<u>**Working Paper 1.1.1**</u>

Committee: World Economic Fund
Question of: Economic Recuperation Post COVID-19
Heads of Block: Jonathan Gruber, Russian Federation.
Signatories: United Kingdom, Kingdom of Saudi Arabia, Republic of Yemen, People's Republic of China, United Arab Emirates,

The World Economic Forum,

Taking into account the devastating effects that the COVID-19 pandemic has had on the economy of every delegation present,

Aware of a possible economic overwhelm and saturation an unsuitable activation could cause within the internal economic situation of every state present,

Deeply convinced that to achieve successful economic global recuperation, the international community and WEF community must work together, and therefore attain a viable solution,

Emphasizing the fact that global cooperation and biosecurity maintenance are crucial concepts, to eventually fulfill economic recuperation post-COVID-19,

Fully aware that to achieve total economic recuperation, stabilization, and recovery, both short and long term solutions should be implemented,

Acknowledging the participation of countries within the resolution that have not signed the Security Maintenance and Global Cooperation Treaty and respecting their sovereignty and inclusion on all the other proposals;

1. <u>**Endorses**</u> the Plan OMEN which is based on quantifying the minimum level of income households need to cover basic needs, the minimum level of liquidity that companies need to cover costs and the minimum amount of capital that governments need to supply all those requirements by:
    a. Households: institute and temporarily expand conditional-cash-transfer (CCT) programs for formal, informal, and independent workers to support vulnerable people according to:
        i. The level of support each population segment requires,
        ii. The appropriate distribution channels for fast delivery,
    b. Companies:
        i. Define for how long should States freeze short-term fiscal, parafiscal, and social security payments,
        ii. Introduce and extend simplified loan guarantees and provide grants and subsidies,
        iii. Improve structural policies to adopt new methods on digital technologies and find new markets and sales channels;

2. **Proposes** the plan BREACH which is based on reviewing the impact of social distancing guidelines in each countries' labor market and demand of goods and services according to regions, economic sectors, and ages to guideline sectorized lockdowns and per age group social distancing procedures, and view which funds to relocate for the recuperation of economic growth by:
    a. Calling upon a special economic commission selected by the part of the IMF for developed countries and the WB for developing countries to examine which funds of the annual planner can be reallocated as emergency plans for the funding of this proposal,
    b. Funding a national program of advanced analytics to estimate shocks to the economy by aggregating data on power consumption, debit- and credit-card spending, applications for unemployment insurance, default rates, tax collections, among others,
    c. Reviewing the levels of consumption per zone, household, and per age group to guideline the lockdown measures by trading-off the lowest impact on the economy and health services consumption,
    d. Tracking down the sectors of the economy that have the most house workers and how they contribute to the economy to maintain them in lockdown,
    e. Maintaining a monthly quantification on the impact of physical distancing on GDP, productivity, aggregated demand, income loss, unemployment, poverty, and fiscal-deficit levels by region and economic sector to implement novel objectives;

3. **Encourages** nations such as the United Kingdom, the Russian Federation, The People's Republic of China, and the Kingdom of Saudi Arabia to provide private loans to third world countries such as Yemen to restart said countries' economies, the loans would work in the following manner:
    a. The temporary opening of an annex within the World Economic Forum to prevent political influences or corruption from interfering with the correct execution of the loans,
    b. The countries giving loans will then engage in dialogue directly with the country requesting a loan to understand the latter's economic situation and needs,
        i. Following this action, the country providing the loan and the WEF forum will devise a loan plan and an interest rate that will benefit both the country providing the loan and the country receiving the loan,
        ii. The loan plan will be constructed in three different parts;
            1. An emergency fund devised to aid citizens,
            2. A subsidy for citizens that have been placed on furlough because of the COVID-19 outbreak, covering up to 50% of their salary
            3. A stimulus package directed to small and medium up-and-coming businesses to prevent them from going bankrupt;

4. **Further invites** the international community to create new trade agreements that are suited to benefit specific economies and open new and efficient trade routes,
    a. The WEF encourages free trade, using laws that include:
        i. Reduction of export tariffs by 16%,
        ii. Decrease protectionist laws temporarily, to increase economic flow,

    b. The WEF will review the economic state of all signatory countries by the end of 2020 and will advise the continuance of international trade agreements for the next financial quarter;

5. **Considers** the application of RAZE, which consists in the implementation of a fiscal reform—sustainable at long-term—in collaboration with the Ministries of Economy and Finance of each member State, to incentive the migration to the formal sector through subsidies given to the members of the formal sector in three socio-economic pillars:
    a. Real Estate, conscious of the existing extreme necessity for housing accompanied by the elevated prices that workers afront in the search of a home, centered in:
        i. Increase the supply of housing to a cost lower from the market price for migrant formal workers,
        ii. Reduce passive interest rates in hypothecary credits to cover the elevated housing demand for the labor force,
    b. Superior Education, according to the lack of competitiveness that informal workers present in the regulated labor sector due to the weakened superior formation that they receive, fomenting:
        i. The creation of a national system for scholarships for programs in specialization in technical careers in upcoming industries,
        ii. The obligatory use of quality capacitation in the sector with the major presence of informality once the worker migrates,
        iii. The homologation of university titles of migrants looking to assimilate the productive capacity that they may bring to a State,
    c. Entrepreneurship, conscious of the fault of financing that the investment in innovation receives in the economies of developing countries, and how this has a repercussion over the reduced labor supply and the eventual development of the informal sector, promoting:
        i. The restructuring of the governmental Budget, establishing a minor percentage of the GDP for the component R&D,
        ii. The reinforcement of financial institutions at a national level with the help of international financial organizations to improve the system of loans to ideas of profitable business,
        iii. The fight against corruption within political institutions in cooperation with organizations such as Transparency International to reduce cases of State funds embezzlement,
        iv. The promotion by the part of the State for the creation of SMEs in the formal sector;

6. **Supports** the lowering of trade tariffs through trade agreements between the different countries that participate in the World Economic Forum, using this forum for the establishment and negotiation of the previously mentioned;

7. **Recommends** PHOENIX plan to restructure the International Monetary Fund's (IMF) and World Bank (WB) lending scheme under the "Self-Conditionality" approach, which the main objective is to re-balance the country's and the IMF's interests, allowing the country to exercise its

maximum sovereignty without increasing default or moral hazard probability, nor comprising the IMF's capital, which will consist on the following steps:

a. Following Article 1 of the "Charter of Economic Rights and Duties of States", the country will submit these organisms specifying the conditions (prior conditions, quantitative targets ,and structural benchmarks) it proposes for the loan agreement, attaching a specialized technical evaluation which details the background reasons, facts, and statistics in which the proposal is based, this will allow the country to impose conditions on themselves, but at the same time:
    i. The country will need to disclose databases and statistical information used to develop the proposal,
    ii. Submissions will be published and will need to be accompanied by a certified report from the IASB based on the IFRS (International Financial Reporting Standards)
    iii. In case the country does not count with the financial capacity for paying for this certifies report, the IMF will count with a unit composed of a pool of economists specialized in macroeconomics and emerging markets (appointed by the Fund) for sustaining the proposal's audit and certification,
b. The IMF will review the submission made by the country, and will need to accept it and provide the loan under the detailed conditions unless it fails to cover the certain specified ground of review, the ones which envelop but are not limited to:
    i. Treatment of the balance of payment under the IMF and WB's "Guidelines on Conditionality",
    ii. Structural reforms which foster reintegration into the international financial market and stimulate the aggregate supply for inducing sustainable growth in the medium and long-term (respectively),
    iii. Basic economic reasonableness, for instance, conditions which deal with reducing long-term inflation if given the case,
c. The IMF and WB will provide the country's government and specialized agencies with technical assistance and capacity building programs for achieving the conditions set under the loan agreement,
d. If the country fails to meet the quantitative targets set by its loan agreement condition on a reasonable period or it's reluctant to undergo structural reforms (falling under moral hazard), the IMF and WB can decide to provide a waiver, nevertheless, after three waivers, a penalty will be imposed to the country, the one which could include:
    i. Retention of loan trenches,
    ii. Payment of an interest rate for the loan (eliminating the 0% common standard on IMF loans), the interest rate payable will be set following interest rate tiers, the greater number of conditionalities failure, the higher the interest rate tier, the maximum interest rate tier will be set following the country's sovereign bonds yield,
e. Finally, countries can waive their right to waive the design on loan agreement conditions in case it results impractical for them to do so;
f. At the end of 2020, there will be a revision of the economic state of each country, then it will be discussed if protectionist laws apply,

g. Discussion for an extension to 1st and 2nd quarter of 2021;

8. **Further recommends** the use of the Security Maintenance and Global Cooperation Treaty within the internal situation of each state that agreed on signing it; said treaty will work under certain specifications:
    a. All delegations that sign and ratify the treaty, must advocate to the use of bio-security measures, ensuring global health security, while carrying out any action that involves shipments and/or any kind of economic international connection,
    b. Hence, economic activity between the Russian Federation and the United Kingdom must be reactivated; having a direct impact on the development of the key concept of global cooperation;
    c. Those delegations that haven't employed the use of proper biosecurity measures recently, and those that breach what's being stipulated above, will receive as a punishment, an economic fine depending on it's GDP,
    d. Therefore, the principle of Pacta Sunt Servanda must be followed to perfection.