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STUDY GUIDE

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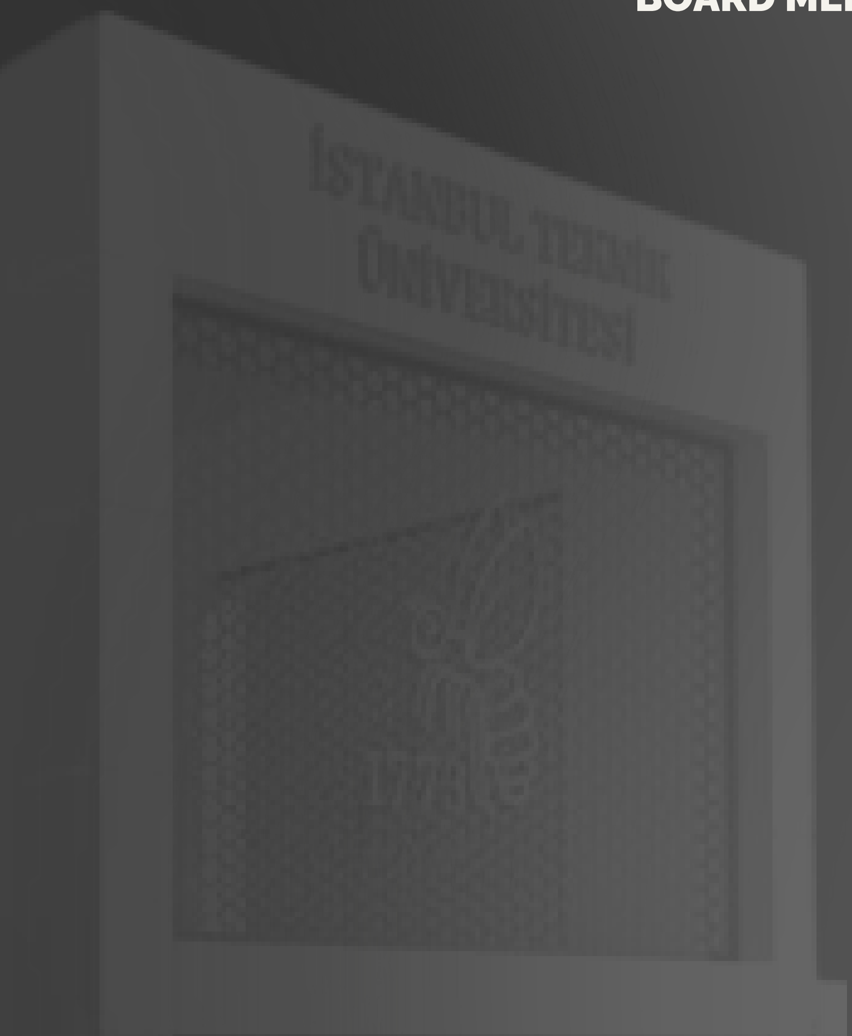

ITU MUN

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1. Letter from the Secretary-General

Dear Delegates,

It is with great pleasure that I welcome you to ITUMUN 2026.

By choosing to take part in this conference, you have already done something meaningful: you have chosen dialogue over indifference, understanding over assumption, and engagement over silence. In a world increasingly shaped by division, conflict, and uncertainty, such choices matter.

Today's international landscape is marked by ongoing conflicts, humanitarian crises, and profound global challenges that demand more than rhetoric. They demand informed, open-minded, and principled individuals, particularly from the younger generation, who are willing to listen, to question, and to act responsibly. MUNs offers precisely this space: one where ideas are tested, diplomacy is practised, and perspectives are broadened.

As delegates, you are not merely representing states or institutions; you are actually engaging in the art of negotiation, the discipline of research, and the responsibility of decision-making. Approach this experience with curiosity, respect, and intellectual courage. Learn not only from debate, but from one another.

On behalf of the Secretariat, I sincerely hope that ITUMUN 2026 will challenge you, inspire you, and leave you better equipped to contribute to a more peaceful and cooperative world.

I wish you a rewarding conference and every success in your deliberations.

Yours sincerely,
Abdullah Kikati
Secretary-General

2. Letter from the Chairboard

Esteemed Delegates,

It is my distinct pleasure to welcome you to the World Bank committee. My name is Eylül Su Karaman, and I am a recent graduate of the Economics Department at Istanbul Technical University.

My academic journey at ITU has shaped my conviction that while equations provide the foundation of economics, it is the institutional architecture and policy-making that determine the fate of nations.

Having served as the Deputy Secretary-General of ITUMUN’'25, I am intimately aware of the dedication required to create a high-level academic environment. It is with that same spirit of commitment that I return to this community, and I would like to extend my deepest gratitude to this year’s Secretariat, specifically to Secretary-General Abdulla Kikati and Deputy Secretary-General Tibet Tuna Topçu for their tireless efforts in making this conference a reality. Their leadership ensures that we have the perfect stage to tackle the global economic challenges of 2026.

The World Bank stands as a "Solutions Bank" in an era of unprecedented volatility. Our agenda items, combating illicit financial flows and orchestrating post-conflict economic reconstruction are the defining barriers to global equity. Illicit flows act as a silent drain on the wealth of developing states, while the "Conflict Trap" threatens to leave entire generations behind. As delegates, you are tasked with more than just financial management; you are tasked with redesigning the social contract in places where it has been most severely fractured.

In this committee, I encourage you to transcend the role of a "data-dumper" and evolve into a conscious, strategic diplomat. Your challenge is to find the delicate equilibrium between the strict requirements of international transparency and the urgent, tangible needs of fragile societies. Do not merely look for facts, look for friction. It is within the tension between sovereignty and intervention that the most innovative solutions are born.

I look forward to witnessing your intellectual courage and your dedication to building a more resilient global economy.

Best Regards,

Eylül Su Karaman

Chair of the World Bank

DSG of ITUMUN’25

Graduate of Economics, Istanbul Technical University

3. Introduction To The Committee - World Bank

The World Bank Group is a major international development institution that supports reconstruction, economic development, and poverty reduction. Its core mission is to improve living standards and promote long-term economic stability by financing development projects and encouraging investment and trade. Established in 1944 at the Bretton Woods Conference, its original mandate was to facilitate post-WWII reconstruction, a mission that remains central to its current involvement in Fragility, Conflict & Violence (FCV) settings.

3.1. Overview of the World Bank

The WBG functions as a distinctive global coalition of 189 member nations collaborating to identify sustainable solutions that alleviate poverty and foster shared prosperity in developing countries. The institution is directed by two principal objectives: eradicating severe poverty by diminishing the proportion of the worldwide populace subsisting on less than $2.15 daily and fostering shared prosperity by augmenting the incomes of the lowest 40% of individuals in each nation. (World Bank, 2022)

The bank consists of five main institutions:

1. **The International Bank for Reconstruction & Development (IBRD)** and **the International Development Association (IDA)** constitute the basis of the "World Bank", offering loans and concessional funding to middle-income and world's most impoverished countries, respectively.
2. **The International Finance Corporation (IFC)** supports the world's poorest countries through grants and low- or no-interest loans. The **IFC** works with private companies to encourage investment, job creation, and economic growth.
3. **The Multilateral Investment Guarantee Agency (MIGA)** helps attract foreign investment by protecting investors from political risks such as conflict or instability.
4. Finally, the **International Centre for Settlement of Investment Disputes (ICSID)** helps resolve disputes between governments and foreign investors through legal arbitration, to protect Foreign Direct Investment (FDI) in unstable countries.

3.2. Mandate, Scope of Action & Financial Instruments

The World Bank functions as a "Solutions Bank," offering Technical Assistance (TA) and policy guidance to enhance public financial management (PFM) beyond simple loans. In vulnerable regions, the Bank's function extends beyond conventional development; it emphasises the establishment of institutional resilience to avert conflict recurrence and tackles the underlying causes of fragility, including systemic corruption and illicit financial flows.

The Bank seeks to eradicate extreme poverty and foster shared prosperity, functioning under a distinctive weighted voting structure that allocates member nations' influence in accordance with their financial contributions. This governance framework, coupled with loan stipulations (structural changes), continues to be a contentious issue among member states, particularly concerning the sovereignty of developing nations. (World Bank, 2024)

The Bank employs diverse financial instruments to fulfil its objectives:

1. **Investment Project Financing (IPF):** Offering long-term capital for social and physical infrastructure initiatives.
2. **Development Policy Financing (DPF):** Providing fiscal assistance to governments enacting targeted policy and institutional changes.
3. **Program-for-Results (PforR):** Connecting cash disbursement directly to the attainment of specified development outcomes.

4. **Introduction To The Agenda Item A:** Rebuilding Economies in Post-Conflict Regions, Addressing Illicit Finance And Strengthening Governance in Fragile Regions

In political science, peace is frequently characterised as the absence of war (negative peace). For the World Bank, sustainable stability necessitates positive peace, a state in which the structural causes of conflict are alleviated by strong institutions. Recognizing this, **Agenda Item A** focuses on the critical link between **strengthening governance** and **combating illicit finance** to prevent fragile regions from relapsing into violence (World Bank, 2024).

Illicit Financial Flows (IFFs) provide a systemic risk to global economic stability. Illicit Financial Flows (IFFs) encompass the unlawful transfer of funds across national boundaries, facilitating activities including money laundering, terrorism financing, and pervasive corruption. The magnitude of this problem is substantial; the United Nations Office on Drugs and Crime (UNODC) estimates that 2% to 5% of global GDP is laundered each year, totalling around $1.9 to $4.9 trillion (UNODC, n.d.). In fragile contexts, these outflows deplete vital resources that could be allocated to public services, so further undermining the state's social contract with its populace.

Governance in unstable nations is frequently marked by inadequate institutional capability and insufficient accountability. Currently, 2 billion individuals inhabit conflict-affected regions, and by 2030, it is anticipated that more than 80% of the globe's severely impoverished population will be situated in these areas (World Bank, 2023). When core institutions collapse, a "governance vacuum" emerges, frequently occupied by criminal networks or non-state armed factions financed by illegal trade.

For the World Bank, this issue represents not merely a political imperative but an economic obligation. Enhancing Public Financial Management (PFM) and executing Anti-Money Laundering (AML) frameworks are crucial for reinstating functionality. In the absence of transparent governance and the eradication of shadow economies, sustainable development is unachievable in the world's most vulnerable areas.

4.1. Key Terminology

Accountability: Mechanisms that ensure governments and institutions are responsible for their actions, including oversight and transparency.

Anti-Money Laundering (AML) Measures: A collection of laws, rules, and protocols designed to prevent the concealment of illicitly acquired assets as legitimate revenue and to obstruct the movement of funds to terrorist entities (World Bank, 2024).

Beneficial Ownership: Denotes the individual(s) who ultimately possess or govern a legal entity or structure, such as a corporation or a trust. Transparency in beneficial ownership is essential to avert the utilisation of shell corporations for unlawful financing.

Capacity-Building: Global assistance and investment focused on enhancing local institutions, competencies, and governance frameworks to guarantee enduring self-sufficiency.

Corruption: The abuse of public power for private gain, including bribery, embezzlement, and misuse of public funds.

Debt Sustainability: The capacity of a nation to fulfil its present and prospective financial responsibilities without necessitating debt relief or defaulting. This is a primary issue for the IDA when extending loans to post-conflict nations.

Economic Reconstruction: The process of restoring and rebuilding economic systems after conflict, including jobs, infrastructure, public finances, and markets.

Financial Action Task Force (FATF): An intergovernmental organisation that establishes international standards for anti-money laundering and counter-terrorism financing initiatives. Countries who do not comply with these requirements may be "grey-listed" or "black-listed," significantly affecting their access to international finance (FATF, n.d.).

Financial Inclusion: Ensuring individuals and businesses have access to affordable financial services such as banking and credit.

Fragile States: States with weak institutions, limited capacity to provide basic services, and high vulnerability to political instability or renewed conflict.

Fragility, Conflict, and Violence (FCV): A classification by the World Bank for environments characterised by minimal state capability and elevated risks of violence or institutional disintegration.

Governance: The way a state manages public affairs, makes decisions, and delivers services to its population.

GovTech: The application of digital technology to enhance public administration, augment transparency, and diminish potential for corruption in government procurement and service delivery.

Human Security: A people-centered approach to security that focuses on safety, livelihoods, health, and dignity rather than only military threats.

Illicit Financial Flows (IFFs): Funds that are unlawfully acquired, moved, or utilised across international borders. In unstable states, illicit financial flows frequently encompass the trafficking of natural resources or the diversion of humanitarian assistance.

Institutional Capacity: The ability of government institutions to design, implement, and enforce policies effectively.

Money Laundering: The process of disguising illegally obtained money to make it appear legal.

Post-Conflict Regions: Countries or areas emerging from armed conflict where violence has decreased but institutions, economies, and social trust remain fragile.

Private Sector Development: Policies that support businesses, entrepreneurship, and job creation to stimulate growth.

Public Financial Management (PFM): The framework of statutes, regulations, and procedures employed by governments to generate revenue, distribute public resources, and execute expenditures. Enhancing public financial management is crucial for accountability in post-conflict rehabilitation.

Rule of Law: The principle that laws are applied equally, fairly, and consistently, including to those in power.

Shadow Economy (Informal Economy): Economic activity conducted outside the regulated and taxed framework. Prevalent in vulnerable areas, a substantial shadow economy frequently enables money laundering and undermines the state's tax revenue.

Social Trust: Public confidence in institutions, authorities, and fellow citizens, often damaged during conflict.

The Stolen Asset Recovery Initiative (StAR): It is a collaboration between the World Bank Group and UNODC aimed at eradicating safe havens for illicit finances and promoting the repatriation of misappropriated assets to their countries of origin.

Terrorist Financing: Providing financial support to individuals or groups involved in terrorist activities.

Weighted Voting System: The governance framework of the World Bank wherein the voting authority of member nations is contingent upon their financial contributions (shares) to the organisation.

Whole-of-System Approach: Coordination among governments, law enforcement, financial institutions, and international organizations to address complex challenges.

4.2. Historical Background of Financial Oversight

The progression of financial regulation in unstable and post-conflict areas has transitioned from basic physical reconstruction to intricate institutional development. To comprehend contemporary World Bank initiatives, it is essential to analyse the chronological milestones of global financial governance:

1. The Post-World War II Period and the Bretton Woods Framework (1944–1960s):

The World Bank (IBRD) first concentrated on the physical reconstruction of Europe through the Marshall Plan. Financial control was confined to verifying that loans were allocated for infrastructure purposes. Nonetheless, as the Bank redirected its attention to poorer nations, it became evident that "reconstructing roads" was inadequate without robust financial institutions.

2. The Rise of Conditionality and Structural Adjustment (1980s–1990s):

In the 1980s debt problems, the World Bank and IMF implemented Structural Adjustment Programs (SAPs). Financial oversight transitioned into the domain of policy; nations were mandated to deregulate and privatise in return for loans. This period underscored the perils of inadequate governance, as hasty privatisation frequently resulted in heightened corruption and the emergence of oligarchic shadow economies.

3. The FATF Period and the Counterterrorism Effort (1989–2001):

The Financial Action Task Force (FATF) was founded in 1989 to address money laundering. The 9/11 attacks in 2001 constituted a paradigm change, broadening financial oversight to encompass Countering the Financing of Terrorism (CFT). The World Bank commenced the incorporation of these principles into its lending practices, acknowledging that Illicit Financial Flows (IFFs) directly exacerbate conflict.

4. The Governance and Anti-Corruption Strategy (2007–Present):

In 2007, the World Bank officially embraced the GAC method, recognising that systemic corruption frequently leads to "development in reverse." Oversight has expanded to encompass GovTech and the StAR Initiative, concentrating on the recovery of misappropriated assets and the digitalisation of public finance to guarantee that assistance effectively reaches the designated beneficiaries.

4.3. Current Situation with Focused Overview

The current economic repercussions of violence are aptly characterised as "regressive development." In addition to the immediate fatalities, fighting obliterates decades of socioeconomic advancement within few months. In unstable places, the disintegration of formal structures compels populations to engage in illicit markets for survival, establishing a self-perpetuating loop referred to as the "Conflict Trap."

4.3.1. Macroeconomic Destabilization

Macroeconomic stability is essential for development; but, in FCV (Fragility, Conflict, and Violence) contexts, this foundation is consistently compromised through three main channels:

1. **GDP Contraction and Growth Volatility:** Civil wars induce significant supply shocks, resulting in GDP contraction and growth volatility. Studies demonstrate an average decline of 2% to 3% in GDP growth for each year of conflict. In contrast to stable economies, weak nations experience significant fluctuations, rendering long-term private sector investment virtually unfeasible.
2. **Hyperinflation and Currency Collapse:** As the revenue base diminishes, governments frequently resort to seigniorage (the creation of currency) to finance military costs. This results in monetary instability, when the money supply exceeds the production of products, leading to hyperinflation and eroding the public's purchasing power.
3. **The "Fiscal Scissors" Effect:** Governments confront an expanding disparity as tax revenues decline owing to corporate closures, while expenditures escalate for internal security and humanitarian assistance. This frequently culminates in a sovereign debt crisis, constraining policy options for generations.

4.3.2. Destruction of Physical & Human Capital

Although budgetary crises can be alleviated through policy measures, the annihilation of capital signifies an irreversible depletion of national wealth:

1. **Infrastructure and Cascading Failure:** The devastation of power grids and transit systems escalates the "cost of doing business" to untenable heights. Reconstruction is exceedingly capital-intensive, and post-conflict nations frequently lack the creditworthiness to secure the requisite billions.

2. **Human Capital Flight (Brain Drain):** Skilled professionals, such as physicians, engineers, and educators, frequently constitute the initial wave of individuals to escape instability. This "human capital flight" deprives the country of the technical competence necessary for reconstruction (World Bank, 2024).
3. **The Lost Generation:** Disrupted educational and healthcare systems cause enduring harm. A future workforce characterised by diminished productivity will permanently reduce the nation's Potential GDP.

4.3.3. Institutional Deterioration and the Informal Economy

The void created by feeble central institutions is swiftly occupied by clandestine economies.

1. **Skill Mismatch:** Abilities acquired during conflict, such as smuggling or battle, seldom align with the requirements of a formal, contemporary economy.
2. **Loss of Institutional Memory:** The erosion of institutional memory due to the displacement of seasoned civil servants renders government departments unable to provide fundamental services, exacerbating public distrust.

4.4. Mechanisms of Illicit Financial Flows (IFFs) in Fragile Countries

Illicit Financial Flows (IFFs) extend beyond criminal proceeds; they include all capital that is unlawfully earned, transferred, or employed. In unstable nations, these flows incapacitate the state's ability to deliver basic services by depleting public resources. Raymond Baker (2005), a trailblazer in IFF research, classifies these flows into three primary categories: Commercial, Criminal, and Corruptive.

I. Trade-Based Money Laundering (TBML) and Misinvoicing

Commercial transactions constitute the predominant segment of illicit financial flows (IFFs). Baker's research indicates that over 60% of illicit capital exiting poor nations is transferred via commercial manipulation (Baker, 2005).

Trade Misinvoicing: This entails the intentional alteration of the value, quantity, or classification of products in a trade transaction. Companies inaccurately report pricing on invoices to conceal illicit monetary transfers across borders, frequently relocating funds to offshore financial hubs.

Transfer Pricing: Multinational firms may exploit intra-group pricing to relocate earnings from high-tax vulnerable nations to low-tax jurisdictions, depriving the host government of its legitimate tax revenue.

II. Exploitation of Natural Resources

Fragile states are often characterized by a high dependency on natural resources. OECD (2016) reports emphasize that in conflict zones, the illegal trade of gold, diamonds, and oil is the primary fuel for IFFs.

Resource Trafficking: Due to weak border controls and institutional gaps, natural resources are extracted illegally and funneled into global markets through informal channels. This perpetuates the "Resource Curse" and furnishes armed factions with the financial resources to sustain conflict.

III. Shadow Banking and Informal Value Transfer Systems (IVTS)

In areas where the legal banking sector is ineffective or lacks credibility, unlawful individuals resort to conventional, unregulated methods.

Hawala System: An informal mechanism for value transfer reliant on a network of intermediaries. Due to its lack of a paper trail and operation beyond the Anti-Money Laundering (AML) framework, it is often utilised for the swift transfer of illicit funds.

Shell Companies: To conceal the financial trail, individuals employ legal entities devoid of operational activities. The World Bank (2011) report "The Puppet Masters" indicates that most grand corruption cases utilise shell firms to conceal the beneficial owner, the individual who effectively controls the finances.

IV. Systemic Corruption and Bribery

The embezzlement of public monies by state officials and extensive bribery networks form the corrupt foundation of illicit financial flows (IFFs). This undermines openness in public procurement and debilitates the state's fiscal discipline, rendering economic rehabilitation practically unfeasible.

The misuse of Shell Companies is the primary hurdle in tracing illicit flows. According to the World Bank’s 'Puppet Masters' report, nearly all grand corruption cases involve the use of legal entities to mask the Beneficial Owner. Delegates should focus on the implementation of centralized, public registries as a key transparency tool to prevent the 'recycling' of embezzled funds into the formal economy.

4.5. The Impact of Systematic Corruption on Institutional Capacity

Systematic corruption is not only a collection of individual bribes; it represents a structural breakdown in which illicit behaviours become the "standard operating procedure" within governmental organisations. According to the World Bank, systemic corruption functions as a regressive tax on the impoverished and serves as a principal obstacle to Institutional Capacity Building.

I. Erosion of Public Financial Management (PFM)

Institutional capacity is assessed by a state's capability to generate revenue and deliver services. Systematic corruption subverts this by means of:

Procurement Fraud: In unstable countries, public procurement (tenders) frequently constitutes the primary source of illicit financial outflows. When contracts are granted based on nepotism instead of merit, the quality of infrastructure deteriorates as the financial burden on taxpayers escalates.

Revenue Erosion: Corruption within customs and tax authorities results in significant revenue loss. Rose-Ackerman (2016) asserts that when officials "sell" tax exemptions for personal benefit, the state forfeits the fiscal capacity necessary to sustain social safety nets, resulting in a persistent condition of vulnerability.

II. The "Brain Drain" and Meritocratic Collapse

Systematic corruption undermines the internal morale of governmental institutions.

Patronage Networks: When appointments are made via political patronage, highly skilled technocrats are sidelined or compelled to emigrate, resulting in human capital flight (Brain Drain).

Institutional Memory Degradation: As institutions transform into instruments for commercial profit, they lose their "Institutional Memory", the specialised expertise essential for overseeing intricate development initiatives and foreign assistance.

III. Judicial Decay and the Rule of Law

Corruption between the judiciary and law enforcement engenders a "Governance Vacuum."

Impunity: When unlawful financial actors can evade legal repercussions through bribery, the Rule of Law disintegrates. The absence of legal clarity discourages Foreign Direct Investment (FDI), as investors are apprehensive that their investments will remain unprotected by a corrupt judicial system.

Market Distortion: Corruption benefits politically connected enterprises, inhibiting competition and entrepreneurship. This confines the economy to a low-productivity cycle controlled by rent-seeking elites.

IV. The Social Contract and Societal Distrust

The definitive consequence of pervasive corruption is the complete dissolution of the Social Contract. When citizens observe public resources being misappropriated for private gain, they cease tax payments and disengage from the official economy. This sustains the Shadow Economy, which subsequently generates additional chances for money laundering, resulting in a perpetual cycle of institutional deterioration.

4.6. Major Parties Involved

The World Bank's ecosystem in fragile regions entails a complex interaction among several international entities, each with unique mandates, priorities, and degrees of influence.

I. Principal Donor Nations (G7 and OECD Member States)

The United States, Japan, Germany, and the United Kingdom are the principal financiers of the World Bank.

Roles: The Weighted Voting System grants these nations significant authority in loan approval and the establishment of strategic priorities.

Perspectives: They emphasise global financial stability and the deterrence of terrorism financing. They frequently endorse stringent conditionalities, necessitating borrowing countries to enact governance reforms prior to aid disbursement.

They apply pressure via the FATF and allocate designated funding for GovTech and anti-corruption measures.

II. The Financial Action Task Force (FATF)

The FATF serves as the international overseer for money laundering and terrorist financing.

Functions: It establishes the global standards (The 40 Recommendations) that nations are required to adopt to mitigate illicit financial flows.

The FATF considers Shadow Banking and insufficient Beneficial Ownership disclosure as the most significant dangers to the stability of the international financial system.

It performs "Mutual Evaluations" and categorises non-compliant nations on the "Grey List" or "Black List," so severely limiting their access to international capital markets.

III. Fragile and Conflict-Affected States (FCS)

Countries such as Afghanistan, Somalia, South Sudan, and Ukraine are the principal beneficiaries of World Bank assistance in this context.

Roles: They constitute the operational domain in which reforms and reconstruction initiatives are executed.

These nations frequently contend that the stipulations set by Western donors are excessively inflexible and do not consider local socio-political factors. Their priority frequently emphasises swift repair and instant liquidity rather than long-term institutional development.

Numerous FCS partner with the StAR Initiative to pursue the return of assets misappropriated by previous governments.

IV. Rising Economies and Novel Benefactors (e.g., China, BRICS)

Emerging powers offer a distinct paradigm to the conventional Bretton Woods framework.

Functions: They offer substantial infrastructure financing, frequently via bilateral agreements or the New Development Bank (NDB).

Perspectives: They frequently underscore "Non-Interference," indicating that their loans are not consistently linked to the governance or human rights reforms mandated by the World Bank.

Actions: Their existence enables fragile states to diversify funding sources, occasionally circumventing the stringent scrutiny of the World Bank.

V. Global Regulatory Organisations (UNODC & IMF)

The UNODC collaborates with the World Bank in the StAR Initiative, offering legal expertise to trace and recover illicit proceeds.

The International Monetary Fund (IMF) concentrates on macroeconomic stabilisation and oversees the debt sustainability of vulnerable governments to prevent them from entering a fatal debt trap.

Bloc	Key Members	Primary Perspective	World Bank Tool Preference
Major Donors (G7)	USA, Germany, Japan, UK	Emphasizing global financial stability, Anti-Money Laundering (AML) standards, and strict governance conditionalities before aid is released.	**DPF** (to enforce policy changes) and **FATF** standards.
Fragile States (FCS)	Somalia, South Sudan, Ukraine	Prioritizing immediate liquidity, rapid infrastructure repair, and sovereignty over long-term institutional restructuring.	**IDA** grants and **MIGA** guarantees to attract FDI.
Rising Powers (BRICS)	China, Brazil, India	Focusing on "Non-Interference" and large-scale infrastructure projects, often	Bilateral agreements or **New Development Bank (NDB)** alternatives.

		providing financing without the same governance strings.	

4.7. High-Risk Jurisdictions & Offshore Centers

The international struggle against Illicit Financial Flows (IFFs) is frequently obstructed by particular nations that offer confidentiality and minimal regulatory scrutiny. According to the World Bank, these regions signify "black holes" inside the international financial system that deplete cash from vulnerable states.

Offshore Financial Centres (OFCs), sometimes known as "tax havens," provide minimal or no taxation and, crucially, business confidentiality. By permitting the establishment of Shell Companies without revealing the Beneficial Owner, Offshore Financial Centres render it exceedingly difficult for the World Bank or INTERPOL to trace misappropriated assets from post-conflict areas.

High-Risk Jurisdictions: These are nations designated by the FATF as possessing significant flaws in their AML/CFT frameworks.

The Grey List: Jurisdictions subject to heightened scrutiny that are collaborating with the FATF to rectify weaknesses (e.g., Nigeria, South Africa).

The Black List: Non-compliant states that provide a significant risk to the global financial system (e.g., North Korea, Iran).

The Influence on Fragile States: Systematic corruption in fragile states depends on these centres to "safeguard" embezzled assets. Raymond Baker (2005) contends that for each dollar of aid received by a poor nation, around ten dollars are syphoned out via unlawful means, with a significant portion deposited in offshore accounts. This establishes a lasting reconstruction deficit, as the funds designated for public infrastructure are concealed overseas.

4.8. Financial Action Task Force (FATF) & International Regulators

Global initiatives to mitigate illicit financial flows (IFFs) and enhance governance have progressed through diverse frameworks. The enduring presence of shadow economies in weak regimes indicates that, despite advancements in technology, implementation continues to pose difficulties.

I. The Financial Action Task Force (FATF) Recommendations

The FATF formulated the "40 Recommendations" as the international benchmark for AML/CFT adherence.

Success: It established a cohesive legislative framework and a "Grey-listing" mechanism that compels nations to enhance their financial regulation.

Analysis/Failure: In vulnerable countries, FATF requirements are sometimes overly intricate to execute. Numerous FCV (Fragility, Conflict, and Violence) nations possess insufficient institutional capacity to oversee informal sectors such as the Hawala system, resulting in "paper compliance," where legislation exists but remains unenforced.

II. The Stolen Asset Recovery Initiative (StAR)

Initiative: A collaboration between the World Bank and UNODC to enable the restitution of assets derived via corruption.

Success: It has rendered technical assistance to numerous countries, aiding them in recovering millions in misappropriated assets concealed in offshore accounts.

Analysis/Failure: The legal obstacles in "destination countries" (developed nations) are substantial. Recovery proceedings may span decades, and in the absence of robust Judicial Integrity in the asking nation, there exists a risk that recovered funds could be misappropriated anew by emerging corrupt elites.

III. Implementation of GovTech and Digital Public Finance

The World Bank advocates for the digitalisation of governmental services and procurement to minimise human involvement and corruption.

Success: Nations that implemented digital taxation and procurement systems experienced a notable enhancement in revenue mobilisation and a reduction in minor corruption.

Analysis/Failure: The "Digital Divide" in fragile states frequently constrains the efficacy of GovTech. In the absence of dependable electricity and internet infrastructure, digital reforms are confined to major cities, resulting in rural and conflict-affected regions being dominated by informal and criminal networks.

4.9. Possible Solutions

Beneficial Ownership Registries: Creating centralised registries to avert the exploitation of shell firms by guaranteeing the transparency of the actual owners of assets.

Blockchain in Public Procurement: Employing Distributed Ledger Technology (DLT) to ensure government contracts are secure and transparent.

Enhancing Capacity for Financial Intelligence Units: Augmenting World Bank funding to educate local Financial Intelligence Units (FIUs) in the effective detection and reporting of suspicious transactions.

Encouraging Formalisation: Establishing policies that promote the movement of the Shadow Economy into the formal sector by diminishing the "cost of compliance."

Implementation of Centralized Beneficial Ownership Registries: A critical solution to combat Trade-Based Money Laundering (TBML) and asset hiding is the establishment of public, centralized registries that identify the natural persons who ultimately own or control legal entities. By removing the anonymity provided by Shell Companies, the World Bank and local Financial Intelligence Units (FIUs) can more effectively trace the movement of stolen assets across borders and ensure that public funds are not recycled into criminal networks.

4.10. Questions to Be Addressed (QTBA)

1. How can the World Bank reconcile the necessity for stringent conditionalities with the pressing requirement for liquidity in unstable states?
2. What strategies can be implemented to guarantee that repatriated assets are safeguarded against corruption upon their return to their nation of origin?
3. How can multinational organisations mitigate the "Digital Divide" to render GovTech solutions feasible in areas with inadequate infrastructure?
4. How can the World Bank partner with private sector financial institutions to enhance the detection of trade-based money laundering (TBML)?
5. How could the committee tackle the function of offshore financial centres that enable the outflow of capital from the world's most impoverished areas?
6. How can the World Bank engage civil society organisations and investigative journalists in the oversight of Public Financial Management (PFM) while preserving state sovereignty?
7. In light of the emergence of Virtual Assets (Cryptocurrencies), what regulatory frameworks should the World Bank advocate to avert the potential of these technologies becoming a new avenue for money laundering in vulnerable regions?
8. Should the FATF adopt more adaptable evaluation standards for Fragile and Conflict-Affected States (FCS) to prevent economic isolation, or would this compromise the integrity of the global financial system?

5. Introduction to the Agenda Item B: Rebuilding Economies in Post-Conflict Regions

Post-conflict reconstruction is a complex process that goes beyond the simple end of hostilities. "Negative peace" implies the lack of active conflict, whereas the World Bank's mandate emphasises the attainment of positive peace through the reconstruction of economic structures that avert a return to violence. In vulnerable regions, the shift from war to stability is frequently obstructed by the "Conflict Trap," wherein devastated infrastructure and disintegrated markets perpetuate a cycle of enduring poverty (World Bank, 2024).

The World Bank addresses the "Conflict Trap" not merely as a security issue but as a systemic failure of institutions. To break this cycle, the Bank utilizes the IDA (International Development Association) under its FCV (Fragility, Conflict, and Violence) strategy to provide grants and concessional financing. The primary goal is to shift from foreign aid dependency to Domestic Revenue Mobilization (DRM), ensuring that the state can eventually fund its own recovery and maintain the social contract.

For the World Bank, reconstructing economies in post-conflict areas beyond mere restoration of pre-war conditions; it entails economic transformation. This process entails macroeconomic stabilisation, the restoration of public services, and the reconstruction of physical and human capital. Post-conflict states frequently encounter the "Fiscal Scissors" phenomenon, characterised by a surge in reconstruction expenditure alongside a total depletion of the tax income base.

The World Bank's function in this agenda is to serve as an engine for investment. The Bank seeks to rebuild private sector trust by offering concessional financing via the International Development Association (IDA) and providing technical expertise. In the absence of a viable economy and employment opportunities, social trust remains tenuous, rendering enduring peace unachievable. This agenda compels delegates to formulate strategies for sustainable debt management, infrastructure restoration, and the repatriation of skilled labour to facilitate a robust recovery.

5.1. Key Terminology

Blended Finance: The strategic application of development finance, such as World Bank grants, to leverage supplementary commercial finance for sustainable development in high-risk areas.

Climate Resilient Infrastructure: Constructing physical infrastructure (roads, bridges, energy grids) engineered to endure the effects of conflict and the escalating risks posed by climate change, so guaranteeing long-term sustainability.

Concessional Financing: Loans offered at interest rates beneath market norms, frequently accompanied by extended grace periods. In post-conflict environments, this is predominantly overseen by the International Development Association (IDA).

Conflict Trap: A scenario in which a nation's poverty leads to conflict, subsequently exacerbating poverty and institutional disintegration, so establishing a self-perpetuating cycle that obstructs economic advancement.

Domestic Revenue Mobilization (DRM): The method by which a government generates its own revenue through taxation and other non-tax avenues to pay its budget, hence diminishing its need on foreign assistance.

Dutch Disease: A paradox in which the swift advancement of one sector, typically natural resources such as oil or minerals, results in a significant downturn in other sectors, such as manufacturing or agriculture, due to currency appreciation and posing a substantial risk for resource-abundant post-conflict nations.

Fiscal Scissors Effect: A budgetary crisis characteristic of post-conflict nations, wherein government spending for security and reconstruction escalate, while tax revenues decline due to a contracting formal economy.

Graduation: The process by which a nation's economy enhances sufficiently to disqualify for IDA's interest-free loans and thereafter transitions to obtaining loans from the IBRD (International Bank for Reconstruction and Development) at market rates.

Infrastructure Gap: The disparity between the necessary physical infrastructure for a viable economy (such as roads, electricity grids, and telephones) and the existing assets following wartime devastation.

Microfinance: The delivery of micro-financial services, including micro-loans and savings accounts, to entrepreneurs and small enterprises devoid of access to conventional banks in vulnerable areas.

Off-Grid Energy Solutions: Decentralised power generation, such as solar household systems, that functions autonomously from the national grid. These are essential in post-conflict areas where the central power infrastructure has been completely destroyed.

Operational Integration: The World Bank addresses the "Conflict Trap" not merely as a security issue but as a systemic failure of institutions. To break this cycle, the Bank utilizes the IDA (International Development Association) under its FCV (Fragility, Conflict, and Violence) strategy to provide grants and concessional financing. The primary goal is to shift from foreign aid dependency to Domestic Revenue Mobilization (DRM), ensuring that the state can eventually fund its own recovery and social contract.

Political Risk Insurance (PRI): A financial instrument, typically offered by the Multilateral Investment Guarantee Agency (MIGA), that safeguards investors from losses incurred due to political occurrences, such warfare, expropriation, or civil disturbances.

Positive Peace: A term employed by the World Bank to characterise a state that is not merely "without war" (Negative Peace), but also possesses the enduring economic and social frameworks essential for averting future bloodshed.

Public-Private Partnership (PPP): A protracted agreement between a private entity and a governmental body for the provision of a public asset or service, when the private firm assumes considerable risk and management obligations.

Remittances: Remittances transmitted by migrants (the diaspora) to their country of origin. In post-conflict countries, remittances frequently surpass Foreign Direct Investment (FDI) and serve as an essential safety net for households.

Sovereign Debt Crisis: A situation where a country is unable to pay its government debt, leading to a loss of international creditworthiness and a potential freeze in Foreign Direct Investment (FDI).

Special Drawing Rights (SDRs): International reserve assets established by the IMF. During crises, SDRs may be redistributed to vulnerable nations to furnish urgent liquidity without exacerbating their debt obligations.

5.2. Debt Sustainability & HIPC Initiatives

In post-conflict situations, countries frequently face a significant "debt overhang" inherited from prior administrations or accrued during the conflict. Without alleviating this load, economic rebuilding is nearly unattainable, as national revenue is expended on interest payments instead of public investment.

- **Debt Sustainability:** The state in which a nation can fulfil its present and future debt repayment commitments without necessitating debt relief or defaulting, while sustaining an adequate rate of economic development. The World Bank assesses the Debt-to-GDP ratio to evaluate a nation's susceptibility to "debt distress."
- **The Heavily Indebted Poor Countries (HIPC) Initiative:** Established in 1996 by the World Bank and IMF, it aims to prevent impoverished nations from encountering unmanageable debt burdens. To attain lasting debt reduction, nations must satisfy particular performance standards and execute Poverty Reduction Strategy Papers (PRSPs).
- **Multilateral Debt Relief Initiative (MDRI):** A supplementary measure to the HIPC Initiative that provides complete relief on qualifying debts from the IDA, IMF, and the African Development Bank for nations that attain the "Completion Point" of the HIPC process. This creates the requisite fiscal capacity to finance reconstruction.
- **Debt Service Suspension Initiative (DSSI):** A provisional system enabling low-income nations to defer official bilateral loan repayments during periods of severe distress. This is a liquidity support strategy, in contrast to HIPC, which entails permanent debt forgiveness.
- **The "Decision Point" vs. "Completion Point":** These are the two key milestones in the debt reduction process. At the Decision Point, the World Bank officially determines a country's eligibility; at the Completion Point, the country obtains the whole debt reduction pledged, contingent upon the maintenance of macroeconomic stability.

5.3. Transition from Informal to Formal Markets

Following conflict, the disintegration of official institutions frequently results in the prevalence of the informal economy (the "Shadow Economy"). Although informal markets provide an essential safety net for the populace, their absence of regulation presents a considerable obstacle to macroeconomic stabilisation and state development.

For resource-abundant nations, the risk of Dutch Disease is intense during reconstruction. As the natural resource sector grows rapidly, it can lead to currency appreciation that makes other local sectors such as agriculture or manufacturing is uncompetitive. The World Bank recommends establishing Sovereign Wealth Funds or stabilization funds to manage these volatile revenues and ensure long-term macroeconomic stability.

- **The Informality Trap:** In weak states, enterprises operate informally to evade substantial "entry costs," intricate rules, or unscrupulous tax authorities. This limitation restricts their growth, hinders access to formal credit, and leaves employees devoid of legal protections and social security benefits.
- **Formalization Incentives:** The World Bank advocates for "pull" incentives instead of "push" incentives. This entails streamlining business registration, extending microfinance exclusively to registered firms, and granting temporary tax advantages for newly formalised SMEs (Small and Medium Enterprises).
- **Revenue Mobilization:** The key catalyst for Domestic Revenue Mobilisation (DRM) is the transition to formal markets. An expanded formal sector enables the government to secure reliable tax revenue, crucial for sustaining infrastructure without dependence on foreign help.
- **Financial Inclusion and Digitalisation:** The utilisation of FinTech (mobile banking and digital payments) is an essential instrument in this transformation. Digital footprints enable informal merchants to establish a credit history, rendering them "bankable" and motivating their integration into the formal financial system.
- **Property Rights and Property Titling:** A significant obstacle to formalisation is the absence of unequivocal property ownership following displacement. The World Bank endorses land titling initiatives to enable entrepreneurs to utilise their properties as collateral for formal bank loans, hence stimulating private sector expansion.

5.4. Public-Private Partnerships (PPP) in Reconstruction

In post-conflict areas, the disparity in infrastructure is frequently too substantial for the state budget to manage independently. Public-Private Partnerships (PPPs) function as a vital framework wherein the government and private sector collaboratively distribute the financial, technical, and operational risks associated with the reconstruction of basic services such as energy, water, and transportation.

I. The Public-Private Partnership Mechanism in Fragile Contexts

A Public-Private Partnership (PPP) is a long-term agreement between a private firm and a governmental organisation. In a reconstruction context, the private partner generally supplies the initial capital and managerial competence, and the government offers the regulatory framework, land, or sovereign guarantees. This enables the state to reconstruct infrastructure without an immediate, substantial outflow of public monies.

II. Risk Mitigation and the Function of MIGA

Private investors exhibit inherent "risk aversion" in post-conflict regions owing to apprehensions of the resurgence of violence or contract violations. The World Bank employs the Multilateral Investment Guarantee Agency (MIGA) to address this disparity.

- *Political Risk Insurance (PRI):* MIGA offers assurances against non-commercial hazards. In the event that a private power facility is nationalised or obliterated during a civil coup, the World Bank guarantees compensation for the investor. This is the sole method to entice "smart money" back into high-risk regions.

III. The Challenge of Sustainability

Although PPPs provide essential support, they include considerable risks that delegates must evaluate.

- *The Debt Trap:* When a government assures a specific profit margin to the private partner irrespective of utilisation (e.g., a "take-or-pay" contract for a power plant), it may result in Sovereign Debt Distress if the economic recovery is slower than anticipated.
- *Affordability vs. Profitability:* Private enterprises require profit; however, in post-conflict regions, the populace frequently lacks the financial means to afford elevated charges for water or power. The World Bank frequently employs "Viability Gap Funding" (VGF)—grants that bridge the disparity between project expenses and the financial capacity of the populace.

IV. Transparency and Concealed Liabilities

From the standpoint of Agenda A, public-private partnerships may serve as a catalyst for corruption. If the bidding process lacks transparency, contracts may be granted to political elites or firms with concealed beneficial owners. Delegates should promote "Open Contracting" rules to guarantee that public-private partnerships (PPPs) benefit the public interest rather than corporate gains.

5.5. Historical Background: Lessons from Past Reconstruction Efforts

The evolution of post-conflict reconstruction has transitioned from mere physical restoration to an emphasis on institutional resilience. The World Bank has formulated its contemporary Fragility, Conflict, and Violence (FCV) approach by examining historical milestones.

I. The Marshall Plan (1948–1952): The Blueprint and its Limits

Post-World War II Europe saw the inaugural significant achievement in international reconstruction. The Marshall Plan demonstrated that substantial capital infusions, along with regional economic integration, might restore industrial powerhouses.

Although effective in Europe, the World Bank subsequently recognised that this approach could not be directly replicated in other countries. Europe has established institutional capacity and a proficient workforce, which several contemporary unstable states lack.

II. The Balkan Reconstruction (1990s): The Emergence of Social Cohesion

Subsequent to the conflicts in the former Yugoslavia, the World Bank realigned its priorities. Reconstructing the Mostar Bridge was insufficient; the Bank needed to guarantee that the bridge effectively united the split populations.

This period established the notion of Community-Driven Development (CDD). Economic recovery is untenable if it fails to address the fundamental socioeconomic concerns that precipitated the conflict initially.

III. The Afghanistan Experience (2002–2021): The Perils of Aid Dependency

The Afghanistan Reconstruction Trust Fund (ARTF) constituted one of the most substantial multi-donor initiatives in history. Notwithstanding substantial infrastructural investment, the economy continued to exhibit fragility.

Excessive foreign aid coupled with inadequate Domestic Revenue Mobilisation (DRM) fosters a "rentier state." When assistance varies, the entire economic system disintegrates. This underscored the necessity for Sustainable Debt Management and the significance of the private sector over mere handouts.

IV. The "Vietnam Miracle": Transition from Embargo to Export Powerhouse

Vietnam is regarded as a main "success story" by the World Bank. Subsequent to the Doi Moi reforms, Vietnam evolved from a post-war command economy into a worldwide manufacturing centre.

Moreover, transitioning from informal to formal markets and emphasising human capital (education and health) are the most expedient pathways to poverty alleviation and sustained stability.

5.6. Current Situation with Focused Overview

The contemporary framework of post-conflict rebuilding is defined by a "Triple Threat": the Infrastructure-Growth Paradox, the Sovereign Debt Trap, and the Human Capital Gap. By 2026, more than 1.5 billion individuals reside in unstable or conflict-affected environments, where economic recovery is further hindered by global financial instability.

I. The Paradox of Infrastructure and Growth

Fragile states encounter a systemic impasse. To stimulate growth, they require power and transportation; nevertheless, to finance these necessities, they depend on the tax revenue that only expansion can generate.

Energy Poverty: In post-conflict areas such as the Sahel or some portions of the Middle East, energy infrastructure frequently becomes the primary target of sabotage. The Infrastructure Gap in these regions is currently estimated at $100 billion each year.

The Digital Divide: Despite the World Bank's advocacy for GovTech, most post-conflict regions remain devoid of fundamental 4G/5G connectivity, hindering economic digitalisation and relegating enterprises to the Informal Sector.

Ⅱ. The Trap of Sovereign Debt

Post-conflict regions often face a major debt overhang where most of the national revenue is consumed by interest payments rather than public investments.

High Risk Premiums: In fragile states, higher interest rates are faced due to the region being seen as high-risk. This leaves no means of attaining debt sustainability without strategic international intervention, such as the HIPC Initiative.

The Reconstruction Trade-off: States are often forced to choose between paying off old debts to protect their creditworthiness or funding the urgent humanitarian needs of their citizens.

Ⅲ. The Human Capital Gap

While the World Bank can fund the rebuilding of physical assets, it cannot replace the missing human capital, the skills and health of the population .

The Lost Generation: Years of lost education and healthcare mean that the workforce it provides in the future is much less productive, leading to a permanent loss of potential GDP and an ongoing cycle of hunger and poverty.

Brain Drain: During conflict, the most highly skilled professionals such as engineers, doctors, and financial technocrats are the first to flee from the region. This creates a technical vacuum where the lack of internal expertise to manage hinders the very reconstruction projects the World Bank is funding.

5.7. Infrastructure Deficits and Human Capital Flight (Brain Drain)

I. Infrastructure Deficits: The "Networked Failure”

Systemic fragmentation is a common feature of the infrastructure in post-conflict areas. The World Bank does not view infrastructure as isolated assets but rather as integrated networks. When a network is severed, the economic utility of its remaining components virtually disappears.

The Energy-Productivity Gap: Industrialization is not possible without a stable source of power. The "cost of self-"generation", businesses using their own expensive diesel generators, is three to four times higher than the national grid cost in many vulnerable areas. This makes local products non-competitive in global markets.

Maintenance Debt: A serious hidden deficit is the absence of maintenance. Because the host state lacks the technical components or Public Financial Management (PFM) capacity to maintain them, donor-funded projects frequently fail. As a result, newly built assets experience a rapid decay. Hence, there is a lost capital investment.

The Logistics of Isolation: Farmers are eventually forced into subsistence living and trapped in the unofficial shadow economy when "last-mile" infrastructure, such as rural roads and small bridges, is destroyed. This isolates agricultural communities and makes it impossible to transport excess crops to urban markets.

Ⅱ. Human Capital Flight: The "Technical Vacuum"

Human capital is, in truth, the most resilient and most mobile asset of a country. When it comes to conflict, it would be the brightest ones, such as doctors, engineers, and economists, who would be the first ones to pack their suitcases and escape. As Davis (2007) says, these individuals have so-called “portable skills,” making it easier for them to find employment compared to others, not to mention gaining easy access to resources.

Beyond the destruction of physical assets, "Brain Drain" represents a loss of national wealth that cannot be easily replaced. The World Bank tackles this through two main channels: first, by providing Technical Assistance (TA) to train a new generation of civil servants and rebuild Institutional Memory. Second, it works on Financial Inclusion projects to harness the power of Remittances, ensuring that capital sent back by the diaspora is funneled into formal investments rather than remaining in the shadow economy.

Brain Drain vs. Brain Gain: The money sent back home by citizens living abroad is a short-term solution for some of their needs, but it is not a solution for the problem 'brain drain' presents. With a lack of technical professionals like engineers and bureaucracy that results in a 'lack of institutional memory.' It becomes difficult for a country to execute projects even after getting funding from abroad because they have lost technical professionals.

Socio-economic Hysteresis: This effectively leads to the creation of the “scarring effect” of conflict, which, after the restoration of peace, results in the hold-back of the brightest minds, as they have effectively integrated into other economies. This leaves the after-conflict country with the acute shortage of the brightest and best professionals, which is critical in the establishment of a stable democracy and a flourishing official economy.

The Education-Labor Mismatch: Regarding those who stay in the country, a "Lost Generation" phenomenon is emerging. Due to the number of years that have been affected by education, the country now has workers who are incapable of performing the required digitization and technology in the job market. This further leads to the labor market becoming involved in less valuable and informal sectors, further reducing the country's potential GDP.

These two gaps create a self-reinforcing cycle. If we don't have engineers (human capital), the infrastructure won't be properly maintained. And without reliable power and transport systems, people can't envision a future here and will continue to leave.

For the World Bank, the solution requires "Bundled Interventions":

1. MIGA to motivate private companies to step in and help rebuild our infrastructure.
2. Technical Assistance (TA) to equip a new wave of local civil servants with the skills they need.
3. Digital Governance (GovTech) to close the infrastructure gap by utilizing mobile and off-grid technology.

While GovTech can significantly reduce petty corruption through automation, its efficacy is capped by the Digital Divide. In fragile settings, reconstruction projects must prioritize 'Analog Complements', such as basic electricity and literacy; alongside digital platforms to ensure that rural populations are not further marginalized by the formalization process

5.8. Macroeconomic Stabilization in the Aftermath of Conflict

Initially, following the resolution of conflict, the macroeconomic structure that is left is generally in “emergency mode.” Macroeconomic stabilization can be defined as the process through which hyperinflation can be controlled, the national currency can be stabilized, and the national fiscal deficit can be managed to create a proper atmosphere for the initiation of the reconstruction process. Working with the World Bank, stabilization is more of a “bridge” that enables the nation to enter the international market.

I. Restoring Monetary Credibility and Curbing Inflation

States affected by conflict often enter the post-war period with hyperinflation created by seigniorage, printing money to pay for war, and a collapsed currency.

Anchoring the Currency: The initial priority must be stopping the free fall in the exchange rate. This could require "dollarization," in which a temporary currency, often an existing country's currency, is used, or could require a Currency Board to win back lost public trust.

Inflation Control: High inflation rates are a kind of regressive taxation on people because they affect the poorest people most. The World Bank supports the Central Banks to implement “Inflation Targeting" to again give them independence so that they cannot print money to finance budgets.

II. Fiscal Consolidation vs. The Reconstruction Demand

After a conflict, the governments are faced with the “Fiscal Paradox,” whereby there is a need to cut costs in order to alleviate the deficit problem in the country; on the other hand, there is a great need to spend money on reconstruction and social services to retain peace within the state.

Post-conflict governments often face the "Fiscal Scissors" effect, where reconstruction demands spike while the tax base evaporates. To bridge this gap, the World Bank deploys Development Policy Financing (DPF), which provides direct budget support. This instrument is often "conditional," requiring structural reforms in Public Financial Management (PFM) to ensure that the fiscal space created is used for sustainable growth rather than just debt service.

Revenue Mobilization: Because conflict destroys the regular tax base, the Bank is instead concerned with quick-win solutions. Through streamlining their customs processes, using digital tax systems (GovTech), governments can easily prevent money leaks, reduce corruption, and rapidly raise the funds for the process of restoring the country.

Expenditure Prioritization: The government needs a budget shift from “military spending” to “productive spending.” The World Bank implements Development Policy Financing (DPF), which gives the country budget support. This budget support might come with possible conditions for the country concerning the transparency and changes required.

III. The World Bank-IMF Coordination (The Bretton Woods Partnership)

Macroeconomic stabilization is achieved by a joint effort between the two Bretton Woods institutions. While their roles are overlapping, their mandates are very distinct.

IMF (The Firefighter): Has its focus on short-term stability, managing the balance of payments, and making sure that the country can make the payment of its international debts.

World Bank (The Architect): As the long-term engine behind the restoration process, the World Bank provides structural adjustments such as reconstructing the banking system, rebuilding public utilities, as well as developing social safety nets to protect the affected groups against the economic shock that normally results from the stabilizing program.

IV. Sequencing: Why "Speed vs. Stability" Matters

A regular failure in post-conflict recovery is attempting too many reforms too quickly.

Early Successes: The plan for the World Bank for the year 2026 is based on the ‘Quick Wins’ approach, whereby there will be minimum economic achievements that will appease the population before they can submit to changes like the removal of fuel subsidies and the dismissal of government employees.

Preventing the Relapse: However, if the stabilization state becomes too harsh for society (austerity), this sparks social unrest. The Bank offers recommendations in terms of “Pro-Poor Stabilization” to ensure that while costs are being cut, money in healthcare, education, and food security is not sent down the drain to drift back towards violence.

5.9. Major Parties Involved

The successful recovery of a post-conflict nation depends on a high-stakes coordination between global financiers, technical experts, and local sovereign actors. This ecosystem is not merely a collaborative space but a complex arena of competing interests where the urgent need for liquidity often clashes with long-term demands for institutional transparency. The interaction between these parties dictates the speed and sustainability of reconstruction, as each stakeholder operates under different mandates, ranging from geopolitical influence and financial stability to national survival and economic sovereignty.

5.9.1. Major Donor States

The operational capacity of the World Bank in post-conflict settings is fundamentally driven by the strategic and financial influence of the Major Donor States, primarily the G7 and OECD nations such as the United States, Japan, and Germany. As the primary financiers of the Bank's reconstruction funds, these nations exercise influence proportional to their financial contributions through the **Weighted Voting System**, effectively establishing the Bank's strategic priorities and approving major loan disbursements. Their perspective is largely shaped by a "Stability-First" doctrine, which prioritizes global financial integrity, Anti-Money Laundering (AML) standards, and the deterrence of terrorism financing. Consequently, these donors often insist on **stringent conditionalities**, requiring borrowing nations to enact deep policy and governance reforms, often perceived as *intrusive* by recipient states, before assistance is fully released.

In contrast to the traditional donor framework, Emerging Powers such as China and other BRICS nations offer a competing paradigm of development. These actors frequently provide substantial infrastructure financing through bilateral agreements or the New Development Bank (NDB), emphasizing a principle of "Non-Interference." By offering loans that are not consistently linked to the governance or human rights reforms mandated by the World Bank, they allow fragile states to diversify their funding sources, sometimes enabling them to circumvent the rigorous scrutiny of the Bretton Woods institutions. This creates a significant geopolitical tension within the committee, as delegates must decide between the high-standard, reform-heavy financing of the G7 and the rapid, often unconditional infrastructure support from rising powers.

5.9.2. International Financial Institutions (IFIs)

The internal machinery of the International Financial Institutions (IFIs) provides the technical and financial instruments necessary to execute these competing visions of reconstruction. The World Bank Group functions as the structural architect of this process, with the IBRD and IDA providing the core capital for rebuilding public utilities and social safety nets, while the International Finance Corporation (IFC) focuses on catalyzing private sector investment to create jobs in high-risk markets. To mitigate the inherent risk aversion of private investors in war-torn regions, the Multilateral Investment Guarantee Agency (MIGA) provides Political Risk Insurance (PRI), shielding capital against non-commercial hazards like expropriation or civil unrest. This work is closely coordinated with the International Monetary Fund (IMF), which functions as a macroeconomic firefighter, managing balance of payments and curbing hyperinflation to ensure that reconstruction does not lead to a terminal debt trap.

Beyond the primary lenders, the system is governed by specialized bodies that ensure the integrity of financial flows during the recovery process. The Financial Action Task Force (FATF) serves as the international overseer, establishing the global standards that nations must adopt to mitigate illicit financial flows; failure to meet these standards can lead to "Grey-listing," which severely restricts a country's access to international capital. Simultaneously, the Stolen Asset Recovery Initiative (StAR), a collaboration between the World Bank and UNODC, provides the specialized legal expertise required to trace and repatriate assets misappropriated by previous regimes. Together, these institutions form a high-pressure environment where post-conflict nations must balance the desperate need for immediate liquidity with the intense demand for structural transparency and institutional reform.

5.10. Post-Conflict Nations & Regional Blocks

Post-conflict nations such as South Sudan, Ukraine, and Afghanistan, represent the primary operational domain where World Bank policies are tested against the harsh realities of fragility. These states often find themselves in a precarious position, caught between the urgent necessity for immediate financial liquidity and the demanding institutional reforms imposed by international donors. A central point of tension within the committee is the "Sovereignty vs. Intervention" debate; while the World Bank views conditionalities as essential safeguards for transparency, recipient nations frequently argue that these requirements are too rigid, failing to account for local socio-political complexities and the immediate need to provide basic services to a traumatized population.

The role of regional blocks is equally vital in stabilizing these environments, as conflict rarely remains contained within national borders. Organizations such as the African Development Bank (AfDB) and the European Union collaborate with the World Bank to manage cross-border infrastructure projects and regional debt management frameworks. This "Whole-of-System" approach acknowledges that a post-conflict nation's recovery is intrinsically linked to the economic health of its neighbors. Regional blocks often act as mediators, translating global World Bank standards into regional strategies that prioritize local ownership and collective security.

Challenge Area	Post-Conflict State (PCS) View	World Bank / Donor Perspective	Regional Block Role

Sovereignty & Conditionalities	Viewing strict reforms as intrusive and a threat to national autonomy during a crisis.	Viewing conditionalities as essential for transparency and preventing "aid leakages".	Acting as a mediator to align global standards with local political realities.
Liquidity vs. Reform	Prioritizing immediate cash flow for basic services and security over long-term institutional restructuring.	Prioritizing "Public Financial Management" (PFM) reforms to ensure debt sustainability.	Coordinating regional liquidity support and cross-border trade stability.
Infrastructure Repair	Focusing on rapid physical reconstruction of roads and energy to win public trust.	Focusing on "Integrated Networks" and maintenance capacity to avoid capital decay.	Facilitating regional infrastructure corridors in order to boost cross-border economic utility.

5.11. Previous Attempts & Analysis

The history of post-conflict reconstruction has taught the World Bank that physical restoration is structurally insufficient if it is not accompanied by simultaneous institutional resilience. The Marshall Plan (1948–1952) remains the foundational success story of the 20th century, demonstrating that massive capital infusions and regional economic integration can effectively restore industrial powerhouses. However, the World Bank has since recognized that this success was predicated on a pre-existing workforce and institutional capacity that many modern fragile states currently lack. This realization shifted the Bank's focus from purely financing infrastructure to emphasizing capacity-building and technical guidance.

In contrast to the European experience, the Afghanistan Reconstruction effort serves as a stark warning regarding the perils of aid dependency. Despite one of the most substantial multi-donor initiatives in history through the ARTF (Afghanistan Revolution Trust Fund), the economy remained fragile because it lacked a robust private sector and failed to prioritize Domestic Revenue Mobilization (DRM). This underscored the necessity for Sustainable Debt Management, as excessive foreign aid without internal expertise often leads to a "rentier state" that collapses when assistance fluctuates. Lessons from this period highlight that without internal technical professionals and institutional memory, external funding alone cannot execute complex development projects.

The reconstruction of the Balkans in the 1990s introduced another paradigm shift, focusing on social cohesion and the fundamental socioeconomic grievances that originally triggered the conflict. During this period, the Bank learned that physical rebuilding, such as the Mostar Bridge, was secondary to the goal of uniting divided populations. This led to the adoption of Community-Driven Development (CDD), ensuring that economic recovery addresses the needs of the population rather than just political elites. Finally, the "Vietnam Miracle" provides a modern blueprint for transformation; by implementing the Doi Moi reforms, Vietnam evolved from a post-war command economy into a global manufacturing hub through the formalization of markets and a persistent focus on human capital.

5.12. Possible Solutions

The World Bank's operational toolkit for rebuilding economies in post-conflict regions focuses on transitioning from emergency relief to sustainable, private-sector-led growth. One of the primary solutions involves the strategic use of Blended Finance, where limited World Bank grants are used to "de-risk" projects and mobilize larger amounts of private commercial capital. To overcome the inherent risk aversion of investors in these zones, the Multilateral Investment Guarantee Agency (MIGA) provides Political Risk Insurance (PRI), protecting assets against non-commercial hazards like expropriation or civil unrest. This mechanism is essential for attracting "smart money" back into high-risk areas, allowing for the reconstruction of vital infrastructure such as power grids and water systems without an immediate, unsustainable outflow of public monies.

Furthermore, the Bank emphasizes the formalization of markets through digital transformation and FinTech solutions. By funding digital identification and mobile payment platforms, the Bank helps informal merchants create a "digital footprint," making them "bankable" and incentivizing their transition into the formal economy. This shift is a critical catalyst for Domestic Revenue Mobilization (DRM), enabling the government to secure a reliable tax base and reduce its long-term reliance on foreign assistance. For nations burdened by debt inherited from previous regimes, the Bank facilitates the Heavily Indebted Poor Countries (HIPC) Initiative, providing permanent debt relief to free up fiscal space for essential public investments in healthcare and education rather than interest payments.

5.13. Questions to be Answered (QTBA)

1. How can the World Bank effectively balance the necessity for strict governance conditionalities with the urgent requirement for immediate liquidity in unstable states that lack the capacity for rapid reform?
2. What specific mechanisms can be implemented to ensure that Public-Private Partnerships (PPPs) in reconstruction remain transparent and do not become avenues for corruption or elite capture by politically connected enterprises?
3. How can the Bank incentivize the return of Human Capital and technical expertise, effectively reversing the "Brain Drain" beyond the simple reliance on diaspora remittances?
4. In resource-abundant post-conflict nations, what specific regulatory frameworks and stabilization funds should the Bank advocate to prevent "Dutch Disease" from undermining broader economic diversification?

5. Should the World Bank prioritize "Quick Wins" and visible infrastructure results to build immediate social trust, or focus on deep, often painful structural reforms to ensure long-term macroeconomic stability?
6. How can the Multilateral Investment Guarantee Agency (MIGA) more effectively utilize Political Risk Insurance (PRI) to "de-risk" investments and lower the high risk premiums faced by fragile states?
7. To what extent should the Bank involve civil society and local community-driven organizations in the oversight of Public Financial Management (PFM) to ensure that reconstruction benefits the population rather than a select elite?
8. How can the committee address the potential for Virtual Assets (Cryptocurrencies) to become new avenues for money laundering in fragile regions where traditional banking systems have collapsed?
9. In light of the "Fiscal Scissors" effect, should the World Bank consider a temporary suspension of debt interest payments (similar to the DSSI) specifically for nations undergoing active reconstruction to prevent a terminal debt trap?

6. Final Remarks

The challenges presented in this committee represent some of the most complex intersections of economics, politics, and human survival. As delegates of the World Bank, your responsibility extends beyond the mere technical policy-making; you are tasked with redesigning the economic foundations of nations where the social contract has been fractured by violence and corruption

Post-conflict reconstruction is not a simple linear process of "repairing what was broken". History has shown that returning to pre-war economic structures often means returning to the very conditions that triggered the conflict initially. Therefore, your focus should be on **transformation**. Whether you are debating the technicalities of Anti-Money Laundering (AML) frameworks in Agenda Item A or the intricacies of Public-Private Partnerships in Agenda Item B, you must always consider the human capital at the heart of these economies.

A successful delegate in this committee will be one who can bridge the gap between the rigid, high-standard requirements of the World Bank and the desperate, immediate needs of people living in fragile regions. Do not shy away from the friction between sovereignty and intervention. Instead, use that friction to spark innovative solutions, such as leveraging digital finance to bypass corrupt intermediaries or utilizing MIGA guarantees to bring essential services to rural communities.

Ultimately, the goal is to transition from "Negative Peace" (the mere absence of war) to "Positive Peace". This is only achievable when institutions are strong enough to ensure that growth is inclusive, transparent, and resilient to the shocks of the future. I look forward to seeing evidence-based, and empathetic solutions you will bring to the floor.

7. Further Reading

To excel in this committee, delegates are encouraged to move beyond the study guide and explore the primary research and strategic frameworks produced by the World Bank and its partner organizations. These resources provide the empirical data and case studies necessary for drafting high-quality resolutions.

For Agenda Item A, here is the list below:

1. World Bank. (2011). *The puppet masters: How the corrupt use legal entities to hide stolen assets and what to do about it*. World Bank Publications. https://openknowledge.worldbank.org/server/api/core/bitstreams/e80259c9-d3ca-5d16-adef-fec02a3989dd/content
2. St. John, J., & Deloitte. (n.d.). *Combating illicit finance: A modern perspective on securing financial systems*. Deloitte India. https://www.deloitte.com/in/en/Industries/defense-security-justice/perspectives/combating-illicit-finance.html
3. Financial Action Task Force. (2023). *The FATF Recommendations: International standards on combating money laundering and the financing of terrorism & proliferation. https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Fatf-recommendations.html*

For Agenda Item B also, here is the list below:

1. Mercy Corps. (n.d.). *Advancing local governance in conflict-affected regions: Research and insights*. https://www.mercycorps.org/research-resources/advancing-local-governance
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Note for the curious delegate: If you've reached this final page, you have demonstrated the same persistence required to achieve the "Completion Point" of a HIPC initiative. Just like a post-conflict economy, may your debates be resilient, your growth sustainable, and your "Human Capital" always stay curious. See you at the General Assembly, unless the "Full-Time Job" market captures this Chair first!