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THE KURUKSHETRA OF DIPLOMACY

BACKGROUND GUIDE · COMMITTEE FOCUS

ECOFIN

UNGA SECOND COMMITTEE · ECONOMIC AND FINANCIAL

AGENDA / FOCUS

Reforming the Global Financial Architecture and the Bretton Woods system for representative, resilient and sustainable international economic cooperation.

31 JUL — 02 AUG 2026

DELHI PUBLIC SCHOOL, SILIGURI

THE KURUKSHETRA OF DIPLOMACY

DELEGATE RESEARCH EDITION

LEGATIO 4.0

UNGA 2nd Committee
Economical and Financial Committee

LETTER FROM THE EXECUTIVE BOARD:-

Dear Delegates,

I would like to welcome you all to the simulation of the UN General Assembly Second Committee [ECOFIN] at LEGATIO 4.0. I expect you to read this letter before you move ahead with the background guide. I have envisioned this committee to be a very realistic simulation of the council. This requires the diplomats to think more critically and adapt to the situations the committee produces immediately. The agenda for the committee has been kept keeping in mind the prospective delegates. I expect every diplomat to understand the agenda and the relevant policies affecting the scenario.

To understand the guide and the committee better, please go through the guide in the given chronological order. Only then can the guide be an insightful addition to your understanding of the committee.

The guide is divided into five different parts:-

1. Introduction to the committee
2. Breakdown of the Agenda
3. The Global Financial Architecture
4. The Bretton Woods System
5. The key stakeholders in discussion
6. Responsibilities of a diplomat

You may only treat the guide as an introductory document, which will build insight into the concepts that the agenda deals with. Beyond this, you are required to dig deep and do your research, but more importantly, I want you to take the information you've researched and analyze the core issues there, possibly forecast what the deliberation on this will entail, and then form logical arguments and efficient solutions on it.

Lastly, I wish you the best for the committee and in case of any queries related to the committee or rules of procedure, you may contact me via WhatsApp and I'll respond to you as soon as possible.

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Introduction to the committee

The United Nations General Assembly Second Committee, unofficially called Economic and Financial Committee ECOFIN is one of the six Main Committees of the UN General Assembly (UNGA). The committee was established in 1945 along with the formation of the United Nations. At the same time, the Second Committee of the General Assembly is the meeting place in the UN system for discussing international economic, financial, and environmental issues and sustainable development. In addition, all countries of the UN General Assembly, totaling 193 states, are represented in the Second Committee with equal voting rights.
The authority of the committees is derived from articles 10, 13, 17 and 22 of the UN Charter, which state that states have agreed to consult on measures to promote international cooperation, to promote the progressive development of international law, to promote economic and social progress, to approve the UN budget, and to appoint subsidiary organs of the General Assembly. In addition, the UN General Assembly Second Committee, like other Main Committees, considers the topics allocated to it for discussion at the meetings of the General Assembly Plenary (the decision-making organ of the United Nations).

Mandate

The UN General Assembly Second Committee has a mandate that covers a wide range of economic and financial topics. The main function of the committee is to consider and approve recommendations on international economic issues. In particular, the Second Committee discusses and makes recommendations on a wide range of issues:

- Sustainable development, including the implementation of the 2030 Agenda and the eradication of all forms of poverty;
- Macroeconomic issues and policies;
- Financing for development;
- Globalization and international trade;
- International debt;
- Science, technology, and innovation;
- Agriculture and food security;
- Operational aspects of development;
- Disaster risk reduction and resilience;
- Climate change and sustainable development;
- Protection of biodiversity and natural resources within the framework of sustainable development.

At the same time, each year, the topics to be considered by the Second Committee are determined by the General Assembly's resolution. In addition, the Committee considers reports prepared by the Secretary-General and other UN agencies on these topics, as well as recommendations for their implementation. Thus, the committee serves as the main policy-making forum in the UN for international economic cooperation and sustainable development.

Powers

Unlike the Security Council, the UN General Assembly Second Committee does not have legislative or law enforcement functions. However, the committee plays a significant role in setting international economic policy since it is part of the UN system. At the same time, the General Assembly's resolutions adopted at the Second Committee meetings may contain recommendations for action by states, including the adoption of specific measures. In particular, the UN General Assembly Second Committee can:

- discuss international economic and financial issues;
- negotiate recommendations on international economic issues;
- adopt resolutions and decisions;
- request the President to prepare studies and reports;
- recommend actions to states, organs, and agencies of the United Nations;
- review the implementation of the resolutions of the General Assembly;
- promote collaboration within the state;

However, the committee cannot adopt legally binding international agreements or conventions, impose sanctions, or create international financial institutions or agencies. In addition, the UN Second Committee cannot amend the UN Charter or compel states to take action. However, the recommendations adopted by the Second Committee, as a rule, represent the will of the international community and therefore carry a considerable political and moral weight. Moreover, many of them are binding on the UN system, including funding for various agencies, programs, and activities.

However, despite the significant impact of the resolutions of the UN General Assembly Second Committee, they are not obligatory for states since they are not formally adopted by the General Assembly Plenary. At the same time, decisions on the allocation of funds adopted by the General Assembly Second Committee on the recommendations of the committees usually have the force of law.

Functions

The UN General Assembly Second committee performs several key functions. First, the committee serves as a forum for consultation and dialogue on international economic and related issues. In particular, members of the Second Committee discuss reports, share information and experiences, negotiate, and seek common ground. At the same time, the participation of all states in the work of the Second Committee ensures the consideration of the widest possible range of interests.

Second, the UN General Assembly's Second Committee evaluates the implementation of recommendations and decisions made by the UN General Assembly, as well as reports on their implementation. In particular, the Second Committee discusses reports submitted by the Secretary-General, the Economic and Social Council (ECOSOC), UN funds, agencies, regional commissions, and specialized agencies. This information helps the Second Committee to identify problems and prospects for international economic development.

Third, the UN General Assembly Second Committee establishes international economic policy by adopting resolutions and decisions on specific topics. In addition, by adopting resolutions on the recommendation of the committee, the General Assembly can initiate various activities, such as holding meetings of experts, holding dialogues at ministerial level, or holding conferences.

Fourth, consensus building is another important function of the UN Second Committee. Although the resolution of the UN General Assembly can be adopted without consensus, states always try to achieve consensus in the adoption of resolutions by the Second Committee.

Relations with other agencies

The UN General Assembly Second Committee interacts with many international and regional organizations. The United Nations Department of Economic and Social Affairs (UN DES) provides the Second Committee with reports, briefings, and recommendations on economic and social issues. In addition, the Department helps the committee prepare its reports for adoption by the plenary of the General Assembly and analyzes the proposals of states.

The Economic and Social Council (ECOSOC) submits reports to the Second Committee on action plans and policies on economic development, as well as recommendations for implementing international agreements. The Second Committee also considers reports received from UN agencies, such as the United Nations Development Programme (UNDP), the United Nations Conference on Trade and Development (UNCTAD), and the United Nations Environment Programme (UNEP). The UN regional commissions also provide reports to the Second Committee. The International Monetary Fund (IMF) and the World Bank also provide analysis and reports to the Second Committee, despite being independent specialized agencies.

Thus, the UN General Assembly Second Committee acts as a coordinating body for various agencies and funds to implement international economic development policies.

Decision-making process

The decision-making process within the UN General Assembly Second Committee involves a number of stages. First, the items on the agenda of the General Assembly, which have been adopted by consensus, are raised for discussion at the meetings of the Committee. After that, delegations participate in a general debate on the issues under consideration. Then, informal consultations are held to discuss the draft resolution, after which member states begin drafting a document. After that, negotiations on the draft resolution begin, during which states adopt a resolution by consensus or vote. Once the negotiations are complete, the draft resolution is submitted to a vote for adoption by the Committee. After that, a report is drawn up, which adopts the draft resolution and decisions considered by the Committee for the General Assembly. When the resolution is adopted, it shall be considered by the General Assembly Plenary, which may approve it.

Official Documents

One of the main functions of the UN General Assembly Second Committee is the preparation of official documents. The documents prepared by the Second Committee are divided into several categories: draft resolutions, draft decisions, committee reports, amendments, and programme budget implication statements.

Draft resolutions

Draft resolutions are the most significant category among the documents prepared by the Second Committee. A draft resolution is a text of a resolution adopted by the UN General Assembly, which contains a recommendation concerning international economic issues. When a resolution is being discussed, its draft version may contain provisions adopted at the General Assembly by consensus among member states. A resolution adopted by the General Assembly may contain introductory statements and operative paragraphs.

Draft decisions

These documents are developed in cases where it is necessary to adopt a decision that relates only to procedural issues. Decisions may also relate to items on the agenda of the General Assembly, as well as to issues of organization and planning of meetings, and documentation. Decisions are considered less detailed than resolutions. However, like resolutions, they are official documents of the General Assembly.

Committee reports

In addition to draft resolutions, the UN General Assembly's Second Committee prepares reports on the work performed. Such reports are prepared at the end of the discussion of each draft resolution. Committee reports indicate which meetings considered the draft resolution, the voting results, and adopt the resolution for the plenary. In addition, such reports describe in detail the problems under consideration. Committee reports also contain recommendations on the adoption of certain resolutions, as well as recommendations adopted with a view to their implementation.

Program budget implication statements

When adopting a resolution according to which the UN Secretariat must finance additional activities, a document is issued on programme budget implications, which indicates the estimated costs of implementing this resolution. This document allows member states to assess what expenses will be associated with adopting a particular resolution, which is why it is an essential part of such a document.

Other documents

The Second Committee prepares various documents to ensure the organization of its work and track the implementation of recommendations. In particular, the committee prepares voting records, organizational meetings, and documents on the status of documents and procedures. Thus, the above-mentioned documents contain all the details necessary for the functioning of the Second Committee.

Documents considered by the Committee

In addition to the documents discussed in this section, the UN General Assembly Second Committee considers many reports and materials. Some of them are submitted by the Secretary-General and other UN organs and bodies, such as the Economic and Social Council (ECOSOC) and the United Nations Department of Economic and Social Affairs (UN DES). Specialized agencies, such as the United Nations Development Programme (UNDP), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Environment Programme (UNEP), and regional commissions also submit reports to the Second Committee. Moreover, the Second Committee examines reports prepared by experts, as well as reports on the implementation of resolutions and recommendations adopted by the General Assembly and the Second Committee.

Breakdown of the Agenda:-

The Global Financial Architecture:
The aforementioned term is a structure which remains strongly rooted to international organistations and institutions established at the end of the Second World War. A critical part of this global architecture has, for more than seven decades, been the Bretton Woods institutions that were established to oversee the reconstruction, and thereafter the stability, of the post-war international economy. The International Monetary Fund (IMF) was developed to cover the international monetary side of the global economy and to meet short-term balance of payments needs. The World Bank was established to supply fiscal resources for reconstruction and development over the longer term.

History of Global Financial Architecture:

The history of the GFA dates back to the inherent weaknesses in the functioning of the international economy during the inter-war period (1919-1939). The breakdown of the Gold Standard system, the emergence of the Great Depression from 1929, protectionist trade policies such as the Smoot-Hawley Tariff in the United States, currency devaluations, and the segmentation of international financial markets altogether eroded economic stability on the global scale. The lack of international monetary cooperation frameworks contributed to the formation of balance of payments instability, decreased international liquidity, and resulted in a significant reduction of global trade and investments. It became evident that individual economic policies have the potential to cause negative externalities and lead to instability in the international economy as a whole. Therefore, an agreement was reached in the Allied states that the post-war reconstruction should be carried out within the framework of an international financial system with permanent multilateral institutions to ensure monetary stability and international trade.

The above-stated objective was achieved at the UN Monetary and Financial Conference otherwise referred to as the Bretton Woods Conference held in July 1944. Representatives from forty-four Allied countries adopted an institutional structure that aimed at avoiding the inherent structural deficiencies experienced during the interwar period. The conference set up the International Monetary Fund (IMF) whose main roles were to maintain exchange rate stability, provide balance of payment financing and encourage international monetary cooperation.

At the same conference, the International Bank for Reconstruction and Development (IBRD), presently one of the member banks in the World Bank group, was set up to help finance post-war reconstruction and development activities. The Bretton Woods architecture also set up a system of fixed but adjustable exchange rates based on US dollar, which in turn could be converted to gold, hence maintaining exchange rate stability with some flexibility to adjust in case of any fundamental imbalance. The above structure has since evolved over time into what is currently known as the Global Financial Architecture.

Institutional Composition of the Global Financial Architecture

Global Financial Architecture (GFA) is defined by an integrated system of multilateral bodies, systems of regulation, financial markets, laws, and governance processes that enable international monetary cooperation, international capital flows, financing of development, financial stability, and economic governance. Instead of being a singular organization or treaty, GFA acts as a decentralized body where different bodies are involved with their own mandate in different aspects of the world economy. These institutions cooperate in providing financial aid, set up regulation policies, ensure macroeconomic stability, make arrangements for international trade and investments, and deal with the crisis of the financial system.

The Bretton Woods Institutions, which include the I**nternational Monetary Fund (IMF)** and **the World Bank Group**, are at the heart of the multilateral financial architecture, and they continue to play the leading role in international monetary cooperation and development financing. Other key institutions include the **World Trade Organization (WTO)**, which regulates the multilateral trading system; the **Bank for International Settlements (BIS)**, which provides a forum for cooperation among central banks and committee bodies working on formulating global banking standards, including the Basel Accords; and **Regional Multilateral Development Banks (MDBs)**, such as the *Asian Development Bank (ADB)*, the *African Development Bank (AfDB)*, the *Inter-American Development Bank (IDB)*, the *European Bank for Reconstruction and Development (EBRD)*, the *Asian Infrastructure Investment Bank (AIIB)*, and the *New Development Bank (NDB).*

The architecture further encompasses the **international monetary system**, which governs exchange rate arrangements, reserve currency holdings, balance-of-payments financing, and international liquidity. Since the collapse of the Bretton Woods fixed exchange rate regime in 1971, this system has been characterized predominantly by floating exchange rates and fiat currencies, while continuing to rely heavily on the United States dollar as the world's primary reserve and settlement currency. Additionally, the IMF's **Special Drawing Rights (SDRs)** serve as an international reserve asset designed to supplement member states' official reserves and enhance global liquidity during periods of financial stress.

The Global Financial Architecture also incorporates international financial markets and regulatory mechanisms that facilitate the cross-border allocation of capital. These include foreign exchange markets, sovereign and corporate bond markets, equity markets, international banking networks, payment and settlement systems, and institutional investors. Regulatory oversight is supported by standard-setting bodies such as the **Financial Stability Board (FSB)**, the **Basel Committee on Banking Supervision (BCBS)**, the **Committee on Payments and Market Infrastructures (CPMI)**, and the **International Organization of Securities Commissions (IOSCO)**, which collectively develop internationally recognized prudential standards aimed at strengthening financial stability, banking resilience, market transparency, and systemic risk management.

Moreover, contemporary architecture comprises an increasingly large set of international rules and policies aimed at steering the world order of economic governance and development cooperation. Such international legal rules comprise the IMF Articles of Agreement, the **World Bank Articles of Agreement**, the **Addis Ababa Action Agenda** on Financing for Development, the **2030 Agenda for Sustainable Development,** the climate finance provisions under the *Paris Agreement*, and the debt sustainability frameworks developed jointly by the **IMF and the World Bank.** The above-mentioned institution, regulation, and norms comprise what is called the Contemporary Global Financial Architecture, which serves as the vehicle for coordinating economic policy, financial crisis management, development finance, and sustainable economic growth.

The Bretton Woods System:-
Bretton Woods System refers to the international monetary system created in July 1944 when the United Nations Monetary and Financial Conference was held in Bretton Woods, New Hampshire, United States. Delegates from forty-four Allied countries gathered at this meeting to create an economic structure after the war that could ensure economic stability through avoiding the monetary problems and competitive currency devaluation that caused the depression prior to the Second World War. At the conclusion of the meeting, two key international financial organizations were formed, namely, the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), which is currently under the World Bank Group.

The central principle behind the Bretton Woods System was the system of fixed, but adjustable exchange rates where the currencies of the participating states were pegged to the U.S. dollar, which in its turn could be converted into gold at a constant rate of US$35 per troy ounce. It meant that the U.S. dollar became the main reserve currency of the world's monetary system. The IMF had a responsibility of watching the stability of exchange rates and providing short-term financial help to the countries in case of problems with balance of payments; meanwhile the World Bank helped to fund reconstruction and development activities. Although the system officially came to an end in 1971 due to the decision of the United States to stop converting dollars into gold, its institutions and principles are still influencing the structure of international economic relations.

<u>History of Bretton Woods System</u>

The destruction resulting from the Second World War devastated economies in Europe and Asia. There was no more industrial production, international business had been disrupted and many nations were plagued with inflation, unemployment, and massive war debts. The interwar international monetary system was found to be ineffective in avoiding economic instability. Nations reacted to the depression of the 1930s by withdrawing from international monetary collaboration, erecting barriers in international trade, and currency devaluation, which reduced the cost of exports to stimulate their economies. This was a "beggar-thy-neighbor" policy that led to the global economic crisis and political conflict. Having learned from past mistakes, representatives from 44 Allied nations met at Bretton

Woods, New Hampshire, in July 1944, to formulate an international monetary system that could sustain post-war reconstruction, international commerce, and economic growth.

A major issue confronting the conference was the inadequacy of the **classical gold standard**, which had operated before the First World War. Under the gold standard, national currencies were directly convertible into fixed quantities of gold, leaving governments with very limited flexibility to respond to economic crises. During periods of recession or financial instability, countries could not easily expand the money supply or adjust interest rates without risking the loss of their gold reserves. The system became increasingly unsustainable after the First World War, as unequal gold distribution, wartime debts, speculative capital movements, and the economic shocks of the Great Depression forced many countries to abandon gold convertibility. By the late 1930s, the collapse of the gold standard had demonstrated that a rigid monetary system tied directly to gold was incapable of supporting modern economies during periods of crisis.

To replace the failed gold standard, the Bretton Woods Conference introduced a **fixed but adjustable exchange rate system**. Under this arrangement, countries devalued their currencies to the **United States dollar**, while the US dollar alone remained convertible into gold at a fixed price of **US$35 per troy ounce**. Unlike the classical gold standard, governments were permitted to adjust their exchange rates under exceptional economic circumstances, subject to the oversight of the newly established **International Monetary Fund (IMF)**. This hybrid system combined exchange rate stability with greater policy flexibility, reducing exchange rate volatility while allowing governments to pursue domestic economic objectives such as employment and growth. Alongside the creation of the **International Bank for Reconstruction and Development (IBRD)**: now part of the World Bank Group, the Bretton Woods System laid the foundation for the modern international monetary and financial architecture that dominated the global economy until the early 1970s and continues to influence global economic governance today.

The Bretton Woods System Establishment: Having come to an agreement regarding the necessity to establish an international monetary system, the participating countries decided to work out a system that was stable yet flexible. Instead of allowing fluctuations in currency values or requiring all countries to have a direct gold standard, it was decided that all countries would have their national currency exchangeable at a fixed rate with the US dollar. At the same time, it was possible to adjust currency rates in case of major economic issues.

One easy way to explain the Bretton Woods System is to look at the economy of the world as a rail network. Every country's economy was seen as a train which was operating on a separate line, but all the lines had their link with the central station, and that was the US dollar. As long as the central station stayed balanced, trains would be running on time and there would be no issues in estimating the cost of doing business. In case there were some issues for any particular train because of some problems in that economy, that train didn't have to pull out of the entire network. The IMF would provide the necessary monetary help to the train so that it could operate normally.

This system made a huge impact on the global economy in the post-war period. Fixed exchange rates led to the decrease in risks of conducting business, which made companies expand their activities abroad, making investments in other countries' economies. It was possible for governments to make plans concerning economic policies since changes in currency exchange rates were rare. Also, this led to a rise in cooperation between countries, and to the development of world economics in the 1950s-1960s.

More importantly, the Bretton Woods System established the foundation of the modern international financial order. It introduced a rules-based approach to monetary cooperation, where countries were expected to consult and coordinate rather than act independently during economic crises. Although the fixed exchange rate system eventually came to an end in 1971, the institutions, principles of multilateral cooperation, and emphasis on financial stability created under Bretton Woods continue to influence global economic governance and remain central to discussions on reforming the international financial architecture today.

The Nixon Shock:

By the 1960s, the Bretton Woods monetary system had come under serious stress. The USA was spending a lot on wars in Vietnam and huge welfare programs at home, creating heavy government and trade deficits. With more US dollars flooding into the world, foreign governments and central banks were building up their dollar reserves. But the quantity of gold with the USA was not enough to meet the requirement of backing all the US dollars at the fixed exchange rate of $35 per ounce. Thus, doubts were being raised about the credibility of the system. Such a situation is described by economists as '*a bank run on gold*'. Consider a bank which makes a promise to each of its customers that it will allow him/her to withdraw money whenever required, but there is simply not enough cash available to do so if all the customers arrive at once. In similar fashion, countries with large dollar reserves demanded from the USA to exchange them for gold. More and more countries demanded so, and the US gold reserves were falling very fast.

On 15 August 1971, the then President of the United States, Richard Nixon, took several emergency economic steps which came to be referred to as the Nixon Shock. In particular, one of the major decisions taken by Nixon was the halt in the convertibility of the US Dollar to Gold. With this move, one of the major elements of the Bretton Woods System was thus abolished. Apart from that, the US President imposed temporary wage and price controls in an effort to combat inflation in the country. He also put in place temporary controls of a 10% tariff charge on imports.

Overall, the shock of Nixon brought about the downfall of the Bretton Woods System. Initially, the countries involved tried to maintain fixed exchange rates through what was termed as the Smithsonian Agreement of 1971. However, due to constant pressures in their economies, it proved to be impossible. By 1973, most of the economies had adopted the floating exchange rate system. Under this system, currencies are valued according to market supply and demand and are not fixed.

The end of Bretton Woods system:-

Despite the start of the end of the system after the Nixon Shock of 1971, the Bretton Woods System persisted at first due to attempts of countries to save it via the Smithsonian Agreement; however, persistent inflation, balance-of-payments deficits, and decreasing faith in the US dollar still exerted enormous pressure on fixed exchange rates; therefore, central banks had to intervene many times into foreign exchange markets to support currency pegs. The disintegration of the Bretton Woods System brought about a major change in the international monetary system. By March 1973, most major economies, including the United States, Japan, and several Western European countries, abandoned fixed exchange rates and allowed their currencies to float according to market forces.

Although the original exchange rate mechanism disappeared, the **institutional legacy of Bretton Woods remains firmly intact**. The **International Monetary Fund (IMF)** continues to promote international monetary cooperation, monitor the global economy, and provide financial assistance to countries facing balance-of-payments crises. Similarly, the **World Bank Group** remains one of the world's leading multilateral development institutions, financing infrastructure, poverty reduction, climate resilience, and sustainable development projects across developing economies. These institutions continue to serve as central pillars of the modern international financial architecture and remain highly influential in global economic governance. Nowadays, exchange rates in foreign exchange markets are set according to supply and demand rather than governments fixing them in contrast to the past. Such an arrangement has allowed countries much more freedom in terms of monetary policy since they can influence inflation in their economies by changing the interest rates; however, now countries have to bear exchange rate risks connected with the floating exchange rates.

Perhaps the most enduring legacy of the Bretton Woods System is its emphasis on **multilateral economic cooperation**. While currencies now largely operate under floating exchange rate regimes, countries continue to coordinate through institutions such as the IMF, the World Bank, the **Group of Twenty (G20)**, and the United Nations to address global financial crises, debt sustainability, development financing, and economic stability. Many contemporary debates including IMF quota reforms, World Bank governance reforms, sovereign debt restructuring, and the reform of the **Global Financial Architecture** are rooted in the institutions and principles established at Bretton Woods over eighty years ago. In this sense, while the exchange rate system ended in 1973, the Bretton Woods framework continues to shape the governance of the global economy today.

Key Stakeholders in Discussion:-

Financial Instituitons:- The present day Global Financial Architecture not only depends on the activities of sovereign nations alone, but also on several multilateral organizations which set the rules, finance the operations, ensure economic collaboration, and address financial crises within the system. Although states continue to be the main actors of the international system, these organizations have provided the framework for its operation. Similar to the structure of a building which is often not noticed when things are going well, but which cannot be ignored during times of financial trouble, the role of these organizations is essential for maintaining global financial governance through surveillance, development finance, monetary cooperation, financial crises management, and regulation. Thus, any analysis on reforms needed in the Bretton Woods System and the Global Financial Architecture in general, should necessarily start from analyzing these organizations as they together represent the institutional stakeholders of the international financial system.

Of these organizations, the IMF holds a special place of significance. The IMF came into existence at the time of the Bretton Woods Agreement held in 1944. The IMF was then supposed to regulate the fixed exchange rate system through international monetary cooperation, exchange rate stability, balanced expansion of international trade, and financial aid to nations suffering from balance of payments problems. Despite the fact that the fixed exchange rate system collapsed in 1971, the importance of the IMF remained intact. Rather, the IMF gradually became an organization that is responsible for the maintenance of macroeconomic stability, prevention of financial contagion, provision of financial aid, and economic surveillance in its 190 member countries.

Contrary to conventional international organizations that mainly rely on political bargaining, a lot of the authority of the IMF comes from its financial architecture. In the IMF, every member nation contributes money to the Fund using the quota subscription system. Quotas are more than just contributions by members; they help decide the financial commitment of a country to the organization, its right to draw resources from the IMF during hard times, and most importantly, the voting rights of the country in the decision-making processes of the organization. Therefore, the quota system is at the heart of current discussions about institutional legitimacy. The bigger the quotas a country has, the bigger the say it has in the decision-making process of the organization.

The system of governance has provoked much debate as regards equity of representation in the international finance system. Although the basis of the formula for the quotas lies in economic factors such as gross domestic product, openness to international business, economic volatility, and foreign currency reserve, developing and emerging nations argue that the current structure is indicative of geopolitics of the middle of the twentieth century and not the world today. The rapidly growing countries such as India, Brazil, Indonesia, and some African nations have pointed out that their increasing share in world economic output and international business is not adequately represented in the process of decision making in these institutions.

The role played by the International Monetary Fund is much more than mere financial aid to countries in need. The IMF carries out the function of economic surveillance on a regular basis, and through this, it assesses the macroeconomic performance of member countries and makes public judgments on the fiscal soundness of countries, monetary policies, external stability, and financial stability and offers technical advice to improve the processes of public finance, tax systems, central banking, and statistics. Through such practices, the IMF is able to affect the economic policies of countries that do not necessarily require financial aid from it.

Indeed, probably nothing about the IMF has been subject to more debates in the political and academic circles than the practice of imposing conditionalities in loans from the Fund. The provision of financial assistance under IMF lending facilities normally comes with conditions meant to restore macroeconomic stability and guarantee the sustainability of such financial assistance. The conditions may include fiscal consolidation, subsidy reform, currency devaluation, monetary austerity, structural reforms, or public sector reforms. From the point of view of the IMF, the imposition of such conditions is aimed at restoring economic stability, boosting investor confidence, and lowering the chances of future financial crises. Nevertheless, many borrower countries, especially those that are developing countries, have contended that the imposed conditionalities can limit the country’s policy independence by hindering governments from pursuing their development priorities.

Closely associated with the IMF is the **World Bank Group**, the second principal institution established under the Bretton Woods framework. Unlike the IMF, whose primary mandate concerns macroeconomic stabilization and short-term financial assistance, the World Bank focuses predominantly on long-term economic development and poverty reduction. Over the course of its institutional evolution, the organization has expanded into a group of specialized entities, including the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID). Collectively, these institutions mobilize financial resources for infrastructure development, education, healthcare, climate resilience, agriculture, governance reform, and private sector development across low- and middle-income economies.

The World Bank occupies a distinctive position within the Global Financial Architecture because it operates at the intersection of finance and development. Whereas private capital markets often prioritize commercial returns, the Bank finances projects whose developmental benefits extend beyond immediate financial profitability. Investments in transportation networks, renewable energy, water security, digital infrastructure, and institutional capacity-building illustrate the organization's broader developmental mandate. Nevertheless, the World Bank has also faced criticism regarding project conditionalities, environmental safeguards, implementation effectiveness, and governance structures, many of which parallel debates surrounding the IMF. These concerns have intensified calls for reforms that would enhance developing-country representation, accelerate climate finance, simplify lending procedures, and improve responsiveness to contemporary development challenges.

The post-Cold War period has also witnessed the growing importance of **Regional Multilateral Development Banks (MDBs)**, including the Asian Development Bank (ADB), African Development Bank (AfDB), Inter-American Development Bank (IDB), European Bank for Reconstruction and Development (EBRD), Asian Infrastructure Investment Bank (AIIB), and the New Development Bank (NDB). While these institutions do not seek to replace the Bretton Woods Institutions, they increasingly complement them by addressing region-specific development priorities through financing mechanisms designed to reflect local economic circumstances. Their emergence has diversified the institutional landscape of international development finance and provided borrowing countries with greater flexibility in accessing financial resources. For many developing states, these regional institutions are perceived as being more responsive to regional infrastructure needs, development strategies, and socio-economic conditions than globally centralized financial institutions.

Beyond lending institutions, the Global Financial Architecture also relies upon organizations whose primary functions are regulatory rather than financial. The **Bank for International Settlements (BIS)** facilitates cooperation among central banks and hosts several international standard-setting bodies, including the Basel Committee on Banking Supervision, whose regulatory frameworks have become foundational to global banking resilience. Similarly, the **Financial Stability Board (FSB)** coordinates international efforts aimed at identifying systemic financial risks and strengthening the resilience of the global financial system following crises such as the 2008 Global Financial Crisis. The **World Trade Organization (WTO)**, although principally a trade institution, indirectly contributes to financial stability by maintaining a predictable rules-based trading system upon which global investment and capital flows depend. Within the United Nations system, the Financing for Development process, the United Nations Conference on Trade and Development (UNCTAD), and the United Nations Development Programme (UNDP) provide policy guidance, research, and normative frameworks that influence international debates on debt sustainability, development finance, and global economic governance.

<u>State Stakeholders:-</u>Whereas multilateral institutions offer the means of implementing the GFA, the actual political and economic basis for the GFA lies in sovereign states. All the institutions functioning within the international financial system derive their political legitimacy, financial backing, and power from their constituent states, whose finances, economies, and policies influence the development of global financial governance. Nevertheless, even given the principle of sovereign equality in international relations, the sovereign states do not exert an equal amount of influence in the present-day financial architecture. The level of influence exerted by each state on institutional decision-making depends on its economic size, financial contributions, foreign currency reserves, geopolitical importance, and influence in multilateral institutions. Thus, the discussions about the reform of the Bretton Woods Institutions represent nothing but the debate about the distribution of

influence among states and the extent to which the current system corresponds to the realties of the twenty-first century.

The developed countries continue to be the main players among state actors in the Bretton Woods system. States such as the United States, Japan, Germany, France, and the United Kingdom account for a large share of the available financial resources for institutions like the International Monetary Fund and the World Bank. Large subscriptions make their voice powerful when it comes to institutional management, loan policy, and priorities. For these states, the current system has achieved its goals in providing monetary stability in the international economic relations, facilitating international trade, and avoiding systemic financial breakdowns similar to those in the interwar period. Thus, the developed states prefer to implement the institution reform through the incremental approach and not the structural one. For them, the issue of financial stability and institutional legitimacy is the priority. Many states recognize the necessity of reforms in terms of enhancing representation in international financial institutions, but still prefer continuity over restructuring.

In the case of emerging economies, their significance as stakeholders has been increasing over the years due to their growing role in contributing to the world economy in terms of production, trade, investment, and finance. Countries like India, China, Brazil, Indonesia, South Africa, Mexico, and Türkiye have become a larger part of the world economy in terms of their contributions; however, the influence of these countries within international financial institutions is believed to be relatively smaller than what it should be given their current economic influence in the world today. These states do not demand the destruction of the Bretton Woods Institutions but rather their transformation in terms of quota changes, better representation within the organizations, fair voting rights, and governance structure according to current economic power relations. At the same time, these states have also been building their own financial systems as complements to the existing financial system and not as substitutes.

Developing nations also represent another crucial stakeholder category since they are the chief recipients of development finance, concessional loans, technical assistance, and balance-of-payments support. The relationship between developing nations and the Bretton Woods Institutions has been defined by cooperation and dependence on multiple occasions. For a large number of less-developed and medium-developed economies, the provision of multilateral financing serves as an imperative tool for maintaining macroeconomic stability, financing public investment projects, strengthening healthcare and education sectors, and addressing external shocks in the form of volatility in commodity prices, financial crises, and natural calamities. On the other hand, the government borrowers have raised issues about the policy conditions associated with the provision of financial assistance. Measures aimed at restoring macroeconomic stability including fiscal consolidation, structural adjustment programs, exchange rate changes, and public sector reform have often been regarded as constraining national governments from following their own development priorities. Hence, developing nations have sought reforms that maintain access to financial assistance but increase national policy space, improve debt sustainability, and enhance concessional loans.

Special consideration should also be made to Least Developed Countries (LDCs) and Small Island Developing States (SIDS) since their economic weaknesses separate them from other developing countries. Typically, these countries have a narrow production base, poor fiscal capacity, high reliance on foreign capital, and increased vulnerability to climate change and economic shocks from abroad. The growing burden of debt, increased cost of borrowing, and decreased fiscal space have led to demands from these countries for improvements in debt relief systems, more financing through grants, increased access to concessional finance, and support from abroad in dealing with climate change and adaptation. The issues of concern to these countries go beyond those typically associated with macroeconomic considerations and include sustainable development, disaster reduction, food security, and resilience.

While each of these types of states tends to have differing concerns, they are all linked through the global financial system that is becoming ever more interdependent. Developed countries seek stability and responsibility, while emerging countries desire representation and change in governance; developing countries stress access and flexibility in their concerns, while LDCs and SIDS are focused on issues of vulnerability, sustainability, and development equity. The fact that each of these positions differs is not the product of a country's political ideology but rather of where they stand within the international financial structure and their related economic interests. In turn, discussions relating to changes in the Bretton Woods system tend to deal with how competing goals can be balanced, whereby the credibility and stability of institutions are preserved while simultaneously increasing their inclusiveness and responsiveness. It is important for delegates to understand these various interests, because, in order for effective negotiation within ECOFIN to take place, they need to find ways to reconcile these competing interests into recommendations for improving international financial cooperation.

Non-state Stakeholders:-As much as sovereign states and multilateral bodies form the formal pillars of the Global Financial Architecture, the developments in international finance have resulted in a rise in the power of non-state actors who act outside the realm of the state-centric structure of governance. These non-state actors, though without any voting rights in bodies such as the International Monetary Fund (IMF) or the World Bank, wield great influence over capital allocation on an international scale, national credit worthiness, policy discourse, and stability of the financial markets. The influence of these non-state actors is not on the basis of legal powers but rather their ability to influence economic incentives, investor confidence, movement of private capital, and help create international norms for finance. Therefore, any debate about the reform of the Bretton Woods architecture will have to include the rising influence of private financial actors and think tanks among others.

Some of the major non-state stakeholders include private finance institutions like commercial banks, institutional investors, sovereign bond holders, investment funds, multinational finance corporations and many more. These institutions combined together form one of the largest suppliers of international capital for both the developed and developing nations. The governments usually depend on the international capital markets to fund their deficits, infrastructure projects and developmental efforts through the issuing of sovereign bonds. Thus, whether or not these private institutions are willing to finance these efforts will greatly impact the ability of a nation to borrow funds and maintain sustainability and macro-economic stability. In times of economic instability, shifts in the sentiment of the investors may lead to capital outflows, devaluation of currencies and higher cost of borrowing, thus creating financial instabilities without the involvement of any multilateral institution. This is why private capital markets have become important stakeholders that play an instrumental role in determining the success of international financial aid and sovereign debt restructuring.

The second element, which is connected with private finance markets, includes credit rating agencies such as Moody's, Standard & Poor's and Fitch Ratings, which rate creditworthiness of the sovereign governments and influence investor's perception and terms of financing by issuing the ratings. Despite the lack of any legal power of these agencies within the framework of international finance, the evaluation and rating provided by them can significantly affect access of a state to international financial markets. The lowering of ratings of the sovereign government leads to the increase of interest rates, decline of investors' confidence and difficulty of refinancing the debt obligations. On the contrary, positive credit assessments will contribute to investment flows and access to the external finances. As a result, credit rating agencies have become an important participant of the negotiations regarding debt sustainability and fiscal policy.

Of equal significance are civil society organizations (CSOs), NGOs, advocacy organizations, and international development networks that shape the normative aspects of global financial governance. Organizations involved in activities such as debt justice, poverty reduction, environmental sustainability, and human rights often examine the developmental impacts of international loan programs and structural adjustment programs. Policy advocacy, public involvement, research, and consultations at an international level are some of the ways through which such organizations have become influential in shaping debates concerning debt relief initiatives, sustainable development financing, climate finance, transparency, and accountability. Though lacking decision-making power in the Bretton Woods institutions, such organizations' influence on international policy discussions has increased significantly over recent years.

Academic institutions, universities, and policy research organizations are all part of the current Global Financial Architecture. Academic research conducted by economists, lawyers, development professionals, and international policy institutes is often part of the discussion on macroeconomic management, sovereign debt restructuring, financial regulations, development finance, and institution reforms. Independent think tanks and research institutions are always contributing to the debates by presenting facts, policy suggestions, and analysis frameworks that are useful not only for national governments but for international organizations as well. Most recent ideas on IMF quota reform, debt sustainability framework, climate finance initiatives, and governance reform have roots in thorough academic research before becoming part of international discussions. In other words, such institutions serve as intellectual stakeholders who use their influence through the creation of knowledge rather than through politics.

Philanthropic foundations and public-private partnerships for development represent another category that is becoming increasingly significant in the financing of health, education, climate resiliency, and development efforts around the world. Even though their resources pale in comparison to those of multilateral development banks, their potential to foster innovation, build capacity, and supplement official development aid has helped create a more varied environment for development finance. The increase in the activity of these organizations comes hand-in-hand with the larger shift in the realm of international development finance from a state-driven process to one where cooperation between different stakeholders takes place.

The growing role of non-state actors highlights the increasing complexity of current international financial governance. While the Bretton Woods system in 1944 was predominantly based on state cooperation, the current Global Financial Architecture relies on an ongoing relationship of public bodies with private entities whose interests may converge but not necessarily coincide. Financial markets affect the efficiency of public policy, civil society influences international standards, research institutes offer knowledge for institutional change, and private capital plays an increasingly important role alongside development aid. Therefore, any analysis of the present state of affairs in the international financial system cannot but take into account that efficient financial governance now requires more than governmental or multilateral institutions. Knowledge about the interests, power, and limits of these non-state stakeholders is crucial for delegates in order to understand the complexities of international financial governance.

RESPONSIBILITIES OF A DIPLOMAT

The first , foremost and chief responsibility of a diplomat within the United Nations shall be to analyse. But analyse what? Well, to analyse whatever they've researched and studied. The notion of analysis, which is more than often complimented with asking questions to oneself.

It is very important for you to have a constructive argumentative mindset for the committee. Also, Kindly address yourselves as Diplomats, we shall be following the core mechanisms of the United Nations., which are also known as "UN4MUN" and for the agenda item, as much research on your side is invited. Make sure to have a very thorough understanding of the basics.

Highly recommended to go through or equip yourself with tools of negotiations, this specialized committee is running on the line of constructive procedures and multiple negotiations among diplomats thus it is highly suggested that you mentally prepare yourself for the committee accordingly and make sure to avoid any other procedures other than UN4MUN that you may have followed only for this conference.

But analysis is a mere river that leads to an ocean of solutions. The end goal of your entire journey of analysis should be to build and formulate concrete, sustainable, and pragmatic solutions concerning the agenda.

Another major responsibility of the diplomats shall be to thoroughly research about their respective portfolios. One must keep in mind however, to not mindlessly procure irrelevant information regarding their portfolios but adhere to the agenda at hand.

Last, but certainly not least , the diplomats shall conduct themselves with utmost respect and civility not only towards the Executive Board members but also towards their fellow diplomats and colleagues. Any instance of discourteous or impolite behaviour shall not be tolerated and the concerned diplomat may also be negatively marked for the same.