



ANALYSIS OF THE COOPERATION RELATIONS BETWEEN THE ISLAMIC DEVELOPMENT BANK AND UZBEKISTAN

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Abstract

This article discusses the reasons behind the establishment of the Islamic Development Bank, its history of development, and its role in the global financial landscape. It also reflects on the current state of Islamic finance in Uzbekistan and the challenges encountered in the establishment of Islamic banks. The article further analyzes the projects of the Islamic Development Bank in Uzbekistan and evaluates their effectiveness. In conclusion, the article presents relevant thoughts, insights, and conclusions.

Keywords: Islamic Development Bank, active portfolio, allocated credits, energy, transport, healthcare, investment operations, private sector, education, information and communication.

Introduction

In today’s globalized world, modern financial sectors are continuously developing, and Islamic finance-particularly Islamic banking-is expanding its assets year by year. According to the Islamic Finance Development Report, there are over 1,600 Islamic financial institutions, with Islamic bank branches operating across 76 countries. Islamic banks represent the largest segment of the Islamic finance industry, accounting for 70% of its total assets. Overall, the global Islamic banking sector has grown by 17%, reaching a total of USD 2.8 trillion. Interestingly, interest in Islamic



financial assets is also steadily increasing in countries such as Western Europe, the United States, and others. The Islamic Development Bank (IsDB), one of the largest Islamic banks, operates in various countries and has counted Uzbekistan as a member since 2003. Over the years, more than 30 major investment projects worth over USD 2.5 billion have been approved. These projects have included the development of affordable housing, highways, electricity, and drinking water supply systems. In the context of New Uzbekistan's development, it is imperative to implement even more projects and sign mutually beneficial agreements without delay. On September 13, 2024, the United Nations Development Programme (UNDP), in cooperation with the Islamic Development Bank and the National Agency for Prospective Projects under the Presidential Administration, organized a roundtable discussion on the draft law "On the Capital Market of Uzbekistan." The event aimed to facilitate dialogue among key state institutions and was held under the theme: "Implementation of Islamic Finance in Uzbekistan: Opportunities and Challenges." Such discussions play a crucial role in strengthening bilateral cooperation.

Literature Review on the Topic: Numerous scholars have expressed their views regarding Islamic finance and Islamic banking. For instance, Kabir Hassan [1] believes that Islamic banks and financial systems offer and provide a range of banking services that are religiously acceptable to the Muslim community. The primary objective is to achieve economic well-being, promote economic growth, ensure fair distribution of income and wealth, and maintain monetary stability. According to **Akbar Komijani** (2018) [2], the Islamic finance industry has experienced significant growth in Asia over the past two decades. Due to their alignment with the religious beliefs of investors from the Middle East and Asia, investments in Islamic banking products are steadily increasing. With the efforts of several Asian governments and state institutions, investment in Islamic financial markets has grown, contributing to overall economic development. **Omar M.** (2013) [3] argues that Islamic banking and finance differ from the conventional market economy system. They are based on a broad framework of ethics and moral values derived from Islam. Unlike conventional finance, Islamic finance operates on universal principles and provides guidelines for all Islamic economic and financial transactions. **Altiby** (2010) [4] maintains that Islamic banking is a banking system that complies with Sharia law. A key feature of this system is the prohibition of interest (riba). Sharia also forbids trading in financial



risks, as gambling (maysir) is prohibited in Islam. Muslims cannot invest in businesses considered haram, such as those dealing with alcoholic beverages or media content that contradicts Islamic values.

Analysis and Results: The Islamic Development Bank (IsDB) operates in each of its 57 member countries, directly participating in the socio-economic development of these nations. Uzbekistan has been a full-fledged member of the Bank since 2003. Over the years, the IsDB has implemented numerous projects in Uzbekistan. Overall, the Bank has allocated its funding across several key sectors. These include agriculture, education, energy, finance, healthcare, industry and mining, information and communication, real estate, transport, water, sanitation, and urban planning, among others.

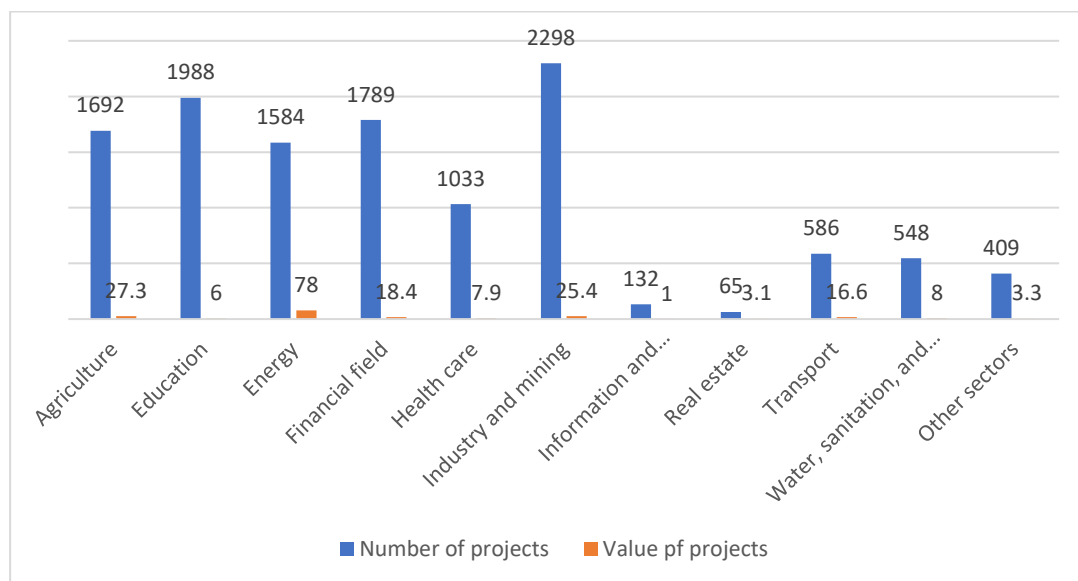


Figure 1: Loans Allocated by the Islamic Development Bank (IsDB) Over the Years by Sector (in billion USD)

From the data presented, it can be concluded that the energy sector received the largest portion of allocated credit—\$78.0 billion across 1,584 projects. In contrast, the information and communication sector received the smallest share, with only \$1.0 billion in allocated credit. This highlights that energy remains the primary focus area for the Islamic Development Bank (IsDB) in its member countries. Recent global trends indicate a significant increase in demand for natural gas, electricity, and related



resources amid decreasing global reserves. As a result, the development of green energy networks and investments in sustainable energy solutions have become increasingly critical.

The information and communication sector, on the other hand, accounted for only 0.0052% of the total allocated credit, making it the least funded sector. Since its establishment in 1975 until the end of the fourth quarter of 2024, the total amount of approved funding by the IsDB reached \$194.8 billion. Net approved funds saw a significant increase—from \$4.4 billion during the first decade (1975–1984) to \$93.4 billion in the last decade (2015–2024). Moreover, 1,113 projects implemented in 76 non-member countries across five continents also benefited from IsDB Group financing.

Table 1: Projects Between the Islamic Development Bank (IsDB) and Uzbekistan by Sector (in million USD)

Sectors	Number of projects	Value pf projects(mln,dollar)
Agriculture	16	1,2126
Education	18	269,2
Energy	8	401
Financial field	102	1,3463
Health care	14	413,1
Industry and mining	11	72,9
Information and communication	0	0
Real estate	0	0
Transport	7	593,4
Water, sanitation, and urban planning	3	93,1
Other sectors	5	50,8

In this table, an analysis of the projects implemented between the Islamic Development Bank (IsDB) and the Republic of Uzbekistan is presented. It includes data on the sectors of the projects, the number of projects, and their total value (in million USD). At a glance, it is evident that the financial sector has the highest number of projects, with a total of 102 projects currently being implemented. However, their combined value is only \$1.3463 million, indicating that projects in the financial sector are generally small in scale. In terms of monetary value, the energy sector leads significantly. Although there are only 8 projects in this sector, they account for a much larger share of total funding, which highlights the capital-intensive nature of energy-



related investments. The allocated funding for the energy sector amounts to \$401 million, making it significantly higher compared to other sectors. This clearly reflects Uzbekistan's strategic priority in the energy domain and highlights the need for substantial investments to support its development. The healthcare sector also stands out with high-value projects. A total of 14 projects have been implemented in this area, with a combined allocation of \$413.1 million. The relative balance between the number of projects and the total funding in this sector demonstrates the state's focused attention on improving public health, ensuring access to quality healthcare infrastructure and services.

In the education sector, a total of 18 projects are currently being implemented, with a combined value of \$269.2 million. This indicates a strong emphasis on enhancing education quality, building new educational institutions, and renovating existing ones to support the development of human capital. In the transport sector, there are 7 projects with a total value of \$593.4 million. This is a notably high figure, demonstrating that significant funds are being invested in transportation infrastructure, reflecting the sector's critical role in the economic development of the country. For the water, sanitation, and urban development sector, \$93.1 million has been allocated for 3 projects. This shows the government's commitment to improving water supply, protecting the environment, and raising the standard of living in both urban and rural areas. In the industry and mining sector, there are 11 projects with a total funding of \$72.9 million. This reflects the attention being given to increasing industrial production capacity and efficiently utilizing mineral resources, aligning with Uzbekistan's broader economic development goals. In the agriculture sector, although there are 16 projects, the total allocated funding is relatively low at just \$1.2126 million. This suggests a high number of small to medium-scale projects, with fewer large-scale investments being implemented in this area. For real estate and other sectors, the total project value is also relatively low, indicating either a smaller number of projects or that the projects being carried out are modest in scale.

In conclusion: Uzbekistan has succeeded in attracting large-scale investments in strategically important sectors in cooperation with the Islamic Development Bank (IsDB)-notably in energy, healthcare, and transport infrastructure. In other areas, development is being pursued gradually through smaller-scale projects. This analysis plays a crucial role in identifying priorities within the country's investment strategy,



providing insight into how resources are being allocated to support national development goals.

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