

## INTERNATIONAL FINANCIAL INSTITUTIONS AND THEIR ROLE IN THE INVESTMENT PROCESS

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**Abstract:** *The article examines the role of international financial institutions in the investment process. It reveals their importance in attracting and allocating investment resources, financing investment projects, and reducing investment risks. The main functions of international financial institutions and their impact on the development of the national economy, especially in countries with transition and developing economies, are analyzed.*

**Keywords:** *international institutions, economic development, financial resources, investment process, investments*

In a globalizing world economy, international financial institutions play a key role in the development of investment processes. They facilitate the redistribution of financial resources between countries, support economic development, stimulate investment activity, and ensure financial stability at the international level. Their activities are especially important for developing countries and countries with transition economies experiencing a shortage of domestic investment resources.

International financial institutions not only act as sources of long-term capital but also actively shape the investment environment. They develop financing programs, provide loans and grants, attract private investment, and provide advisory and technical assistance. Their activities are aimed at developing infrastructure, supporting the private sector, reducing investment risks, and increasing investor confidence.

The relevance of this topic is due to the growing role of international financial institutions in the implementation of investment projects aimed at sustainable economic growth, economic modernization, and the integration of national markets into the global financial system. Studying their functions and mechanisms of influence on the investment process allows for a deeper understanding of current trends in international capital flows. The article examines the role of international financial institutions in the investment process and determines their influence on the attraction, distribution and efficiency of use of investment resources in the development of the national economy, especially in countries with transition and developing economies.

International financial institutions are intergovernmental organizations created to regulate international financial relations, promote economic development, and support

investment activities. Their activities are aimed at mobilizing and redistributing financial resources between countries, as well as ensuring sustainable global economic development.

Depending on their functions and scale of activity, international financial institutions are divided into global and regional. Global institutions include the International Monetary Fund and the World Bank Group, while regional institutions include the European Bank for Reconstruction and Development, the Asian Development Bank, the Islamic Development Bank, and others. Each of these institutions has its own financing mechanisms and priority areas for investment support.

The investment process includes the formation of investment resources, their distribution, and their effective use. International financial institutions participate at all stages of this process, providing long-term loans, concessional financing, and grants for investment projects.

Particular attention is paid to financing projects in infrastructure, energy, transport, agriculture, healthcare, and education. These sectors require significant capital investment and play a vital role in ensuring sustainable economic growth. One of the key functions of international financial institutions is to reduce investment risks. This is achieved through the provision of guarantees, investment insurance, and participation in joint projects with the public and private sectors. The presence of an international financial institution in a project increases the confidence of foreign investors and facilitates the attraction of additional capital.

Furthermore, international financial institutions contribute to improving the investment climate by supporting economic reforms, improving the legal framework, and strengthening financial institutions in recipient countries.

The study analyzed the role of international financial institutions in the investment process. It was found that they play a key role in attracting and distributing investment resources, financing investment projects, and mitigating investment risks. The activities of such institutions contribute to improving the investment climate, increasing foreign investor confidence, and strengthening national financial stability.

International financial institutions are particularly important for countries with transition and developing economies, where domestic sources of capital are limited. They provide access to long-term financing, support economic reforms, and facilitate infrastructure modernization, thereby accelerating economic growth and integrating national economies into the global financial system.

A literature review revealed that international financial institutions perform both economic and institutional functions: they not only provide financing but also create investor protection mechanisms, enhance transparency, and stimulate private sector development. Thus, it can be concluded that international financial institutions are a crucial instrument for investment development, exerting a systemic influence on

economic growth and creating the conditions for the sustainable development of national economies in the context of globalization.

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