

Roles of International Financial Institutions Essay

Introduction

Since inception at Bretton, the World Bank and International Monetary Fund (IMF) have undergone several transformations in their roles of supporting the global financial architecture. There is some significant progress regarding the globalization of commercial architecture, which has a great boost to foreign operation and private investment.

Poor performance due to poorly managed developed or developing institutions led to the re-examination of the role state in curbing mismanagement and therefore enhancing the shift of these roles to other private market-based approaches. These transformations make the private international finance trusts as well as the entrepreneurship sectors to play the main role in ensuring economic development besides lending.

This paper is a discussion of the roles played by the International Financial Institutions (IFIs) in their mandate to assist by collaborating with the private sectors in pursuit for adjusting the techniques to suit the required market-oriented developments. What role do the financial institutions play in ensuring clear principles of economic growth commitments?

Importance of International Financial Institutions

The twenty-first century requires procedures and measure that enhance the transformation of global scenarios. Today the International financial institutions (IFIs) are increasingly engaging countries that are economically poor into investing in resourceful developments that support economic growth. (IFC Magazine, 2010)

This has been possible to achieve due to the strict measures taken over violations involving the internationally applied humanitarian laws. There are various hindrances to the role of IFIs to act as agents of promoting and ensuring adherence to international humanitarian laws.

These obstacles include countries structural and political concerns. The institutions, however, have the advantage by the fact of being in a position of publically making harsh utterances against such countries, indicating the country's level of tolerating violations or ability to absorb them. They can place weight behind the humanitarian law thus forcing those in need of support to abide by the rules. (Viknin, 2005) With this reasoning, they have the leading role in investigating a country's commitment to impunity before loaning or funding projects. The institutions have the communal role of influencing engagement even if symbolically meant for financial considerations.

The steady growth of the private developing markets contributes hugely to fill the needed investment of flowing capital. The institutions support the growth of the savings gap in the

developing nations and reduce people dependency by diversifying and sourcing funds in terms of strategically planned investments.

According to Wogan (2010), the financial institutions use the flow of private capital to fill the financial gaps by conveying technologies, changing the market behaviors, investing in the enhancement of managerial skills and funds distribution channels. They thus have a crucial role in assessing the impact resulting from the flow of private capital on the developing economies.

The international financial bodies have to play the role of changing market positions. The traditional objectives of some of these institutions such as the World Bank and the IMF entail elevation of poverty in developing countries, enhancing measures that promote economic growth and protection of the environment.

Other institutions like the EBRD have come up with a special role of fostering transition of its operations to cover the open market economies by raising the living standards of those involved with borrowing through enlightening and expanding their rights as well as guiding in their primary choices.

In line with the World Bank reports (2002), currently, the financial institutions are face up to fostering development through expansion of the private sector opportunities of developing economic goals. They have to ensure the poor participate in activities supporting environmentally sustainable growth.

The institutions can ensure this growth by assisting the governments' role of creating the conditions necessary for market-orientation towards the achievements and by being participants in investing.

They ought to work with the private sectors to expand to become participating investors in the private sectors by improving the flow of working capital. Generally, the role fosters the tradition role of stabilizing the macroeconomic firms as well as ensuring provision of the required physical, legal and authoritarian infrastructure.

In collaborating with the private sectors, the financial institutions are obliged to think like them by subject to the dynamics of opportunities in the market. They thus meet the challenges of enhancing creativity and flexibility to respond to market needs efficiently.

This was evidential when the World Bank transformed to an infrastructure bank in pursuit of uplifting the private sectors since they were highly influential to the economic growth and was less vulnerable to corruption. (2002) the support of the private establishments requires the lenders to abide by the flexibility and confidentiality involved in privatized operations. Engagement with new role comes with additional facilities such as accountability and further commercial risk analysis, avoidance and control cultures. (Mirza, 2006)

They have a crucial role in coming up with operational principals for well-run institutions. They aim to expand the private sectors; therefore they should stay clear of those activities that the segments are in a good position to handle and instead engage in activities that make an immense contribution to the transitional process of economic growth.

They have the role of engaging other financial institutions to assist in placing down the funding required for a chosen investment. This is a vital role in the transition process and the achievement of a broader perspective for development.

Today the financial institutions have the role of funding the building of other financial institutions in the local markets. This is a measure to strengthen their capital base through investing in projects offering broad perspectives.

There is an urgent need for well functioning monetary branches to fulfill the role played by the financial lending institutions in fulfilling the market economies. They act as intermediaries to collect savings and invest them in the aim of commanding hard budgetary allocations into the economic recovery endeavors that enhance development.

One of the traditional roles played by the financial institution entails financing of efficient infrastructure. (IFC Magazine, 2006) The constraints experienced on most of the budgetary allocations means that further commercially oriented investments are required for enhancing access to the private financial sectors. Relevant markets disciplines ought to strengthen control of costs and minimize risks as a measure of providing revenue as a discipline introduced by the financial institutions today.

Conclusion

A new focus on the market-oriented economies is highly supporting the flow of capital invested mainly in the private sector. The primary support by the majority of the financial institutions seems to shift goals to the development of the private sector by capitalizing on their strengths while minimizing the risks involved.

The private markets and capital flows involved are powerful forces that represent significant opportunities for growth. The financial institutions ought to provide clear principals regarding the selection and design. By supporting the private sectors, the financial institutions aim to encourage or influence them into promoting the industries that they are not able to reach.

A well-built financial and physical infrastructure creates jobs opportunities and enables broad market growths. Considering the various roles of the institutions, they can meet the high social and environmental standards of the companies by enhancing procedures to be followed by clients, which they teach during their projects support processes or advisory services to support financing projects.

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