



COOPERATION WITH INTERNATIONAL FINANCIAL INSTITUTIONS AND ITS ROLE IN THE COUNTRY'S ECONOMIC STABILITY

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Abstract

This article examines the role of international financial institutions in economic development, their programs with countries, and their impact on the economy using the example of the government of Uzbekistan. It provides statistical evidence to show how Uzbekistan's cooperation with international financial institutions has facilitated economic stability.

Keywords: Investment activity, human capital, real sector, Islamic finance, currency and stock market, International Finance Corporation, International Monetary Fund, World Bank.

INTRODUCTION

International financial institutions play a major role in the world economy. They are engaged in allocating funds and providing loans to different countries, helping to develop world trade and stabilize the financial system. International financial institutions (IFIs) are institutions established on the basis of interstate (international) agreements in the field of international finance. International financial institutions perform the following functions for world economic development:

- Analysis of the state, trends and development factors of the world economy;
- Operations in the global currency and stock markets in order to regulate the world economy, support and stimulate international trade;
- Investment activities (loans for international and domestic national projects);
- Lending to government projects;
- Financing of international assistance programs;
- Financing of scientific research;
- Charitable activities [1].

The President of the Republic of Uzbekistan Shavkat Mirziyoyev announced his resolutions "On measures to further increase the effectiveness of cooperation with international and foreign financial institutions" in 2020. According to the resolution, in order to create an effective and modern system for coordinating activities to attract loans, credits and grants, and create favorable conditions for cooperation with leading financial institutions, Deputy Minister of Investments and Foreign Trade of the Republic Sh.A. Vafayev was appointed as Deputy Manager for Centralized Cooperation with the



Asian Development Bank, Asian Infrastructure Investment Bank, World Bank Group, Islamic Development Bank Group, European Bank for Reconstruction and Development, International Fund for Agricultural Development, and Chairman of the Central Bank M.B. Nurmuratov was appointed as Deputy Manager for Centralized Cooperation with the International Monetary Fund. In addition, many requirements were imposed on those appointed to various positions specifically related to cooperation with financial institutions [2].

Uzbekistan joined the Asian Development Bank (ADB) in 1995, and the bank has provided the country with \$12.5 billion in loans, grants, and technical assistance. In August 2024, ADB launched a new Country Partnership Strategy for Uzbekistan, covering 2024-2028, that will support reforms to transform the country into a green and inclusive economy. The new five-year strategy will see ADB work closely with the Government of Uzbekistan to facilitate the Central Asian country's transition to a green economy, support private sector development and competitiveness, and promote investment in human capital. The strategy is aligned with the government's long-term development plan, known as Uzbekistan 2030. This strategy, in turn, envisages ADB's intervention in several sectors, such as energy, public sector management, finance, transport, agriculture and resource management, and urban development [8].

For commercial banks, cooperation with International Financial Institutions (IFIs) provides an opportunity to obtain long-term, low-interest resources. Through this, banks can expand their investment portfolios and finance large projects in the manufacturing, infrastructure and energy sectors. For example, in 2019–2024, the volume of cooperation between Hamkorbank, Ipoteka Bank and Asakabank with the European Bank for Reconstruction and Development (EBRD) and the Asian Development Bank (ADB) increased by an average of 1.8 times. This led to an increase in the share of investment loans allocated to real sector projects in the economy. Cooperation with international financial institutions plays an important role in strengthening banks' risk management systems, introducing compliance control and deepening corporate governance principles. IFIs usually require compliance with environmental, social and governance (ESG) criteria when allocating their credit lines. These requirements bring Uzbek commercial banks into line with international practice, increase transparency and strengthen investor confidence. As a result, the banking system becomes a stable investment platform for the national economy [9].

International financial institutions help countries develop and implement sound economic policies. For example, the World Bank provides technical assistance, shares experience and knowledge, and organizes various training programs. Through this, they strengthen the governance system of countries, help them prepare for economic shocks, and support sustainable development. Currently, Islamic finance is also entering all countries. For example, the Islamic Corporation for Private Sector Development was established in 1999 and provides financial services to the private sector. It provides strategic partnerships for credit lines, advice, asset management, investment transactions, and other operations on a global cooperation platform. Financing methods include, among others: equity and profit participation, leasing, partial resale, etc. The International Islamic Trade and Finance Corporation, founded in 1999, is an autonomous unit of the Islamic Development Bank. Its main



mission is to promote trade in order to improve the economic conditions and living standards of people throughout the Islamic world. The Islamic Development Bank (IDB) is a multilateral development bank focused on Islamic financing, established in 1975. It finances economic and social development projects in its member countries. The Bank operates by supporting social and economic development in its member countries and Muslim communities around the world, based on Sharia law and principles [11].

LITERATURE ANALYSIS

On September 1, 2023, the International Finance Corporation (IFC) announced on its official website that it had concluded a new cooperation agreement with the government of the Republic of Uzbekistan, the main goal of which was to help improve the state legal and regulatory bodies in supporting economic growth by increasing the attraction of foreign direct investment. In addition, in the same year, the Deputy Minister of Investment, Industry and Trade of the Republic of Uzbekistan, Oybek Hamrayev, commented on this: "Attracting potential strategic private investors to introduce new technologies and create new highly skilled jobs is one of the government's priorities today" [4].

"Uzbekistan has enormous potential to increase foreign direct investment flows. These regulatory reforms are a key building block for the country to fully realize its potential and attract international investors with capital, know-how and technology to support the government's economic transition and sustainable economic growth goals," said Wim Dou, a market development consultant and manager in East, Central Asia, Afghanistan, Turkey, Pakistan [4].

The development objective of the additional development policy financing of Uzbekistan is to support the economic reforms and transition to a market economy in Uzbekistan by: (i) enhancing the role of markets and the private sector in the economy; and (ii) strengthening social inclusion. The additional financing loan is an initial component of a coordinated donor strategy to bridge the budget financing gap in 2020 and address expenditure needs related to the Coronavirus 2019 (COVID-19). At the request of the government, these operations are being prepared in close consultation with the International Monetary Fund (IMF), which stands ready to provide additional assistance if conditions deteriorate, such as balance of payments needs. Additional resources from all three institutions may be available if conditions deteriorate further [5].

RESEARCH METHODOLOGY

The research used methods of comparative analysis, logical analysis, systematic analysis, statistical grouping, synthesis, induction, and deduction.

ANALYSIS AND RESULTS

The European Bank for Reconstruction and Development (EBRD) and the European Investment Bank are among Uzbekistan's largest European partners. In this context, the prioritization of cooperation with these institutions is reflected in the Uzbekistan 2030 Strategy, which sets out objectives for the development of trade, economic, financial, investment, and technological cooperation with the European Union (EU) member states. In particular, as part of deepening political and diplomatic engagement, the



first “Central Asia – European Union” summit was held at the highest level in Samarkand on 3-4 April 2025, during which the parties agreed to elevate relations between the two regions to the level of a strategic partnership.

The resumption of relations with the EBRD in 2017 marked the beginning of a new stage in Uzbekistan’s partnership with this international financial institution. As is well known, in the same year, the Bank’s representative office was opened in Uzbekistan. Being one of the country’s major partners, the EBRD has, to date, implemented 180 projects with a total value of USD 5.22 billion, while the number of projects currently in active implementation stands at 98, amounting to USD 2.8 billion.

In the course of implementing the priority area of promoting green energy and resource solutions across sectors which included support for infrastructure development, promotion of green investments, and the advancement of renewable energy sources (RES) – the Bank commissioned RES facilities with a total capacity of 1.7 GW, achieved annual savings of 27.9 million GJ of primary energy and 110.6 million m³ of water, and reduced CO₂ emissions by 3,300 tons per year [10].

	Indicators	Result
1	Attracted investment	12 billion \$ (within 5 years)
2	Roads constructed	1500 km
3	Solar Energy Capacity	500 MW
4	Solar Energy Capacity	3 million people

Figure 1. The effectiveness of cooperation with international financial and credit institutions (2020-2024). Source: Prepared based on data from the National Statistics Committee of the Republic of Uzbekistan [6].

Figure 1 shows the amount of investment attracted in 2020-2024, \$12 billion (over 5 years). The International Finance and Credit Institute (IFCI) is actively cooperating in various sectors of the Uzbek economy, including banking, construction, transport, energy, agro-industry and other sectors. This analysis examines the main areas of IFI cooperation in Uzbekistan, investments, projects and their economic impact. Cooperation with the IFI is a key mechanism for modernizing the Uzbek economy, developing infrastructure and achieving sustainable growth.

According to the Ministry of Economy and Finance of the Republic of Uzbekistan, at the end of 2024, the total public debt reached \$40.199 billion. The bulk of the debt was external debt, reaching \$33.72 billion, which accounted for 84% of the total debt [7].

International Financial Institutions	Debt amount	External debt (%)
World Bank	\$7.639 billion	23%
Asian Development Bank	\$7.415 billion	22%
Asian Infrastructure-Investment bank	\$1.652 billion	5%
Islamic Development Bank	\$0.944 billion	3%
International Monetary Fund	\$0.669 billion	2%
European Bank for Reconstruction and Development	\$0.341 billion	1%
Agricultural Development Fund	\$0.230 billion	0.6%
OPEC Fund	\$0.159 billion	0.4%
European Investment Bank	\$0.092 billion	0.2%



Table 2. [Uzbekistan's external public debt creditors (by international financial institutions, 57% of total public debt) [7].

As can be seen from Table 2, the Government of Uzbekistan received most of its external debt from the World Bank and the Asian Development Bank (23% and 22%, respectively). The Asian Infrastructure Investment Bank, the Islamic Development Bank, the International Monetary Fund, the European Bank for Reconstruction and Development, the Fund for Agricultural Development, the OPEC Fund, and the European Investment Bank also had significant shares as creditors of the country's external debt.

Financial Institutions of Foreign Governments	Debt amount	In percentages (%)
China (Eximbank, China Development Bank, and others)	\$3.767 billion	11%
Japan (Japan International Cooperation Agency and others)	\$2.889 billion	9%
France (French Development Agency)	\$0.997 billion	3%
South Korea (Eximbank, Economic Development and Cooperation Fund, and others)	\$0.74 billion	2%
State Bank of Germany	\$0.415 billion	1%
Spain (Spanish State Bank)	\$0.066 billion	0.2%
Saudi Arabia (Saudi Fund for Development)	\$0.139 billion	0.4%
Other foreign government financial institutions	\$1.450 billion	4%

Table 3. Loans provided by financial institutions of foreign governments to the government of Uzbekistan (Total \$10.444 billion, 31% of external debt) [7].

According to Table 3, China and Japan have provided the largest amount of loans to the government of Uzbekistan than any other country. They are followed by France, Spain, South Korea, Germany, and Saudi Arabia. This certainly shows that Uzbekistan's efforts to strengthen cooperation with international financial institutions are bearing fruit year after year.

CONCLUSION

Based on the above-mentioned data and facts, we can say that Uzbekistan's improvement of relations with international financial institutions was primarily driven by the country's transition to a market economy in 2016-2017, and strengthening cooperation with leading companies and financial institutions is opening up new opportunities for the national economy. These initiatives will help to strengthen the country's sustainable development, improve the investment climate, and strengthen integration into the global market [3].



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