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THE GLOBAL ECONOMIC CRISIS AND THE FUTURE OF EUROPEAN INTEGRATION

ECONOMIC CRISIS AND THE CHANGES IN FUNCTIONING OF INTERNATIONAL FINANCIAL INSTITUTIONS

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Abstract: *The emergence and deepening global economic crisis is reflected in large part, on the functioning of international financial institutions and their current structure. Long-term financial crisis has placed demands for decisive reform moves in the functioning and structure of the IMF, World Bank Group and other global and regional financial institutions. This means that so far the results of their policies are inadequate and that their role is subject to critical observation with finding an efficient performance of financial markets. The crisis has imposed the need to reform international financial institutions and new global financial architecture. Changes in structure and their functioning should lead to global economic stability. Members of the Euro zone are faced with a new attitude towards the international financial institutions, particularly the International Monetary Fund. Proclaimed mission International Monetary Fund and World Bank are clearly separated in theory, but with the passage of time their activities have become increasingly intertwined, so that, often, include a name - international financial institutions.*

Key words: *The economic crisis, impact, changes, structure, functioning, financial institutions.*

Introduction

Global, long-term, the economic crisis has significant influence on the numerous, mostly evolutionary changes in the functioning of the international financial institutions. International financial institutions, in the last sixty years have moved from a guarantor of stability of the global financial system, through rescue creditors and debtor countries during the global debt crisis (the eighties of the twentieth century), and finally the most important roles of advisers and financiers of transition in post-socialist countries during the nineties. However, since it's been almost seventy years since its foundation (IMF and World Bank)

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can be stated that international public financial institutions did not fulfill its vision, mission and goals of existence. The neo-liberal project of international financial institutions achieve a high degree of economic efficiency (up to the latest economic crisis), but in turn paid great social cost that is reflected in the spread of poverty. Therefore, in modern long-term financial and general global economic crisis has placed demands for decisive and comprehensive reform of the international financial organizations, particularly the revision of voting rights within the IMF and World Bank, which are the two most important, universal, international financial institutions. Each country of the current members of the IMF has a quota defiinisanu periodically paid to the International Monetary Fund (The mere payment is made by 25% to be paid in special drawing rights or convertible currencies and 75% in the national currency).

Undeniably, the results of previous policies of international financial institutions can be regarded as satisfactory, since the current financial crisis is not the first with which the face of the international financial institution and not adequately and timely respond[1]. What we are based on the current policy of international financial institutions, especially the IMF is a recipe that is applied everywhere, regardless of time, place or specific economic system which consists of a fixed rigor, rapid privatization and liberalization of the wild. On the other hand, the market system requires competition and perfect information, however efficient and flexible market-based competition. Results policies of international financial institutions can be characterized as mostly devastating[2]. However, to mitigate the effects of globalization neegativni and keep them positive, it is necessary to reform the international financial institutions to manage this process, because globalization itself is not the problem. The need for a reformed international financial institutions raises numerous questions, such as: where to make decisions in the future, where it will be located and where the power of taxation will be the legislative branch? To the extent that the legislative, tax, and even judicial power shift towards the international stage, it will in the future operate international institutions? What will be the balance between developed countries and developing countries, especially as population and economic balance over time were changed in favor of countries that are now developing? These are some questions that need to look for answers in the process of changing the structure and functioning of the international financial institutions.

Origin and Causes of the Current Global Economic Crisis

The current economic crisis has affected all the world's national economies. It was so sudden that even many experts in international financial institutions could not have foreseen. However, many believe that the current economic crisis is a result of poor management of the previous crisis. In 2008, taken all in order to save the banking system, although it is believed that the crisis until 2009 was less severe, and that it could have been without government intervention and involvement of international financial institutions.

[1] Is it because the Keynesian orientation of the IMF, which emphasized market failures and the role of government was replaced by the idea of free market absolutism that during the eighty years of the twentieth century advocated Margaret Thatcher and Roland Reagan, and the double standards that apply or may be due to something third?

[2] Effects tips for the transition economies. For example, contrast, China's GDP in 1990 was 60% of that in Russia, but at the end of the decade reversed image. For many developing countries globalization has not brought the promised benefits because the difference in material wealth, among the five richest and five poorest countries in 1913. year was 11:1 in 1950 - 35:1 in 1992. - 72:1, and 96:1 in 2010;

Now the main problem is the solvency of the state. Thus, the two crises had completely different origins. It first spread from the bottom up. It began among over-optimistic home buyers, rose through the machinery of Wall Street, with a little more help for credit rating firms and ended contagion the global economy. The collapse of the financial system caused by the recession. The current difficulties are, in contrast, have started from the top. Governments around the world are globally were powerless to stimulate the economy and "fix your house," gradually lost confidence not only cooperation but also investors. Also, financial companies and households have used cheap credit that somehow endured by 2007-2008, and then comes to a massive recession shock. Now the problem is the opposite, companies can not borrow, resulting in anemic consumption and investment growth slowed. Finally, the last difference is a direct consequence of the first two. Given the background, financial disaster 2008th, had the simple but painful solution - was to engage with the government to provide liquidity in: low interest rates, bank guarantees and cash injections into the economy.However, they are sufficiently so that today the country in a much complex situation. At the international financial system has not been cleaned (the banks did not have to change their habits because they avoid the fire which caused). Banks were rescued but the insolvent state banks continue to operate and the overall economic system. The system of self-financing debt reached "breaking point", and kolosačlni level of debt in the world now has to be drastically reduced. Therefore, compression of the market[3]. The IMF predicts that in the next year, the euro zone will continue to be the epicenter of instability in the global economy and the risk of strengthening the crisis in that part of the world, especially if you set up a bad dynamic in a "vicious circle" - GDP growth, fiscal and dimensions banking system.

Crisis in the Eurozone and the IMF

EU especially so. euro zone, global financial crisis, apparently, hit more and longer than other countries. For example, the unemployment rate in the first half of the 2011th reached almost 11 percent, which is equal the record of April in 1997. year[4]. As evidence of the economic division north and south of Europe, the lowest unemployment rate in the euro zone had Austria (4%), the Netherlands (5%) and Luxembourg (5.2%). The existential crisis of the EU, boosted the financial collapse of Greece, the eurozone has imposed new negotiation agents – IMF. Under his influence has been approved, "a mammoth package" to help financially vulnerable eurozone members. Once broached entry IMF reform program of Greece, the EU is faced with a new relationship with the international financial institution. In mid-2012th The IMF estimates that the euro zone into a new and critical stage "of the financial markets in parts of the euro area are in a state of acute stress, with this growing dilemma on the appropriateness of the monetary union of the EU, the eurozone looks increasingly like a burden global economic recovery[5]." The euro is

[3] Athanassiou, Phoebus (2009), Withardawal and expulsion from the EU and EMU: Some reflections, ECB Legal Working Paper No.10, ECB, Frankfurt, December (http://www.ecb.int/pub/pdf/scplps/ecblwp10.pdf.).
[4] Eurostat, the EU statistics agency, press 03.06. 2012th year (noting that in May 2012 the job finder 18.14 million, while Spain with 24.6 percent in the first place among the members of the euro zone
[5] IMF report, the "Politika", Belgrade, 20.07.2012, p. 2 ("Greece now shortage of 11.7 billion euros. Again Spain's cost of borrowing is rising dramatically. Irish rescue the financial system still need help from the European Central Bank" ...).

overvalued, the risk of deflation is steadily growing, the monetary union threatened a possible new shocks including the collapse of a major bank, so that the IMF recommends swift action in Brussels and the European Central Bank. As recommended by the IMF and the European Central Bank should urgently dostamp euros, renew purchase of government bonds (fell in the eurozone), released a new influx of cheap credit. The EU may, at the IMF, to recover quickly establish credibility if banking union and somehow merge debts, which otherwise frantically against Germany, financially strongest member of the eurozone. Famed economist Joseph Stiglitz argues that the debt crisis in the euro zone can not be resolved by "tightening the belt", instead it is necessary to encourage economic expansion by stimulating public consumption. According to the formula represented by Joseph Stiglitz states that are facing a debt crisis should not listen to the advice the IMF demands that limit government spending, but to focus on economic growth and employment[6]. The IMF believes that the decision in the case that the market provides space, provide more expansionary fiscal policy, find a balance between monetary and fiscal policies, provide support for the unemployed and other layers affected by the crisis, and the establishment of a coordinated response to the macroeconomic level.

Relationship IMF and the U.S.A

After several years in which the IMF cited the European debt crisis as the main risk factor for the global economy, the time has come and the main locomotive of the world economy - the United States. In a report released in late June 2012th The experts of the IMF suggests deepening financial crisis in the United States, with an emphasis on the fiscal system. The IMF has also revised downwards its previous forecast of U.S. growth: The latest GDP growth numbers two percent for year 2012. year and 2.25 percent for the 2013th year[7]. However, agencies and companies that specialize in economic consulting are still cautious (predicting GDP growth of just 1.5 percent). Then, the U.S. Federal Reserve (the central bank) in the predictions are less accurate, but equally reserved: their previous estimate for year 2012. year, which ranged from 2.4 to 2.9 percent, down by between 1.9 and 2.4 percentage points, and an unemployment rate of 8.2% and growing. Director of the IMF (Ch. Legard), as lead counsel, the U.S. leader warned that in any way avoid the "shock" that could cause a termination of the tax relief enacted nineties. In this way, the effect would be entered automatically cutting a large number of budget items.[8] IMF as the reasons for the slowdown in the U.S. economy says decline in personal consumption, as people save more and try to first pay off their old debts, slow job creation, high unemployment, and the effects of the crisis in Europe. The IMF has also called on the U.S.

[6] Biggs, Michael., Hooper Peter, Mayer Thomas, Slok Tom and Michael Michael (2010), „The Public Debt Challenge“, Deutche Bank global Market Research, January.

[7]For example, in April 2012th , these forecasts were somewhat brighter: 2.1 and 2.4 per cent for the two years.

[8] The IMF predicts that the repetition of such a plot, which is not impossible, given that the U.S. government, if the trend continues, it soon hit the legal ceiling for the issuance of bonds which cover the budget deficit (for each budget dollar continues to borrow 40 cents), therefore it is necessary to "promptly" raised the limit for new debt.

to reduce its medium-term debt and due to financial consolidation[9]. In addition, many international experts believe that the state of the U.S. economy is not satisfactory. In addition, the leading expert, such as Ben Barnacle have serious objections[10]. The first man of the U.S. banking system, warned lawmakers "not to play: to be weighed down with too much agreement on measures to reduce the deficit, it will not, the country is found on the" fiscal cliff" in December 2012. year would automatically come into force tax increases and budget restrictions, which could trigger a new recession. "U.S. nesunnjivo the economy has big problems, but the fact that almost all countries of the world to its economic troubles happy to replace her. So with about 15 trillion (thousand billion) dollars U.S. gross national product far the strongest economy in the world[11]. The next two, China and Japan, annual production and the exchange of only a third of what the same time achieve the US economy. It is therefore important to ascertain the impact of the international financial institutions in the U.S. economy, and the global economic crisis, very small.

Relations in Transition and Development to International Financial Institutions

Almost all countries in transition for the past twenty years on the arduous path of finding the right solutions in the construction of the financial system and thus creating acceptable solutions to financial arrangements with international financial institutions[12]. Objective in the last ten years there has been an increase in the asymmetry between developed and developing undeveloped, including countries in transition. In the financial sphere, and thus also in relations with international financial institutions, the asymmetry is even greater and more visible than in the real sector. Accelerated processes of globalization have caused the proliferation of financial intermediaries and financial services. At the theoretical level, there is less uniformity of opinion, partly because of difference of interpretation of the world and thus in creating a business arrangement.The non-uniqueness can be explained by the fact that the financial world has changed rapidly and is in constant change, and that change means and altered responses to the new challenges that do not exist. Too pragmatic approach to international financial organizations, their power to impose the same paradigm across countries (from the Washington Consensus 90s), proved to be inadequate in many cases and therefore despite the changes in their attitudes and finding new solutions. A particular problem was a lack of clear division of powers between the IMF and the World Bank[13]. The problem was the conditionality that the IMF did not care about the necessity of structural changes in order to create the macroeconomic and external

[9] Christian Legard says it is not for "each fiscal consolidation," but the one that is "sensible and not excessive." A small deficit reduction of about one percent of GDP for the 2013th year, would be a perfect alternative, she said.

[10] The Director of the Federal Reserve System, appointed by the president (the U.S. Central Bank, which has a "dual role" law passed in establishing in 1913. Was: to maximize employment and stabilize prices, and the third, monetary policy, was added to the post).

[11] Hale Daniel, (2010), „Amutually satisfactory solution for Iceland and Obama“, Financial Times, 1 february.

[12] To make the financial system was stable and functioned satisfactorily, it is necessary to possess a clearly defined structure of financial institutions, with clearly defined powers and responsibilities (Central Bank, the banking industry, foreign exchange market, the financial regulator, etc..).

[13] In this sense, the IMF the World Bank launched a program assessment of the state of the financial sector (Financial Sector Assessment Program, FSAP).

balance of many countries. However, although the current system is far from ideal, the IMF has become clear that the problems of macroeconomic imbalances with all the effects that it has not dealt with in a uniform way that showed unsatisfactory results. The IMF in this regard attempted to "soften" conditionality, realizing that her placing in resolving balance of payments crisis, not enough attention was paid to ensuring sustainable growth[14]. The International Monetary Fund has its activity particularly focused on three segments, in order to realize the current arrangements:

(1) to assist in assessing the vulnerability of the financial sector and development needs;
(2) increasing the monitoring and analysis of the financial sector, setting development goals and increasing transparency, and (3) help build a clear financial institutions;

In addition, the International Monetary Fund said that Serbia, under very difficult circumstances has made great progress in stabilizing the economic situation, as well as in the implementation of the reforms initiated in 2001. However, despite this, it is estimated that Serbia faces great challenges that require persistence and consistency in the implementation of the program, as well as strong support from donors and loans from abroad.

Impact of Globalization World Finance

It is known that the rapid expansion of The Global Economy enormously complicated economic strategy and everyday economic policies of individual countries (economic sovereignty of the state is not only narrowed but is also called into question), and also in more developed countries, new power relationships, new technologies and new types of financial instruments significantly hamper the government's introduction of effective capital controls[15]. Thus, the process of globalization of international finance has led to enormous changes and it applies to the overall arrangements with international financial institutions. Then, the new forms of financial instruments, new sources of financial assets with modern information technology definitely brought down the barriers of national markets. International financial world has become a very dynamic and turbulent, and the extent of international finance is very difficult to see in the long run. Also, it is very difficult to predict the scope, manner and direction of their rapid expansion.

In modern finance is a central mechanism which combines all the diversified market processes into a single network-structure in which to establish the relative prices of all goods, services and capital. Today, this network does not integrate on the basis of national financial systems, but through international financial markets. The area in which globalization has, in recent years the furthest and blew downward and narrowed the domain of state sovereignty as international finance. The basic characteristics of modern financial markets[16]: (1) high capital mobility, and the rise of internationalized market structures, which directly affect regulation of nationality; (2) emphasizes the overall

[14] Mohamed Ahmed, Tomas Lane, and Michail Schulze-Ghattas, Refocusing IMF Condionality, *Finance and development,dec.2011,vol 38, number4.*
[15] Growth, as well as the dominance of transnational companies, the turnover of capital exceeds gross national product of middle-income countries seem useless introduction or maintenance of trade barriers. Thus, the process of globalization, where the "rules" imposed by large and powerful can not be stopped.
[16] Pero Petrović, Menadžment rizicima na tržištu kapitala, Institut ekonomskih nauka, Beograd, 2000, str. 33.

internationalization and globalization of financial markets; (3) deregulation and internationalization (with international rules and supervision) circular reinforce each other and separate from the national regulations; (4) national monetary policy, essentially loses its autonomy as it can no longer be introverted facing local real aggregates, but extroversion to international capital flows; (5) rapid and comprehensive financial innovation;

International financial institutions and the IMF and the World Bank have become very active with more or less success in the prevention and rehabilitation of the financial crisis, with increasing coordination with the WTO, regional development banks, export agencies, BIS and other. They are in the world of finance focus on those measures that contribute to the development of the financial system, and in recent years in the fight against money laundering contribute to the development of the financial system, and in recent years in the fight against money laundering and concerted action at the international level in the fight against the financing of terrorism[17]. As with all similar countries, Serbia recognition for program assessment of the state of the financial sector. The program involved analysis of various important financial institutions in the system, its vulnerability to external shocks, determine the level of health finance and capital adequacy ratioo, the volume of non-performing loans, the assessment revenue trends. Therefore, to obtain a true picture ukjučuje analysis of liquidity, legislative of the way in which supervises the financial sector, and the extent to which accepted and how to apply international standards and codes[18]. On the other hand, under the influence of the United States after the terrorist attacks in general have increased activities at the international level, especially in the direction of including all countries in the fight against the financing of international terrorism, money laundering and to establish greater transparency in offshore centers.

Structure and Function of the International Monetary Fund

The International Monetary Fund in its mission and vision to define the framework and code of conduct at a number of issues, not only of the international monetary system but also the global economy and specific economies of individual countries, members of the Fund. In an attempt to analyze its structure and functioning of the modern goals should be reminded of the Fund:

(1) Enhancing international cooperation through consultation and joint solving monetary problems; (2) Expansion of international trade, growth, employment, income, and production; (3) stabilization of exchange rates and prevent competitive depreciation; (4) multilateralism in international payments for current transactions, and removal of foreign exchange restrictions which hamper the growth of international trade; (5) Provision of financial resources to assist member countries in how to balance the balance of payments; (6) Reduction of payments difficulties;

[17] Dragana Đurić, Izgradnja sveta finansija – nužnost ravnoteže između sigurnosti i konkurencije, Ekonomski anali, Beograd, tematski broj, jun, 2002, str. 41.

[18] Among the most important are the IMF Code of Good Practices on Transparency in Monetary and Fiscal Policy, Key Principles for systemically important payment systems, objectives and principles of securities regulation and supervision of insurance principles;

However, the main objective of the International Monetary Fund to avert a global depression whose cause leading economists in insufficient aggregate demand[19]. This objective should be achieved in a manner that would be exercised pressure on countries that do not contribute to the maintenance of global aggregate demand, and to give themselves loans to countries that are not able to own assets that stimulate demand. Thus, the institutions which advocated increased spending, tax cuts and lower interest rates, which would stimulate demand, the IMF has over time grown into an institution that provides loans to certain countries only if the implementation of policies such as reducing the deficit, rising interest rates, rising idea of inviolability of free markets[20]. From the structural changes are minor, and the highest authorities of the Fund are:

1. Board of Governors,
2. The Executive Board,
3. Director.

Member States who have problems with balance of payments deficit under certain circumstances rely on loans from the IMF. Ko0ji types of loans could be obtained from the Fund are changed over time[21]. Of course, for all loans borrowers pay a commission to the Fund, costs and interest. On the other hand, getting the loan basically depends on the size of specific countries with prior arrangement with the Fund, a program of adjustment, however, the program adjustments or conditions that the IMF places on the beneficiary of the loan are often the reason why governments seek assistance from these institutions. This is because the government in the Fund are "scapegoats" for possible betrayed voters' expectations, due to the implemented painful economic reforms, which seek to preserve their political standing. Thus the need for loans is not necessary, nor a sufficient condition for cooperation with the Fund, and the attention is conditions that governments are something imposed, and in fact is a very welcome development for the local public. At the start of its functioning is advocated[22]: 1. solid exchange rates; 2. unique exchange rates; 3. to achieve the convertibility of the national currency;

Then, because of the lack of such a monetary system and changes in the world economy comes to leaving the strong exchange rate policy. As a result of the need for reform of the international monetary system in 1967, it was decided that within the Fund's new form of international means of payment in the form of Special Drawing Rights - SDR (Special Drawing Rights). It is artificially created assets used in international payments. SDR is supposed to satisfy two requirements: (1) increasing international liquidity as needed; (2) ensuring a reliable common denominator in which to express the value of the national currency;

The value of SDR units, which are determined based on the basket of currencies, has been amended several times, and from 1 January 2001. year is determined on the basis of four currencies: U.S. dollars (45) Euro (29), yen ($ 15) and pound (11);

[19] In addition to the above-mentioned goals, the IMF fall of the Berlin wall got another challenge that was tantamount to manage the transition;

[20] These changes are mainly followed the eighties, when propagated economy "offer" under the influence of Ronald Reagan and Margaret Thatcher.

[21] This phenomenon was particularly pronounced during the sixties and seventies.

[22] During in 1973. The process of changing the regime of floating exchange rates, which the international monetary system, which is designed in Bretton Woods ceases to exist. Already in 1976 the Fund has accepted and legalized the practice of flexible exchange rates.

However, the results that are achieved SDR are not satisfactory, since the increase in the level of international liquidity quite modest (the share of SDRs in monetary reserves at 2%). On the other hand, has repeatedly changed the model to determine the value of the unit SDR prevents determining the real value of SDR through time. The International Monetary Fund had to many pay more attention to its basic principle relating to the provision of benefits to which the increased aggregate demand in countries facing recession. Along with that it took a lot more to deal with aspects related to poverty and unemployment as it would complete the corpus of the Fund's interest, which would greatly reduce the unconditional insistence on macroeconomic stability and controlling inflation, which would be a problem in developing countries perceive the whole. In addition, the IMF has consistently stressed inflation forgetting economic growth and unemployment, although equally important. Given the scope and duration of the current global financial crisis, IMF board in Washington has decided to change the rules of their regular annual monitoring financial policies of all 188 members of the Fund. Under the new Fund is obligated to assess how internal decisions of each member individually influence on global financial stability.

Undeniably, that the IMF is now facing a great challenge because of the current economic crisis. In the years before the crisis, the situation was like this-because of the process of globalization leads to the removal of economic barriers and intensive cooperation between the countries. It was expected that the developed countries would achieve greater savings than investment, and sell their surplus savings through direct investment in developing countries. This scenario did not occur, and the developed countries invest their surplus savings also in other developed countries. Therefore, the financial sector crisis spilling over to the real sector. Due to the financial crisis leads to increased prices of bank loans, leading to a rise in the cost of business. On the other hand, due to a decrease in loan volume comes to cost reduction of liquidity to the company. As a result of lower demand, companies are forced to reduce their production, and the reduction in sales and income leads to layoffs to reduce costs to whose growth was due to the rising cost of funding. International public curious about the IMF's efforts to take in order to reduce and resolve the current crisis[23]. The IMF has proved successful in the transition countries of Central and Eastern Europe 90s, but since then I have problems. For example. adoption of the program of financial assistance and adjustment by both countries in cooperation with the IMF were controversial; private sector continued to play a dominant role as a source of capital flows međunarodnih; final say in the functioning of the IMF and the United States have a powerful European countries. The IMF is facing criticism. The Nobel Prize in Economics, Edward Prescott calls for abolishing the IMF and the World Bank, arguing that these institutions are "more harm than good world economy" and "work as instruments of government foreign policy than as an economic regulator." [24] In recent years appear and the idea of establishing a European Monetary Fund to replace the IMF[25].

[23] Edwin M. Truman “The IMF and the Global Crisis: Role and Reform” Peterson Institute for International Economics, 2009, str. 3.

[24] Mr Sanja Paunović „Uloga međunarodnog monetarnog fonda u savremenoj ekonomskoj krizi“ doktorska disertacija, Univerzitet Singidunum, Beograd 2011, str. 131.

[25] For more information please Pero Petrovic, Aleksandar Zivkovic "The financial crisis and the formation of a European Monetary Fund-whether to change the European treaty" International problems, 2010th

The World Bank Group

International Bank for Reconstruction and Development (IBRD) in addition to the IMF and other global financial institutions, the result of an international conference. Then they formed under its umbrella three financial institutions: (1) The International Finance Corporation - IFC; (2) International Development Association - IDA; (3) The Multilateral Investment Guarantee Agency - MIGA;

The main objective of the World Bank is funding projects that are important to the national economy and which, generally, is not interested in private equity due to lack of profitability, given that the issue is bigger and hence higher risks. Loans are generally intended for infrastructure projects, in the field of energy, transport, education, industry, agriculture and rural development, and the like. Eighties starts with loans for structural adjustment, which should create a balance of payments deficit by changing the economic structure, of course, with the approval of the IMF and the conditions that beneficiary countries have to fulfill. These loans are in the structure, about 30% of the total approved loans. In contamporain of long-term financial and general economic crisis proclaimed mission of the IMF and World Bank are, in theory, clear-cut, although the passage of time their activities became increasingly intertwined in some segments, so that it often happens that interfere IMF and the World Bank, because they have the same membership, based in Washington, DC, and activities that are intertwined and mingled. Interlacing increases because the countries of both institutions involved in finding ways to reduce the debt of developing countries. Despite some overlap, it becomes fundamental differences between these institutions. First of all, the IMF is a monetary institution that aims to stabilize the monetary system and finance temporary balance of payments deficit. Opposite, the World Bank is a development institution, with the aim of promoting and funding development. Furthermore, they differ in the source of financing and credit approval. The IMF loan is granted to all members of the official reserve currency as its own member states, while the World Bank finances only in developing countries, with a repayment period of between 15 and 20 years. The main differences are summarized in the table below.

Summary No. 1 Basic characteristics of the IMF and World Bank

	IMF	World Bank
Characteristics	Monetary institutions	development institutions
Function	Stabilizing function of the monetary system and finance temporary balance of payments deficit	improvement and financing economic development
Time period	Short-term period	long-term period
Funding Source	Funding Source Official reserves and currency of its own members	loans on the international capital market
The granting of credit	all members	the developing countries
The period of repayment	3 to 5 years (sometimes 10)	15 to 20 years (40 years for the International Development Association)
Staff	2300	6400

Structures and organs of the World Bank are: 1. Board of Governors; 2. Board of Executive Directors; 3. President (usually a U.S. citizen);

The Bank is organized as a joint stock company, the share (quota) of individual countries is determined by economic power, and member today pay 3% of subscription. The Bank raises funds from four sources[26]: 1. The paid part of the quota of the Member States; 2. Borrowing on international financial markets; 3. Repayment of loans previously; 4. Of income;

In the current financial crisis is the second most important source (borrowing in the financial markets and the securities emissions) based on which the bank is in charge in the amount of approximately $ 100 billion.IBRD loans granted to finance specific projects, and rarely for opšterazvojne needs. The project must contribute to the development of specific countries and provide regular repayment of borrowed funds. Loans are intended primarily developed among the developing countries. However, loans are more favorable than those that individual countries could achieve in the market. To turn off countries that have reached a certain level of development of the group that has the right to use the IBRD loan is used to process graduation (GNP - $ 5,445 / per capita). Projects financed by IBRD go through the following seven phases: (1) identification, (2) preparation of the project, (3) evaluation of the project, (4) negotiations (5) adoption (6) execution and supervision, (7) the subsequent evaluation;

The International Development Association (IDA) was established in 1960 in order to ensure the least developed countries of the loan on favorable terms[27].

The International Finance Corporation (IFC) was established in 1965. year. It grants loans with maturities of 7 to 15 years, but its important catalytic role to bring together private companies in need of capital, with foreign investors in international business.

Multilateral Investment Guarantee Agency (MIGA) was established in 1985. with the aim of giving a guarantee for non-commercial risk, which should encourage private capital inflows to developing countries. Each institution plays a special role. Thus, for example. IDA lends to governments of the poorest developing countries on favorable terms[28]; MIGA provides guarantees to investors from non-commercial risks, IBRD provides loans to middle-income countries[29]. IBRD loans, known as loans from the World Bank's IDA differ from loans in that they are intended for financing high-quality programs and programs that contribute to economic growth, and that can not be secured private financing on favorable terms. The World Bank operates as an investment bank, but with more lenient criteria and policies of the long delay which has a wider range than the commercial banks.

[26] http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTWDRS/0, content MDK: 20227703~pagePK: 478093~piPK:477627~theSitePK:477624,00.html

[27] The right to use IDA credits have a country where the GNP / per capita below 865 $ and approving loans with a maturity of 40 years with a grace period of 10 years. In addition, the interest on loans is not paid, except fees of 0.75%.

[28] http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/IDA/0,,contentMDK:21206704 ~ menuPK:83991~pagePK:51236175~piPK:437394~theSitePK:73154,00.html

[29] http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/EXTIBRD/0,,menuPK:3046081 ~pagePK:64168427~piPK:64168435~theSitePK:3046012,00.html

Thus, the 80-ies of XX century, when the industrial countries to combat the Great Depression, and developing countries having trouble with debts incurred two lending program: 1. lending for structural adjustment; 2. for sectoral adjustment lending.

With the structural adjustment lending, loans for general purposes were approved to strengthen the economy and export sector. It is often granted together with the IMF loans, and are intended for countries with large structural deficit of balance of payments. For sectoral adjustment loans are intended for the rapid provision of resources for the particular economic sector.

The World Bank publishes annual World Development Report (World Development Report), which gives a special tone problems of development, and provide new ideas. Bank implements technical assistance projects funded by the UN Development Programme. There are two types of assistance: Infrastructure (studies of endurance), and Institutional (institutional development and management skills, definition of macroeconomic policies). Of all the financial institutions, the World Bank threatens the political impact of the borrowing of funds. It comes in different pages of criticism that the emphasis of large projects means that little has been done regarding the proper allocation of revenue to the criticism that the World Bank threatens the development of the private sector, emphasizing state projects. As much as possible, the Bank seeks to maintain its non-political character and to us his work strikes a balance between the conflicting attitudes. The need to reform the World Bank is in the fact that it must take more account of the integrated approach to development and the way in which aid is given alone.

New Relations Eurozone and the IMF

Many EU countries, primarily Greece and then Portugal and Spain, and Ireland, and Italy, must undergo the difficult process of adjustment of government finances and external competitiveness, in order to position their debt once again become viable. However, given the intense pressure of financial markets, in some cases seems unlikely that the fiscal adjustment program will be sufficient to avoid the "emergency braking" the necessary external financing of the public sector.

It is believed that when this happens, the European Union will not be able to avoid the question of whether (and in what form) can provide public financial support to one of its member countries. The mechanism for stabilization and new measures of the European Central Bank the European Union demonstrate commitment to protect the financial stability of the euro area and reduce the short-term concerns about the solvency of certain eurozone member states where there has been a deterioration of the fiscal position and debt dynamics.

With the advent of the financial crisis in the eurozone comes to new relationships in relation to the EU - IMF. According to a new recipe, the IMF, the proposed budget coordination system would be a step towards a common, centralized economic governance within the eurozone. However, to achieve improvements in internal monetary and fiscal control, and increased coordination on the fiscal and economic policy[30]. At the moment the

[30] The idea of a "European Monetary Fund" was first presented to the public 6.03. 2010. in an interview with German Finance Minister Wolfgang Schaeuble, in which he said that Europe needs institutions like the IMF to cope with situations like the Greek debt crisis.

question is that the institution is in a better position to design and supervise the strict adjustment program that would justify financial support: the EU and the IMF. The difference comes down to this: the IMF has the money, the expertise and few political constraints. On the other hand, the EU institutions have the money and expertise, but the EU and the European Commission is facing serious political constraints in the design of adjustment programs. However, the question is whether the EU would be "softer" than the IMF, but the key issue is that institutions would have a stronger enforcement mechanism in the event that some countries (such as. Greece) simply do not implement adjustment programs. The IMF can do very little if the country in question simply does not keep his promises, except that it denies further funding. In contrast, the European Union has a number of other instruments available: may withhold funding from the structural (and other) resources. In addition, the European Central Bank may tremendous pressure disqualifying members of the public debt of the country (or even its assets) for use in the operation of its monetary policy. Thus, the EU could develop a mechanism or institution capable of dealing with defaults on financial obligations. So many experts and officials believe that this dilemma can be avoided by creating a "European Monetary Fund" (EMF), which would be able to organize and conduct regular performance of their obligations, as a last resort as possible. In addition, the difference consists in the fact that the European counterpart to the IMF acted in the case of a member of the eurozone need financial help, because it turned out that the European financial field lacks a similar institution to help countries that have fallen into a severe financial crisis. However, the Commission considers that it can exercise its rights in the field of economic competition, which would include strengthening cooperation with other actors in the international arena (such as the G-20), but also because of pressure are considered to be the world's financial markets are volatile and endless[31]. The idea of a European Monetary Fund, modeled on the International Monetary Fund met with broad support in the euro area. In fact, as the IMF makes on the world stage as the European Fund and was a last resort for eurozone members that get into financial crisis. Thus, the EMF would, first and foremost, monetary stabilization by allowing financial discipline called shallowest establishing radio and then made loans in the short term. Skeptical commentators say that the problem is postponed, not solved, because there is no clear answer to how to be poor and heavily indebted economies cope with debts and loans for their rehabilitation.

Serbia and International Financial Institutions

The crisis of the international financial institutions have an impact on the public finances of many countries. Without the support of the IMF and Serbia, probably, Serbia would not be able to provide funds for the repayment of debt, consider Serbian economists[32]. Cooperation with the IMF is necessary because it is based on the adoption of the fiscal consolidation program, which includes the first year of the sudden stop of public debt and its reduction in the medium and long term. It is believed that the benefits of the arrangement with the IMF following:

[31] Jean Pisani-Ferry and Aleksander Sapir (2010), „The best course for Greece is to call in the Fund“, *Financial Times*, 2 February.

[32] For example, only the 2009th The minus in the budget, thanks to pressure from the IMF, has been reduced to around 4.5% of GDP, and it is estimated that the gap in the counter was about eight or nine of GDP.

- low interest,
- the guarantor's credit rating
- increase the confidence of investors,
- macroeconomic stability
- barriers to increase public spending;

No arrangements (as a precaution) with the IMF, Serbia's public debt would grow faster, and as long as growth increases and interest, so that there would be the ability of servicing our obligations, that would result in growth rates that Serbia financed by its own external debt [33]. For Serbia is very important that the relevant international financial institutions, especially the IMF, provide review and comment on what is happening in the Serbian economy, and that is positive to international financial markets reacted positively, in terms of additional capital inflows. In addition to credibility, which provides loans at favorable interest rates, to fill the public debt, and thus the Fund brings order and discipline in the Serbian public expenditure policies. The IMF notes that developing countries with high external deficits, like Serbia, have to reduce spending and increase exports. Structural reforms, among other matters, to create conditions for attracting foreign direct investments, primarily in the manufacturing and export-oriented sectors.

European Bank for Reconstruction and Development (EBRD)

European Bank for Reconstruction and Development is the first international financial institution established in the aftermath of the Cold War in response to the major economic and political changes that occurred in Central and Eastern Europe. Created a few years after the fall of the Berlin Wall, the bank aimed to help the countries of Central and Eastern Europe in the transition to a market economy orjentisanje, enhancing private and peduzetničke initiatives in accordance with the principles of democracy, pluralism and market economy[34].

Bank's financial assets are focused on the financing of private or state-owned enterprises that implement privatization and the creation of new companies. The main goal is to bring investors into the country, for which the Bank works in partnership with other investors and lenders to ensure equity, guarantees and loans. In addition, special attention is paid to the development of transport, telecommunications, infrastructure projects and public sector to support the initiative of the private sector. Particularly encouraging regional cooperation and projects supported by the Bank can span more than one state. EBRD loans for specific projects and investments co-financed by the commercial banks and multilateral institutions. It also encourages the co-financing and foreign direct investment from the private and public sectors, provides the technical co-operation in certain areas and helps to mobilize domestic capital. All countries in the Balkan region are members of the EBRD and the recipients of investment. According to the EBRD Director for Serbia Hildegrad Gacek, EBRD over the past 11 years, Serbia has invested about 3 billion in 180 projects in all sectors. The support is expected in the future infrastructure sector in Serbia (railways

[33] The 2012th year, according to the Fiscal Council, Serbia will only repay interest and principal will take about five billion euros, or about 14 percent of butoh domestic product, and all what the economy created a year.
[34] http://www.ebrd.com/pages/about/history.shtml

and works on Corridor 10) and small and medium-sized businesses through banks and direct financing of the corporate sector. The EBRD is one of the largest in Bosnia and inestitora of in 1996. year to date through the bank in various projects across the country were placed 1.4 billion euros. Within the Ministry of Foreign Affairs of Croatia, 2010th The Strategy was adopted laying down the basic objectives and guidelines of Croatia's cooperation with the EBRD. Among other things, the Bank will support the development of economy, energy, "small and medium-sized enterprises (SMEs) - which continue to suffer from limited liquidity in the financial system will facilitate access to, and use of loans and equity and quasi-equity investments through financial intermediaries." [35] Since 1994. until the 2010th The EBRD has invested in Croatia about 2.2 billion euros to over 130 different projects. Similar uloganja and objectives are provided for other member countries that receive investments.

Regional Development Banks

Simultaneously with the development activities of the World Bank, there is a need for regional financial institutions. All regional financial institutions aim to complement the activities of the World Bank, the promotion of economic integration in the region and strengthening the economy weaker members. Organizational and financial structure of regional banks is based on the organization of the World Bank. Such as the World Bank, the main body of the Board of Governors, which is usually made up of the finance ministers of member states. Everyday activities carried Executive Committee, headed by the president. The Statute shall provide for the measures to protect the position of regional countries included in management in relation to non-member states of the region. The rule is that regional financial institutions should be guided only by the member states of the region, and it happens to non-members and a leadership function of region. Basic functions of the regional banks are:

- Provision of long-term loans for development projects
- Improving the investment
- Assistance in ppripremanju and implementation of national development plans
- Cooperation with international institutions

The most important regional financial institutions Inter-American Development Bank (founded 1959.), The African Development Bank and the Asian Development Bank, which was founded a few years later. In addition to these three major development banks, there are a number of sub-regional banks, whose business is based on a lower level. Some of the most famous are the Development Bank of Central America, East Africa, the Caribbean region, and the Islamic Development Bank. These banks typically have non-regional members, and their effectiveness varies depending on the situation in the region. The special position of a Nordic Investment Bank, which is owned by Finland, Denmark, Sweden, Norway, Iceland, Estonia, Latvia and Lithuania[36]. Funded projects in Scandinavia, but also in other regions. During the 80 years of the twentieth century, regional banks have experienced certain difficulties in operation. Are often under pressure from Western donors

[35] http://www.mfin.hr/hr/ebrd

[36] http://www.nib.int/about_nib

and powerful political pressure region. Western donors want more responsibility and participation in the management of regional grandmothers.

Over the past 10 years, regional banks have gone through the process of radically reform and adjustment, which is further reinforced by the adoption of the Millennium Development Goals. Compared to earlier periods, when the most important tasks the economic development and financing of infrastructure projects, he is the role focused more on meeting the Millennium Development Goals, poverty reduction and sustainable development[37]. As part of the implementation of the Paris Declaration on Aid Effectiveness (Paris declaratiion on aid effectiveness), initiated a series of reforms of regional banks. Regional financial institutions aim to complement the activities of the World Bank, the promotion of economic integration in the region and strengthening the economy weaker members.

Conclusion

Global financial institutions have been created in response to the increasing complexity of relationships and the growing interdependence between countries and people in the world so that, over time, and problems mounted and greater complexity, which somewhat justifies the widespread criticism of their current structure and operation. Economists, however, will not agree on many issues in theory and practice, but what this institution needs to do is to leave the country the opportunity to consider alternatives, make their own choices and to provide countries need funding and to inform themselves and make a choice, to understand the consequences and risks of each. In the opinion of many experts, the eurozone is at a critical stage to the point that many are no longer sure that "europroject be able to function." On the other hand, the IMF does not have the answer to a long-term solution to the debt crisis. There is no doubt that after the crisis has come to redraw the financial system and the monitoring and supervision in the world. It is necessary to harmonize the regulations and national policies, as well as to establish common rules in the recapitalization of banks as national approaches are too irrational wastage. It is prekonponovati role of the IMF in order to provide timely and flexible multilateral privemene liquidity. For a small country like Serbia cooperate with the IMF virtually unconditional (the cover minus the budget and the possibility of regular servicing of the public debt), otherwise avoid financial collapse, just as the IMF is one of the primary goals is to maintain financial discipline member countries. On the other hand, a number of prominent economists do not trust the IMF because they believe that the drastic austerity measures that the IMF provides to its clients "wrong solution" (especially on heavily indebted euro zone countries), which does not work in a positive way during the crisis, and that these countries are pushing deeper into crisis." Thus, despite numerous positive aspects and good results that have shown, international financial institutions are referred to a number of criticisms. Thus, according to some opinions, these institutions are the real representatives of Western capitalism and the free market model imposed on developing countries that have not yet been amended in such a big step.

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[37] Federal Ministry of Economic Cooperation and Development, Combating Poverty- Our Objectives in the Regional Development Banks, March 2007, dostupno na internetu u pdf. Formatu na adresi: www.bmz.de/en/.../type.../strategie148.pdf

Often, the bad side out and position zlopupotreba powerful states in these institutions (notably the U.S. and the EU) that use its leadership role in furtherance of the foreign policy goals. During the period of political and ideological disagreement is most important to keep out of the political priorities of international institutions and provide their independent action. In the event that the application for each loan appreciated the political aspects and interests, would lead to a complete halt the entire international system. It is therefore important that international institutions maintain their apolitical katrakter. Furthermore, critics point to specific projects and the IMF and the World Bank. According to the critics of the IMF does not provide funds for countries facing economic problems, his fields of activity are too broad, reflecting the power of multinational corporations and developed countries, the issue of governance, lack of accountability and transparency. World Bank Group critics object to inefficient projects, bureaucratic institutions, secret contract, the bank's management is not responsible for any kind of work of parliament and political institutions, corruption, excessive influence of the industrialized countries. In the current situation of the world affected by the great economic crisis, all eyes are on the international financial institutions. They themselves need to focus more energy on solving the current economic situation and put aside political pressure from developed countries and multinational companies. Most important for their future work is apolitical return to action.

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EKONOMSKA KRIZA I PROMENE U FUNKCIONISANJU MEĐUNARODNIH FINANSIJSKIH INSTITUCIJA

Rezime: *Pojava i produbljivanje globalne ekonomske krize velikim delom se odražava na funkcionisanje međunarodnih finansijskih institucija. Dugotrajna finansijska kriza stvorila je nužnost za reformskim koracima u oblasti funkcionisanja i strukture MMF, Svetske banke i ostalih globalnih i regionalnih finansijskih institucija. To ukazuje da njihovo delovanje do sada nije bilo adekvatno situaciji, pa je i njihova uloga bila predmet kritičke opservacije, posebno u oblasti efikasnog funkcionisanja finansijskih tržišta. Kriza je nametnula potrebu za reformom međunarodnih finansijskih institucija i novom globalnom finansijskom arhitekturom. Izmene u strukturi i načinu funkcionisanja globalne finansijske infrastrukture trebalo bi da unaprede globalnu ekonomsku stabilnost. Države članice Evrozone izmenile su svoj odnos prema međunarodnim finansijskim institucijama, posebno Međunarodnim monetarnim fondom. Misije Međunarodnog monetarnog fonda i Svetske banke, mada u teoriji jasno izdvojene, u praksi sve više postaju isprepletane opravdavajući zajednički naziv „međunarodne finansijske institucije“.*

Ključne reči: *Ekonomska kriza, uticaj, promene, struktura, funkcionisanje finansijskih institucija.*