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Legal Aspects Of Cooperation Of The Republic Of Uzbekistan Within The Islamic Development Bank

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ABSTRACT

This article describes the role of the Islamic Development Bank in today's international community and the basic aims of this organization. The article also discusses the problems of cooperation between Uzbekistan and the IDB, and also proposes legal solutions for a wider use of the investment opportunities of this financial institution. This is evidenced by a number of laws adopted in Kazakhstan on Islamic finance among the CIS countries. The article examines the research of theorists and practitioners on the benefits of using IDB financial resources. The practical results of the initiatives of the President of Uzbekistan Sh. Mirziyoyev in the framework of cooperation between Uzbekistan and the IDB are presented. In the conclusion part of the article, the author offers proposals for cooperation in the field of science and technology in the framework of IDB programs.

KEYWORDS

Islamic Development Bank, Arab Coordination Group Basic principles of Islamic banking, normative legal acts on Islamic banking, implementation of Islamic financial principles, Gulf countries, integration of the Republic of Uzbekistan into the IDB.

INTRODUCTION

The Islamic Development Bank (hereinafter referred to as IDB) is one of the largest intergovernmental organizations, the

significance of which is growing currently. The IDB has 57 member states and the organization supports the development of

these member countries. According to the IDB Charter, any member of the Organization of Islamic Cooperation can become an Islamic Development Bank member after paying the minimum membership fee.

The basic directions of the Islamic Development Bank's activities are strengthening cooperation between Islamic countries, fighting poverty, raising the level of education, supporting science and technology, as well as investing in the infrastructure of the banking and financial sector.

Russian scholar E.Sh. Sultanov describes the Islamic Development Bank in his research, noting that its member states are the largest development banks in the developing world [1]. In fact, the Islamic Development Bank, according to E.Sh. Sultanov, is the largest development bank, which is one of the basic reasons why we consider the largest donor countries in the Persian Gulf with enormous financial strength.

According to another study by R. Beckin, the Russian state is interested in the inflow of investments from the Muslim world, especially from the Persian Gulf countries, and in this regard should be a member of the OIC within the Islamic Development Bank for closer economic integration with the Muslim world. said that there will be opportunities for soft loans for the implementation of urgent projects [2].

We also agree with R. Beckin on the significance of integrating the Gulf countries into the IDB to increase investment flows to the Gulf countries.

The ideas put forward by R. Beckin are confirmed by the example of Kazakhstan.

Currently, Kazakhstan is making important progress in cooperation with the countries of Central Asia within the IDB.

MAIN PART

The Republic of Uzbekistan cooperates as a full member of the IDB. As for the cooperation of Uzbekistan with the IDB, Uzbekistan joined the international organization in 2003. Since joining the IDB, Uzbekistan has been actively cooperating with the IDB and within it. Currently, the number of shares of the IDB of the Republic of Uzbekistan is 1344 (0.03%) formed.

The basic areas of activity of the IDB in Uzbekistan are financing of socially significant projects in the main infrastructural and strategic sectors of the economy.

Cooperation with the IDB of the Republic of Uzbekistan has been established in accordance with the Resolution of the Cabinet of Ministers [3]. With this decision, the Government of the Republic of Uzbekistan adopted the provisions of the Agreement on the Establishment of the Islamic Development Bank of August 12, 1974 and the Islamic Development Bank has 250 shares with a nominal value of 10,000 Islamic Dinars / SDR.

Since joining Uzbekistan, the group has invested \$ 1,858.6 million in different sectors, according to a 2017 report by the Islamic Development Bank. Earlier, the Islamic Development Bank allocated 100 million soums for the implementation of the first phase of the project "Development of housing in rural areas" provided in US dollars. In 2015-2016, the project built 1,415 houses, 33.80 km of access and internal roads, 40.62 km of drinking water systems in 22 rural settlements of Tashkent, Samarkand and Fergana regions.

On September 18, 2018, the Islamic Development Bank and the Government of Uzbekistan signed a Cooperation Strategy for 2018-2021, for which \$ 1.3 billion will be allocated.

Uzbekistan's cooperation with the IDB is also being actively implemented within the framework of the Arab Coordination Group. The Arab Coordination Group includes the Islamic Development Bank, the Saudi Fund for Development, Kuwait Fund for Arab Economic Development, the OPEC Fund for International Development, and the Abu Dhabi Fund for Development. The cooperation of these organizations in one place and their cooperation with states in different fields create effective mutually beneficial cooperation. A number of projects have been implemented with the Republic of Uzbekistan and members of the Arab Coordination Group on the basis of a bilateral interdepartmental legal framework.

The Cabinet of Ministers of the Republic of Uzbekistan approved the Action Plan ("Road Map") for the further development of cooperation with the Islamic Development Bank Group and the funds of the Arab Coordination Group [4]. According to the roadmap, 2 billion soums will be allocated between Uzbekistan and the IDB. Implementation of long-term plans for investment projects exceeding US dollars, as well as the following projects among the Arab coordination group:

- Five projects between Uzbekistan and the Kuwait Fund for Arab Economic Development totaling \$ 425 million;
- 3 projects totaling \$ 246.7 million between the Saudi Fund for Development;

- OPEC International Development Fund and Abu Dhabi Development Fund plan to implement 1 project worth \$ 120 million.

It should be noted that the legal framework of international relations with the IDB is developing bilaterally. There is no shortage of more efficient use of the financial resources of this organization.

According to the chairman of the IDB office in Uzbekistan Kh. Khasanov, if laws on Islamic finance are adopted in Uzbekistan, 10 billion soums will be allocated annually. It was confirmed that there is an opportunity to attract investments up to 1 billion US dollars and that there are companies willing to invest in the banking sector and the private sector [5].

In accordance with these words, Kh. Khasanov met with the scholars of the Baltic Law University O.A. Serov, Sh.A. Niyatbekov's opinion can also be noted. According to him, Islam noted the implementation of the main principles of banking in Russian legislation, thereby attracting financial resources of the Arab countries.

Also, according to the economic research of Yu.D Magomedova, "the goal of the Islamic economic model is to find an alternative approach to solving the issues of the financial sector in modern conditions" [7].

We also agree with the above points, and believe that the Islamic financial principles of the IDB should be applied and strengthened as an alternative solution to many modern economic problems in the context of Uzbekistan. At the same time, we note that the principles of Islamic banking can be reflected in the legislation, and thus the integration into the Roman-German legal

system will not affect the secular views of the people, and only strengthen cooperation within the organization and develop investment flows. Following the experience of Kazakhstan in this regard, the Law of the Republic of Kazakhstan dated 12 February 2009 №133-IV “On the introduction of amendments and additions to some legislative acts of the Republic of Kazakhstan on the issues of the organization and operation of Islamic banks and the organization of Islamic financing” [8].

Confirming the point of view expressed by R. Beckin, we believe that the strengthening of legislation with the aim of wider application of Islamic financial principles is a legal mechanism for increasing investment flows from the Persian Gulf countries.

We currently propose active application of Islamic financial principles such as Murobakha and Ijar in Uzbekistan. We believe that there are a number of opportunities and benefits to applying these principles.

According to Beckin, “One of the fundamental differences between Murabakha and traditional interest-bearing loans is that an Islamic bank does not lend money to a client in the same way as a traditional bank, but buys a specific product for him. In other words, the Murabakha mechanism is not a loan, but a specific product or service however, the bank bears a greater risk in financing the purchase of a product or service” [9].

RESULTS AND DISCUSSIONS

In Uzbekistan alone, projects worth \$ 96 million have been funded over the past three years under the Islamic financial principle of Murobakh. Banks such as Turonbank,

Uzpromstroybank and Kapitalbank participated in it as partners.

According to H. Khasanov, in Uzbekistan “more than 10 banks have been provided with financing lines on the basis of rent, lease” [10].

Currently, the fact that traditional banks are opening branches of the IDB also indicates the potential of this banking system. Islamic financial centers have been established in the United Kingdom, Luxembourg, France, Germany, Belgium, the United States, and other countries [11]. Many international companies tailor their private financial resources to their needs by attracting investors from the Gulf countries. As developed countries use the above experience as an investment interest, we propose to open IDB branches in traditional banks in Uzbekistan and make greater use of the opportunities of Islamic financial principles. At the same time, it offers alternative services to meet the financial needs of individuals and legal entities, attracts free funds to participate in the country’s economy increases the production and export potential of the private sector in the country through the introduction of Islamic financial services. We understand that fighting poverty will create a range of opportunities, including contributing to the implementation of the government program.

According to H. Khasanov, chairman of the IDB office in Uzbekistan, “An Islamic window is often created in countries where there is no Islamic financial system or legislation on Islamic finance [12]. This is because the Islamic window offers a limited number of services and products as a product of a traditional bank, based on the existing laws and legal framework of a particular country. So,

acknowledging the views of H. Khasanov, an expert in this field, we believe that in the absence of legislation on Islamic finance in Uzbekistan, it is necessary to open an Islamic window in traditional banks and use its services.

Based on the results of the above research, we believe that today it is beneficial to implement with the IDB not only cooperation within the organization, but also on the basis of bilateral cooperation, enshrined in law the basic principles of the bank. In this regard, the chairman of the IDB office in Uzbekistan H. Khasanov noted that the legally coordinated use of Islamic banking in Uzbekistan will ensure the attraction of free resources by the population, which will lead to the development of entrepreneurship and create new jobs.

Taking into account the current economic situation in Uzbekistan, we note the need for the formation and continuous improvement of the relevant regulatory framework for the development of investment cooperation with the IDB. Currently, despite the ongoing business activity in Uzbekistan and the need of the population of Uzbekistan for financial resources of Islamic banking, there is no development of the legal framework for Islamic finance.

At the same time, a number of measures are being taken to reduce poverty in Uzbekistan. One of the basic activities of the IDB is to strengthen cooperation between Islamic countries and fight poverty. At the same time, we consider it expedient to establish active cooperation between the IDB and the Ministry of Economic Development and Poverty Reduction of the Republic of Uzbekistan and

strengthen it on an appropriate contractual basis.

As noted above, the contractual legal framework of Uzbekistan with the IDB has intensified since 2016. It should be noted that in 2018, Uzbekistan signed the first agreement on Islamic trade financing.

Speaking about the integration of countries into international organizations today, it should be noted that Uzbekistan's membership in the World Trade Organization (WTO) is also important. The IDB conducts seminars and consultations on WTO agreements, as well as trade policy courses for government officials of IDB member states. According to research conducted by the Russian scientist R. Beckin, the IDB assisted in resolving the technical issues of Kazakhstan's accession to the WTO [13]. Therefore, we believe that, its economic and investment cooperation with the IDB will play an important role in Uzbekistan's future membership in the WTO.

During the meeting of the President of Uzbekistan Sh. Mirziyoyev with the President of the IDB B. Hajar during his visit to Saudi Arabia, it was noted that the relations between Uzbekistan and the IDB are developing steadily, the parties cooperate in developing and implementing socio-economic projects. Islamic Development Bank allocates more than \$ 1.4 billion for 21 projects for development of healthcare, education, irrigation and land reclamation, energy, road infrastructure and utilities.

In this regard, the IDB, in cooperation with the Government of Azerbaijan, has developed a special program for Central Asian countries. The IDB Group presented a regional program

to support cooperation between Central Asian countries, promote trade, increase competitiveness and stimulate economic growth in line with the UN Sustainable Development Goals (SDGs).

The goal of the program is not only to strengthen regional cooperation in the field of energy and transport corridors, trade, agricultural financing, but also to expand regional cooperation in reducing trade, transport and investment costs. The total cost of the program is 6 billion soums. In US dollars, it includes projects planned to be completed in 2016-2020.

It should be noted that in the period from 2009 to 2016, specific targeted work was carried out on the construction of housing, social and communal facilities in rural areas, about 70 thousand comfortable houses were built in 1,300 residential areas. The living conditions of more than 83.5 thousand rural families have improved. While the legal basis for the implementation of such projects has been formed, from 2016 to the present, the implementation of these projects has increased 2-3 times clear strategic road maps have been formed.

During the visit of the IDB President's Advisor for Science, Technology and Innovation Professor Hayat Suleiman Sindi to the Ministry of Innovation of Uzbekistan, negotiations were held on using the potential of the IDB in developing a concept of joint actions of the participating countries on agriculture. Also, the issue of establishing cooperation with the IDB in the framework of the project to place one of the six high-capacity computer centers in Uzbekistan and the creation of an International Islamic Center of Young Scientists on the basis of this center was

raised. It was also noted that in order to glorify and popularize the rich heritage of Al-Khwarizmi, the organization of the International Olympiad of Young Mathematicians needs financial, technical and advisory support. The need to implement experimental-innovative, research projects in the field of alternative energy sources was also noted. It should be noted that the initiative of these projects was put forward by President Sh. Mirziyoyev at the 1st Summit on "Science and Technology" in 2017 in Kazakhstan [14].

CONCLUSION

According to the research, Uzbekistan was not one of the first Central Asian countries to join the IDB, but today it has established active cooperation. We can note that the legal framework of partnership has developed rapidly, especially since 2016. The development of Kazakhstan's cooperation with the IDB Bank can serve as an example among Central Asian countries. In today's era of globalization, as well as in the development of the digital economy, we believe that it is necessary to strengthen the legal framework and implement a number of technical cooperation with the IDB and the Gulf Arab states, ie its main donor countries. projects. In this regard, the IDB has a Technical Cooperation Program [15]. The program is based on an IDB grant for the transfer and exchange of skills, knowledge and know-how between member countries. Based on a tripartite system, this program includes three partners in each event; those. technically reasonable as the beneficiary and intermediary of the IDB. In our opinion, Uzbekistan is also interested in using this program.

It should be noted that cooperation on grant projects announced by the IDB in the field of education is not very developed. For more than 30 years, the Bank has been conducting research in various fields to finance the formation of more than 9,000 young people as professionals who serve the development of their countries. We believe that taking advantage of this opportunity will yield uniquely effective results.

In conclusion, the accession of the Republic of Uzbekistan to the IDB will not only strengthen cooperation with the Arab states of the Persian Gulf, but also strengthen its position in the international community. Improving the legal framework for institutional cooperation between Uzbekistan and the IDB in the framework of international organizations serves as an significant basis for the development of investment cooperation.

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