

IMPORTANCE OF INTERNATIONAL FINANCIAL INSTITUTIONS IN THE ECONOMY

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Abstract

This thesis explores the reasons for formation for International Financial institutions and their current role in the modern economy focusing more on their impact on Uzbekistan's development.

Keywords: International financial institutions, Bretton Woods, World Bank, IMF, Uzbekistan, economic cooperation, financial stability.

Introduction

Formation of international financial institutions is by far the most important phenomena of the 20th century. Without them, the modern global economy could not function as they coordinate monetary policy, play an important role in every country's economy, providing support in times of crisis. The main reasons for the creation of international financial institutions like the International Monetary Fund (IMF) and World bank is linked to the 20th century, when the world witnessed devastation after the Second World War. World economy became very fragile and financial systems were no longer sustainable. This gave rise to the idea of establishing strong multilateral financial institutions that could act as mediators, lenders, and regulators. For developing countries like Uzbekistan cooperation with these institution is particularly important. In recent years Uzbekistan has been actively borrowing funds from World Bank, Asian Development Bank and European Bank for Reconstruction and Development. The government is eager to develop its relationship with these organisations, with President Shavkat Mirziyoyev stating: "Uzbekistan is open to cooperation with international financial institutions and will continue to work on creating a favorable investment climate" [1].

Main part

The urgent need to maintain a global monetary system was the main rationale for the formation of IFIs. During the 1930s, many countries tightened their trade policies which resulted in competitive currency devaluation severely disrupting international commerce. The Bretton Woods Conference of 1944 addressed the problem by founding the International Monetary Fund (IMF) and the World Bank. Their task was to stabilize the exchange rate, provide help for war-torn economies and prevent another global depression. For instance, by 1950, the IMF

had provided support to more than 40 countries which struggled with the balance-of-payments issues.

The second crucial factor was the demand for reconstruction and development financing. Europe's war recovery, known as the Marshall Plan, would not have been effective without international lending mechanisms. Developing countries in Asia, Africa, and Latin America also received financial and technical help. Today, the World Bank has expanded its portfolio, providing more than \$104 billion in 2022 alone for development projects worldwide, ranging from infrastructure to education and healthcare. [2]

The third reason lies in globalization and the rising number of interdependent economies. By the late 20th century, international trade and investment had grown rapidly, and global crises—such as the Asian financial crisis in 1997 or the global financial crisis of 2008—showed the need for coordinated responses. IFIs now provide not only loans but also policy recommendations, capacity building, and monitoring. According to IMF reports, during the COVID-19 pandemic, the Fund allocated over \$250 billion in emergency lending to more than 85 countries. [3]

Uzbekistan's experience clearly explains how working with big financial groups helps a country achieve its own national goals. Since 2017, the country has really stepped up its partnership with the World Bank, the ADB, and the EBRD. That cooperation led to almost \$4.5 billion in outside funding in 2023, money which was used to fund important projects like transport, energy, and looking after social services [4]. As President Mirziyoyev himself said: “Our cooperation with leading financial institutions is not only about borrowing but about introducing best practices and new knowledge” [5]. This shows Uzbekistan has a clever plan: using global help to speed up its own modernization while making sure its growth can last a long time.

Conclusion

Ultimately, the story of international financial institutions is one of global necessity. The world community realized it couldn't go it alone; it desperately needed a framework for stability, recovery, and working together. That post-World War II realization fueled their formation. Today, it is impossible to imagine the world economy without them because these groups are more vital than ever, acting as the essential backbone for global development and crisis response. They are simply indispensable because of their unique ability to raise money, provide framework, and keep the important dialogues moving forward.

For Uzbekistan, the partnership with these financial groups is a huge chance to get economic reforms done quicker, build better infrastructure and energy systems, and strengthen social welfare programs for its people. The numbers showing the financing and the President's own words clearly prove how important this teamwork is getting. Think of it like this: these

international institutions were key to steadying the whole world economy way back in the 1900s, and they're just as vital today. They help countries like Uzbekistan chase after growth that will actually last.

References

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