

## **THE ROLE OF THE INTERNATIONAL MONETARY FUND AND THE WORLD BANK IN THE INTERNATIONAL FINANCIAL SYSTEM**

S.E.Shirinov, Sh.S.Shirinova

*Tashkent institute of Finance, Tashkent, Uzbekistan*

The article discusses the features of the functioning at the present stage of the two largest financial institutions, namely the International Monetary Fund and the World Bank, as well as an attempt to determine their future development prospects. Revealed the future perspective and the role of international financial institutions in the modern world.

**Keywords:** International Monetary Fund, the World Bank, international “financial architecture”, the Bretton Woods Conference, the international financial institutions and the financial crisis.

В статье рассматриваются особенности функционирования на современном этапе двух крупнейших финансовых институтов, а именно Международного валютного фонда и Всемирный банк, а также попытка определить перспективы развития их в будущем. Выявлены дальнейшая перспектива и роль международных финансовых институтов в современном мире.

**Ключевые слова:** Международный валютный фонд, Всемирный банк, международная финансовая архитектура, Бреттон-Вудская конференция, глобализация, международные финансовые институты, финансовый кризис.

### **Introduction**

The global financial and economic crisis has revealed the key problems of the modern world monetary system. The reform of the organizational structure and activities of the International Monetary Fund (IMF) as an institution of interstate monetary and credit regulation has become one of the areas of global anti-crisis and stabilization measures aimed at ensuring the sustainable development of the world economy.

The relevance of this article is justified by three arguments. First, the need to update the theoretical basis for analyzing the activities of the IMF and its reform in the modern conditions of the development of the world economy, taking into account global financial and economic problems. Among them the most important are: the growth of financial and reduce the share of the real sector; large-scale globalization of the world economy; increased economic instability and increased risk. A new

challenge was the development of a trend towards increasing the role of developing countries in world development.

Secondly, the article is relevant from a practical point of view to analyze the participation of Uzbekistan in the reform of the IMF and the prospects for the development of cooperation with the Fund. Thirdly, the relevance is associated with the lack of comprehensive work on the reform of the IMF in Uzbek economic science.

### **Literature review**

Recently, the world economy has experienced several protracted and deep financial crises, which have caused a lot of talk about the international financial architecture and the need for its radical reform. For the first time, the term “financial architecture” was voiced by US President B. Clinton at the New York External Relations Council (New York’s Council on Foreign Relationships in September 1998). He called the financial crisis of 1997–1998 the “biggest financial challenge that the world faced over the past half century” and called on the G7 countries to “adapt the international financial architecture to the 21st century”. [1] Individual economies can no longer be aloof from the massive rapid and sometimes destabilizing global financial flows. Naturally, the world economy must respond to this new challenge, and we need a new financial architecture and reform, both at the national and global levels. The new financial architecture offered by us, is codes of conduct, a new global regulator, and an international understanding memorandum that clearly defines responsibility for crisis prevention and resolution. This is not about new institutions, but about how we behave in an interdependent world, observe discipline and achieve solutions in more coordinated way. The key challenge that we face is the definition of new rules of the game, which, through improved creditworthiness and investor confidence, contribute to stability and prosperity. [2]

As a result of cooperation with the World Bank, the Asian and Islamic Development Banks, the European Bank for Reconstruction and Development and other international financial institutions, the investment portfolio reached \$ 8.5 billion. Currently, 456 projects worth \$ 23 billion are being implemented in our country through foreign investment [3].

The structural element of the World Bank is the International Development Association (IDA), which provides loans to developing countries of the world. Throughout its activities, it has been lending to various areas of national developing countries. These are mainly infrastructural sectors, the formation and development of which greatly influenced the economic growth of the recipient countries [4].

Evaluating the activities of the IMF as an institution of interstate currency and credit regulation, it should be noted, on the one hand, its vast experience, and on the other, its weak effectiveness. When reforming the world monetary system, it is

advisable to maintain the current free choice by countries of the exchange rate regime of their currency. This is consistent with the principles of the post-crisis development of the world economy, based not only on liberalism, but also on its interstate regulation [5].

It is necessary to expand the possibilities not only of the governments of the countries, but also of other interested parties so that they can take part in the dialogue on the issues of social and economic policy. Countries and their partners need to make a concerted effort to improve performance, promote best practices and increase understanding of the relationship between economic growth and poverty reduction[6].

Implementation of macroeconomic supervision of MF implies further improvement of its supranational aspects. This can be, firstly, a way to ensure the effective regulation of global capital flows, and, secondly, a means of preventing crises, which in the context of globalization can instantly affect other states. [7].

As P. Krugman notes, the common goal of the member countries was to strive to create a global monetary system that ensures a high level of employment and price stability, to achieve stabilization of the balance of payments by canceling restrictions in international trade [8].

October 30, 2018 published the Final Statement of the IMF mission. This statement summarizes the discussions between the official bodies of the Republic of Uzbekistan and the IMF mission, which took place in Tashkent from October 30 to November 8, 2018. The discussion focused on the following issues: prospects for the development of the economic situation and, especially, inflation forecasts, the budget for 2019, improvement of statistics, reduction of the segmentation of the credit market, and improved coordination of technical assistance programs. social reforms in all areas [9].

### **Analyze and results**

The access of member countries to the IMF's credit resources is determined, on the one hand, by the scale of the member country's need for funds to improve the balance of payments, and on the other, its degree of readiness agrees with the Fund's terms.

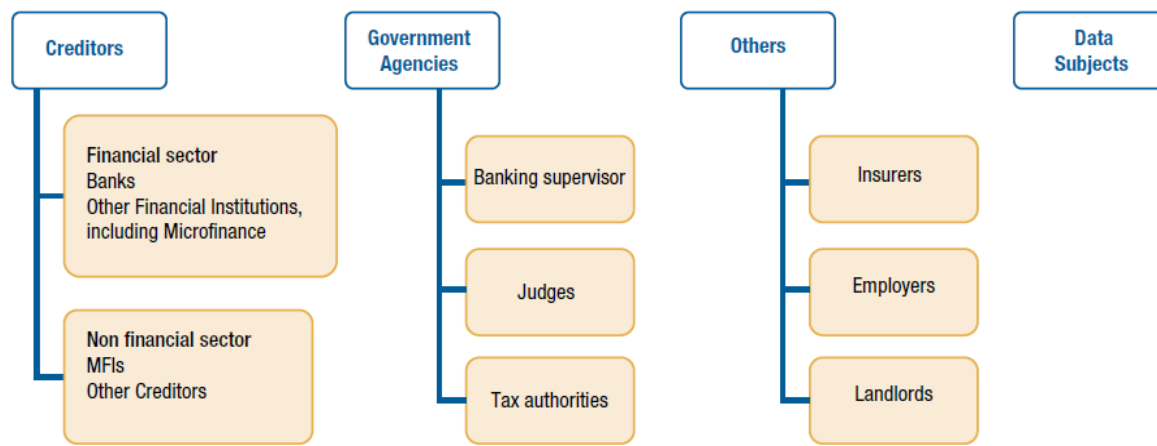
Modern lending activities of the International Monetary Fund are carried out through the implementation of several types of financing: ordinary, special and concessional financing.

Summarizing the above, we can draw the following conclusion: the transformation of international financial architects should include:

The global financial and economic crisis revealed the ineffectiveness of the supervisory and regulatory functions of the IMF due to the lack of a real system of

early warning of crisis shocks and reducing their consequences, as well as the lack of methods to influence the functioning of the global financial market.

Lack of credit resources and strict requirements for borrowing countries in the provision of stabilization and structural loans without taking into account the specifics of their economies.



*Source:* Other creditors include: retailers, utility providers, telecom providers, deferred payment providers, to name a few. The term “merchant traders” refers to suppliers of trade credit, or trade creditors.

### **Figure 1. Main Users of Credit Reporting<sup>1</sup>**

Uzbekistan, in our opinion, it is important to continue to strengthen cooperation with the IMF, in the context of integration into the world economy. At the same time, it is important to focus on the mutually beneficial condition of cooperation and protection of the national interests of the country.

There are polar views on the new role in the global financial architecture of both the Fund and the Bank, but most of them boil down to the following:

1. The function of the IMF should prevent financial crises and the growth of those of them that still arise. Crisis prevention is not means that the IMF will continue to “outbid” all creditors, or issue large loans to maintain artificial exchange rates, or dictate policies that should be followed by client countries. IMF loans should not be spent on structural reforms in the financial institutions of recipient states. The foundation should make recommendations, but they should not be tied to assistance. The Fund must also track the causes and identify the nature (short term or systemic) problems of the balance of payments of states. It can even be assumed that financing operations aimed at preventing the chronic problems of the balance of payments of low-income countries.

The mission of the World Bank should include four elements:

- promoting social and economic development (including the reform of national financial institutions);
- quality improvement life;

<sup>1</sup> [http://siteresources.worldbank.org/Financialsector/Resources/Credit\\_Reporting\\_text.pdf](http://siteresources.worldbank.org/Financialsector/Resources/Credit_Reporting_text.pdf)

➤ poverty reduction; ensuring the delivery of goods and services to the public on a global and regional basis.

### **Conclusion**

Summarizing all the above, the following conclusion can be made: at present, the development and implementation of specific measures to consolidate the modern international financial architecture should be aimed at complying with the main principle: “achieving an organic combination, on the one hand, of open markets, and on the other, macroeconomic stability and the sustainability of financial systems, considered as priority social values that make a significant contribution to economic growth and prosperity in the world.” Formation of a new international financial architecture has entered a stage of practical implementation.

Summing up, we note that the activity of the IMF covers three main areas: lending, in order to provide financial assistance to countries in which a negative balance of payments has been formed; regulation of international monetary relations; ongoing supervision of the global economy.

Under the influence of the global financial and economic crisis, the role of the IMF is essential, which, above all, was focused on ensuring the stable position of the developed countries of the world.

The IMF is intended to serve as a forum for cooperation between countries and states.

The International Monetary Fund has gone from a minor lender to an organization that determines the economic policies of most developing countries and countries with economies in transition.

For such a short period of time, the IMF will become a leading international financial institution - a subject of the global economy, whose forecasts and decisions affect both the economy of individual countries and the global economy as a whole.

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