lower fiscal costs; and (iii) to induce efficient resource use in the sector. Progress towards these objectives would be monitored by the following key performance indicators: (i) cost of good/passenger transport from Tbilisi to major surrounding countries; (ii) Government funding of the Transport Sector; (iii) Gains/savings in transport costs compared to transport sector funding.

Three components have been identified: (a) technical service; (b) roads; and (c) rail. The Technical Services Component: US\$5.0 million would address policy actions and sector transformations not covered in the Structural Adjustment Loan or in the Transport Rehabilitation Project. This would include the preparation of environmental and safety regulations for the transport sector. Road Component: US\$25.0 million. This component would consist in the maintenance, rehabilitation, reconstruction and modernization of road infrastructure. The loan and new road user charges would raise the budget of the Highway Concern to about US\$55 million annually. The Rail Component: US\$10 million. This component would be used for the rehabilitation of key assets for the provision of services currently demanded from the railways.

IV. CREDIBILITY/RATIONALE:

After achieving independence with the end of the Soviet Union we experienced strong growth in foreign investment and private sector development. These investments will flourish in the new millennium and we feel it is a long-term source of economic growth. Georgia has never defaulted on any loan to the World Bank or EBRD. Our stable form of government and further foreign direct investment because of this project will yield results and thus allow us to pay back this loan promptly and in full.

V. CO-FINANCING:

<u>International Development Agency (World Bank - IDA)</u>	<u>\$40,000,000</u>
<u>European Bank for Reconstruction and Development</u>	<u>\$15,000,000</u>
<u>Government of Georgia</u>	<u>\$5,000,000</u>

This committee will only be voting upon this portion of every proposal. It will be either IBRD or IDA.

TOTAL: \$60,000,000 USD

VI. ALLOCATION OF FUNDS:

<u>Technical Services Components</u>	<u>\$5,000,000</u>
<u>Road Components</u>	<u>\$25,000,000</u>
<u>Rail Components</u>	<u>\$10,000,000</u>
<u>Labor Salaries</u>	<u>\$10,000,000</u>
<u>Additional Transportation Sector Research</u>	<u>\$5,000,000</u>
<u>Contingency Funds</u>	<u>\$5,000,000</u>

TOTAL: \$60,000,000 USD

VII. MATURITY:

Interest Rate:	<i>0.75%</i>
Grace Period:	<i>8 years</i>
Payback Period:	<i>20 years</i>

Note: Please make sure all numbers add up correctly. Under co-financing, other NGO's, Development Banks, or countries may be used in addition to the World Bank's IBRD/IDA loan. We will, however, not be voting upon those portions and will only be voting upon what corresponds to the World Bank IBRD/IDA.

Sample #2
AMENDMENT

AMENDMENT

Country: CANADA, SPAIN

Signatories: BRAZIL, UK, UKRAINE

(d) Bridges and tunnels: US\$35 million. This component would uphold and maintain the infrastructure of the bridges and tunnels. It would satisfy their long-term maintenance costs, which would ensure short-term and long-term safety.

INTENTIONS

Canada's above amendment adds to the three components stated in the initial loan proposal. Maintaining bridges and tunnels was overlooked in the initial proposal and we believe the component [(b) roads] itemized allocation of US\$25.0 million would not suffice for the exorbitant cost of maintaining bridge or tunnel type infrastructure. Therefore, Canada will not move to divide out any part of the loan proposal, but do submit this as an addition to **PROJECT OBJECTIVES**.

We propose that the entire **US\$35 million** be added to the IDA above. This will change the vote of this body from \$40,000,000 to \$75,000,000.

CHANGE IN FINANCING (If applicable)

Furthermore, this amendment will change the total amount of the loan from \$60,000,000 to \$95,000,000.

Technical Services Components	<u>\$5,000,000</u>
Road Components	<u>\$25,000,000</u>
Rail Components	<u>\$10,000,000</u>
Bridges and Tunnels	<u>\$35,000,000</u>
Labor Salaries	<u>\$10,000,000</u>
Additional Transportation Sector Research	<u>\$5,000,000</u>
Contingency Funds	<u>\$5,000,000</u>

TOTAL: \$95,000,000 USD

Sample #3
LOAN PROPOSAL

LOAN PROPOSAL

Country: FEDERATION OF RUSSIA

Governors: H.E. George Vassallo and Lynn Thompson

Description: ETHANOL PRODUCTION FOR BLEND FUEL AND DEVELOPMENT

I. TOTAL AMOUNT OF LOAN FROM WORLD BANK:	\$400,000,000 USD
TOTAL AMOUNT OF LOAN:	\$450,000,000 USD

II. COUNTRY'S BACKGROUND:

The Russian Federation is located in Northern Asia, bordering the Arctic Ocean, between Europe and the North Pacific Ocean. Its capital is Moscow, as well as its largest city. The official currency it's the ruble (RUB). It has a growing population of 143,420,309 to July 2005, ranking itself as the eighth more populated in the world. The Official language is Russian, and is one of the official languages of the United Nations. Its official script is the Cyrillic Alphabet. The Russian Federation gained its independence in the 24th of August 1991 (from the Soviet Union). Russia is the largest country in the world, followed by China. It has an area of 17,075,400 km², approximately 1.8 times the size of the United States of America. The Russian Federation is a Federative Republic with a president directly elected for a four-year term.

Russia belongs to the Group of Eight (G-8) of the United Nations. It officially became the eighth member at the 1997 Denver, Colorado, "Summit of the Eight." More than a decade after the collapse of the Soviet Union in 1991, Russia is trying its best to establish a modern market economy and achieve strong economic growth. Russia is a wealthy nation in its folklore, literature, architecture, painting, theaters, music, and cuisine.

III. PROJECT OBJECTIVES:

The Project has three objectives: (i) implementation of a mixed ethanol and oil (gasohol) system in Russia, with the building of twelve plants that would produce 15 Million Gallons/Year; (ii) improvement of all the sectors with the benefits of these project, leading Russia into development and success; and (iii) to replace 10% of fuel consumption levels to blend fuel in a process of 10 years. Progress towards the aforementioned objectives would be monitored by the following key performance indicators: (i) Cost of ethanol production vs. ethanol sell; (ii) Income of gasoline leftover exportation.

The Plant Construction Component: 80.57%, 362,580,000.00 USD of the loan would address the building of the first group of 12 ethanol production plants. This would include the purchase of equipment, installation, instrumentation, piping, electrical, buildings, service facilities, and

land. Operation cost: 19.42%, 87,420,000.00 USD of loan would address personnel, maintenance, labor salaries, etc.

IV. ECONOMIC / DIPLOMATIC PROFITS:

Gasohol is a blend of gasoline (90%) and ethanol (10%), also called E-10; often obtained by fermenting agricultural crops (sugar cane, corn, etc). The economy of Russia would present great profits with this novel blend program. New industries would be created. More jobs on the agriculture sector would be available. Farmers would have new work opportunities and incentives, diversifying and improving the agricultural economy. The climate in the majority of Russian territory is extremely cold; therefore a percentage of gasoline is lost due to freezing. The blend of ethanol and gasoline helps gasoline maintain a non-freezing temperature, while at the same time saving consumers the cost of buying additives to create this non-freezing effect. The mixing of gasoline with ethanol would create a leftover of fuel bbl that would be used to export to neighboring countries, creating new diplomatic relationships between them and the Russian Federation. **The Russian Federation is open to negotiation with governors to reach agreements on the exportation of leftover fuel, as also on the purchase of prime materials.**

V. SOCIAL PROFITABILITY:

Each plant would create about 30 jobs and 80 support jobs in the area, which means the first 12 plants would generate more than 300 direct jobs and more than 1,000 supporting jobs in the first year. Gasohol has higher octane, or antiknock, properties than gasoline and burns more slowly, coolly and completely, resulting in reduced emissions of some pollutants. Studies show ethanol-blended fuels reduce emissions of carbon monoxide and hydrocarbons by 20% and fine particulate by 40% in these vehicles.

VI. ETHANOL PRODUCTION FOR BLEND FUEL AND DEVELOPMENT:

Each ethanol plant proposed in this project produces the equivalent to 357,142.857 BBL (1 BBL (Barrel) = 42 Gallons). Producing a total of 15 Million Gallons per year. As stated in the Project Objectives, in the first stage a group of 12 Ethanol Plants will be constructed. This first stage consists of 450 Millions USD (37.5 Millions USD per Ethanol Plant). These plants will be run by the Russian State, with the intention that the State has the ability to directly export the leftover fuel BBL (barrels) reinforcing the return rate of the loan. The Russian Federation would like to express that the implementation of this project would not affect the fuel price; therefore it will not create instability in the fuel market. This project has been calculated and intends to mix Ethanol and Fuel, creating the E-10 Blend Fuel (90% Fuel, 10% Ethanol), not produce ethanol as a fuel itself, as it is in the maximum blend: the E-85 (15% Fuel, 85% Ethanol). In Russia, all vehicles are able to consume the E-10 blend fuel, but not all vehicles can consume the E-85. Nowadays, the production of ethanol in the United States of America has reached the 11% of the nation's fuel consumption without affecting the internal or external fuel market. The Russian Delegation has taken the success of the USA blend fuel policy, and trust 100% in the success of our own.

VII. PROFITABILITY ANALYSIS:

This project has been divided into three stages: (i) Stage A, with the construction of 12 Ethanol Production Plants. (ii) Stage B, which would involve Exportation of leftover Fuel BBL (iii), and Stage C, with the yearly construction of new Ethanol Plants until reaching our goal of 10% of fuel consumption margins.

Years	Construction	Ethanol Gallons Produced	Total USD Produced	Expenses	Benefits
Year 1	12 Plants	180 Millions	396,000,000	126,000,000	270,000,000
Year 2	24 Plants	260 Millions	572,000,000	182,000,000	390,000,000
Year 5	60 Plants	900 Millions	1,980,000,000	630,000,000	1,350,000,000
Year 10	120 Plants	1800 Millions	3,960,000,000	1,260,000,000	2,700,000,000

In the chart we present the yearly benefits until reaching our Goal. As you can see, from years 5-10 of production, this loan would repay itself, having no direct negative effect on Russian Economy that would impede the immediate development of Russia and/or the credibility of repaying the loan back to the World Bank Group.

On year 5, end of grace period, the production of this marvelous ethanol plan will produce 2,000,000,000.00 USD, enough to completely repay the loan in one payment or in regular quotas proposed by the World Bank Group.

Years	Percentage Complete	Year Income	New Construction Expenses	Year Benefits	Net
Year 1	10 %	450,000,000	450,000,000	0	
Year 2	20%	650,000,000	450,000,000	200,000,000	
Year 5	50 %	2,250,000,000	450,000,000	2,000,000,000	
Year 10	100 %	4,500,000,000	0	6,500,000,000	

VIII. CREDIBILITY / RATIONALITY:

The high consumption of the local population, as well as that of neighboring countries, of the oil and fuel guarantees the investments made in this novel ethanol blending plant (ethanol and regular fuel mixing to produce high octane gasoline). Russia relies 100% in the success of this investment, since the production of ethanol is extremely cheap compared to the selling price, while at the same time creating this project would create an income for the leftover fuel of Russian consumption. In case of any natural, political or social problem that would threaten the project to the point of delaying and/or partially or totally destroying the production, Russia has the sufficient liquidity in order to respond to the requirements of foreign sources of financing.

IX. CO-FINANCING:

<u>IBRD World Bank:</u>	<u>\$400,000,000.00</u>
<u>Government of Russia</u>	<u>\$50,000,000.00</u>

TOTAL: \$450,000,000.00

X. ALLOCATION OF FUNDS:

<u>Plant</u>	<u>\$297,000,000.00</u>
<u>Rail Siding</u>	<u>\$24,000,000.00</u>
<u>Project Development Costs</u>	<u>\$41,580,000.00</u>
<u>Labor Salaries/ Inputs/ Misc.</u>	<u>\$67,420,000.00</u>
<u>Contingency Funds</u>	<u>\$20,000,000.00</u>

TOTAL: \$450,000,000 USD

XI. MATURITY:

Interest Rate:	<i>5.75%</i>
Grace Period:	<i>5 years</i>
Payback Period:	<i>10 years</i>

USEFUL LINKS

World Bank

www.worldbank.org

CIA World Factbook

<https://www.cia.gov/library/publications/the-world-factbook/>

Projects and Objectives of the World Bank

<http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/0,,menuPK:115635~pagePK:64020917~piPK:64021009~theSitePK:40941,00.html>

Voting Power

<http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/ORGANIZATION/BODEXT/0,,contentMDK:21429866~menuPK:64020035~pagePK:64020054~piPK:64020408~theSitePK:278036,00.html>