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Forum: Executive Board 2 Finance

Issue: Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

Student Officer: Kaan Çankırı

Position: President Chair

Introduction

Throughout history, most citizens have relied on banks to hold their money, insurances to cover their losses or financial services to lend money or invest in other companies. The concept of financial institutions are a new idea to most citizens of the world because it has only been recognized in a short period of time, but now most of the citizens of the world rely on these services and institutions. In the 21st century these institutions have helped all kinds of people from the poor to the rich. The 21st century is a very globalized era for the human race, where most people have the ability to use and benefit from institutions created by us, but an issue is these institutions are only available to people who live in economically stable or developing countries. Examples of these countries are the U.S or U.K or France where there is a stable economy and government but in LEDC the institutions are a new concept. The issue is while most of us benefit from the social financial services people who might need the same benefits can't use them.

Definition of Key Terms

Insurance: Coverage by contract.

Financial Services: Professional services involving the investment, lending, and management of money and assets.

Financial Institution: A company or government body engaged in the business of dealing with financial and monetary transactions, such as deposits, loans, investments and currency exchange.

Domestic: To occur inside a particular country.

Bank: A financial establishment that uses money deposited by customers for investment, pays it out when required, makes loans at interest, and exchanges currency.

Less Economically Developed Country (LEDC): Countries with lower GDP and standard of living than More Economically Developed Countries.

The World Bank: An international financial institution that provides loans to countries of the world for capital projects.

The International Monetary Fund (IMF): An international organization working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.



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Background Information

Banks:

The first Financial Institution was a bank in Italy, the Medici bank. This was technically the first bank in the world, while it wasn't a bank for entrepreneurs it was a bank that gave service to the industry that dominated them all; agriculture. This prototype bank compared to banks we have now today is considered very tiny, but it was a bank that gave out loans and allowed investments towards farmers, like it does today in our daily life but not only did it give out loans or harbour money for farmers, it allowed every citizen to benefit from their service.

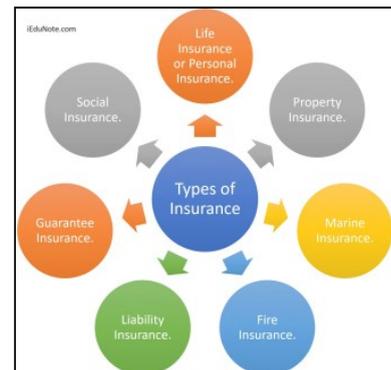
Insurance:

The first property insurance company in the world was Hamburger Feuerkasse (English: Hamburg Fire Office) which was founded in 1676. This was the very first insurance company that was open to the public. After the Hamburg Fire Office, Londoners were tired and frightened by *The Great Fire Of London* which consumed more than 12,000 homes. To find a solution to this in 1681 *Nicholas Barbon* founded the *Insurance Office of Houses*. After this company many companies emerged in the market and hired their own fire departments to put out fires but there was a lot of rivalry between the number of firms.

The first insurance company in The United States was founded by Benjamin Franklin in 1752, this company was the The Philadelphia Contributionship for the Insurance of Houses from Loss by Fire. This is the earliest know or recorded insurance company in the history of America, now there are too many insurance companies that focus on many of aspects of our lives.

As time past by there the citizens of the industrial era came up with more and more insurances like;

- Life Insurance or Personal Insurance.
- Property Insurance.
- Marine Insurance.
- Fire Insurance.
- Liability Insurance.
- Guarantee Insurance.
- Social Insurance.





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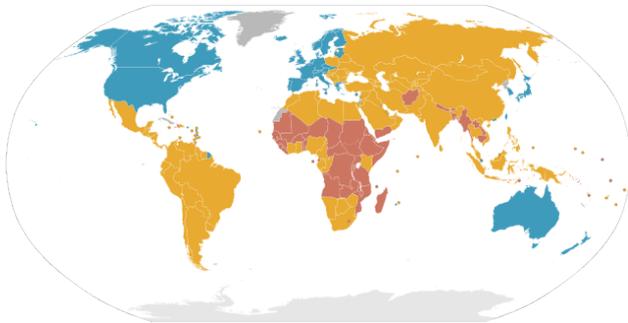
International Organizations:

After the *United Nations* was formed the countries came together to create various international economic and financial institutions to regulate, control, check or support in times of crisis. One of these organizations is the *International Monetary Fund* or the *World Bank* which both were created to financially help organizations but in a bigger aspect help countries in times of crisis.

The World Bank:

The World bank was created by the Bretton Woods Conference in 1944 along with the IMF, the leading countries were the United States and United Kingdom with the biggest economies at the time. The purpose of the World bank was to support and give out loans to LED countries, which are low-income countries. The first country that was given a loan was France in which the Bank had a close eye on the French government and had requirements in which involved them to fire, meet expectations and show clearly how they would be able to pay back the loan to the Bank. The World Bank usually gave out loans to countries for infrastructure projects like seaports, railways, highways or power plants. Most of these loans were small and were mostly paid back to the Bank.

The International Monetary Fund:



The International Monetary Fund was also established in the Bretton Woods Conference with the mission to "Foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world." The main reason why the IMF was created was because postwar or depression countries like the US, UK, France or

Germany couldn't raise from the failing economies they had and there was a need for attention in this case the IMF was a solution to stabilize currencies and promote employment in failing countries. The biggest contribution that the IMF had was the great depression in Argentina and the banking crisis in Uruguay, there are many more examples but these are the two best achievements of the IMF. Both the IMF and the World Bank gave out loans to every country in need of the loan which met the requirements;

Legend:

-  :Advanced Economies
-  :Emerging and developing economies
-  :Emerging and developing economies (least developed)



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Countries with advanced economies do not need the funding from the World Bank or the constant supervision of the IMF but countries like most of Africa need the funding, guidance and supervision of both the IMF and the World Bank. The funds would be used to embers and invest in infrastructure or industries that would increase the countries GDP which in return would pay the fund back and increase production inside the country.

International organizations have a major role in providing the necessary funds and help to keeps banks from sinking as well. During world banking crises or depressions the World Bank has provided backup plans and placed safeguards for these situations to insure that banks still had the ability to give out loans and allow consumers to invest. The banking crisis of 2007-2008 was followed by the down fall of the Euro. The rise in the amount of loans given by the Lehman Brothers Bank which they thought that they would get a loan from the Federal Reserve of the United States wasn't given which caused a major downfall which followed the bankruptcy of the bank. The high amounts of cans they had given attracted the consumers to buy more houses which raised prices greatly and by that time the financial instruments started failing. When the government declined to give the loan to Lehman Brothers the entire system collapsed on its own, people buying homes with no actual physical or intangible money from a bank which had not a single penny. This fall was saved by both the US federal government and the World bank.

Timeline of Major Events

Jan 1, 1914- Jan 1, 1944	Economic, social and political collapse in the world; specifically in Germany and the United States due to many market crashes
Oct 29, 1929- Jan 1, 1939	The Great depression: Stock market crashes in the US, unemployment rises to unimaginable heights.
Nov 11, 1944	The International Monetary Fund and The World Bank is established in the Bretton Woods conference.
May 20, 1995	International Trade Organization is established.
2001-2002	Argentinian Economic Crisis. The currency fell to all time low, inflation rates rise to an astronomical rate of 5000%. At this moment the IMF declined to offer anymore help to the Argentinean Government, with this many businesses collapsed and jobs, savings and many other debts were lost at this time
2007-2008	Banking crisis and Great Recession stocks, banks and investors go bankrupt or become valueless.



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Major Countries and Organizations Involved

United States of America:

In the Banking crisis of 2007 the United federal reserve assisted to end the Banking crisis by sending out financial care packages. This helped most banks that were in trouble with the crisis and saved the entire economy from a collapse.

European Union

The European Union helped the Greek government to rise out of its unemployment and obtain a new currency to improve its economy, which ultimately failed in the long run but had a really impressive and effective effect.

International Monetary Fund

The IMF has the mission to promote employment and financial stability. For the issue the IMF has great impact on it due to its mission

The World Bank

The World Bank provides funds and investments to countries in need for projects or production rate increasing reasons, which helps to promote stability and development of the countries economies.

Previous Attempts to Solve the Issue

Sustainable Development Solutions Network Goal 08. Promote Sustained, Inclusive and Sustainable Economic Growth, Full and Productive Employment and Decent Work for Allç

Possible Solutions

- Investments into more countries with more evaluations and following procedure.
- To allow investments or to allow people for a loan the accessibility should be made easier with less interest rates to allow most people to pay the loan.
- reward the citizens who repay the loan rather to punish the people who can't pay the reward would attract more people to pay on time. This would attract people to pay their loans faster in which the stability of the financial institutions would increase greatly.



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Useful links for further research

- <https://www.imf.org>
The IMF will give information about the developing countries. Alongside that they release and explain the economic transactions that spire between them and member nations or organizations.
- <https://www.worldbank.org>
The World bank website will show you their activities towards developing the world for a more financial and stable place. There transactions, current plans and their projected plans are also included on their website.
- <https://www.heritage.org/index/>
The Heritage index is an interactive website which shows information about each country both separately or in a comparative matter. The important aspect of this website is the fact that it can show which countries are LEDCs which can really help you with your research to find out if the countries in the matter are important to the subject.

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