

Functioning Principles and Main Activities of Multilateral Development Banks

Qulliyev Oxunjon Anvar o'g'li

Lecturer Department of Economy Bukhara State University, Bukhara, Uzbekistan

ABSTRACT: A significant part of the projects applied for financial assistance by the Multilateral Development Banks is of long or medium term nature.

KEYWORDS: banks, global, financial, credit, development, economic cooperation, Asian Development Bank, COVID-19.

In the area of globalization, multilateral development banks act as financial and credit institutions, which are the result of combining the interests, goals and economic resources of various states and regions of the world, and significant authors of the global financial and economic system? Their activity contributes to the stable functioning of the economies of a number of countries, lays the foundation for further growth, economic development and convergence of states. The functioning of multilateral development banks is based on the principles of initiative, mutual assistance and responsibility, which help to create an environment of global partnership.

Most experts on multilateral development banks (MDBs) mention the possibility of large-scale co-financing in their forecasts concerning their future operations. However, interaction between MDBs and other actors, including co-financing, is rarely considered as a research problem for analytical and scientific papers. Yet this type of cooperation is one of the most important factors of effectiveness for the entire system of MDB financing. Thus, working in partnership with governmental institutions (development assistance agencies, export credit agencies, etc.), MDBs help attract additional financial resources and expertise in the countries where they are active. Working on state, regional and global levels, multilateral banks cooperate not only with governmental institutions, but also with private sector and civil society representatives. Such cooperation benefits both parties. In addition to mobilizing additional financial resources, it improves project preparation and implementation, taking into account national peculiarities, while partner institutions get a chance to use their experience and expertise. Given the recent establishment of the New Development Bank (NDB) and Asian Infrastructure Investment Bank (AIIB), they are unlikely to achieve their main goal of narrowing the infrastructure financing deficit in developing countries without active cooperation with other institutions. This article discusses the results and examines the prospects of the NDB and AIIB cooperating with traditional MDBs. It also focuses on the new banks' engagement with other financial institutions, including commercial banks and national development banks. The author analyzes interbank memorandums and agreements as a formal basis for cooperation between various institutions, and examines in detail the examples of co-financing infrastructure projects by the new and traditional MDBs, as well as new multilateral cooperation mechanisms established by development banks. The author concludes that the new banks' strategies differ from those of other institutions, and each has its own advantages. The AIIB seeks to establish cooperation primarily with large institutions

to use their considerable experience and explore co-financing opportunities for large-scale projects. The NDB, with limited membership and geographical representation, focuses on, inter alia, cooperation with MDBs with a small number of participants, national development banks and commercial banks, which allows it to adopt the best international practices and gain experience in specific countries, receive consultative support for issuing bonds and improve financial management.

Multilateral development banks are specialized investment financial and credit institutions that, although they are not complete antipodes of commercial banks, are radically different from them.

The peculiarity of multilateral development banks is that, in the author's opinion, they have a clear character in such important issues as the principles of organization and organization of activities, which can be defined as follows.

- a) Strict definition of strategic development goals (mission) and their areas of activity. The strategic goals of each multilateral development bank and its areas of activity, including the directions and directions of the use of funds, should be integrated at the level of regulatory documents governing the activities of the bank or their charters.
- b) Mandatory definition of criteria and procedures for selection of projects for funding. Decision-making on project selection is ensured by clear selection of project selection criteria and such selection procedure.
- c) Pay attention to the results when approaching the project and allocating funds. A significant proportion of projects that require financial assistance from multilateral development banks are of a long or medium term nature.
- d) Self-sufficiency without maximizing profitability. Profit maximization is not the goal of multilateral development banks, but they usually have to pay for themselves.
- e) Effective management. Due to the complexity and scope of the tasks to be solved by multilateral development banks and the social significance of their activities, their management system should be shaped taking into account the best international corporate governance practices.
- f) Transparency of activities. An additional factor that ensures the efficient operation of diversified development banks is the maximum transparency of their activities.
- g) Principles of effective financing.
- h) Active use of world best practices.

As a multilateral bank, the Asian Development Bank is involved in developing and supporting integration programs. ADB has developed a regional cooperation program that includes several initiatives in specific sub-regions in Asia. Among them is the Central Asian Regional Economic Cooperation Program (CAREC). The CAREC program was adopted in 1997 for eight countries:

Afghanistan, Azerbaijan, China, Kazakhstan, Kyrgyzstan, Mongolia, Tajikistan and Uzbekistan. Its main goal is to improve living standards in countries and reduce poverty through more effective economic cooperation between countries. To date, the program has focused on financing infrastructure projects, as well as improving countries' transport,

energy, trade policies and trade facilitation policies.

The Asian Development Bank (ADB) and the Republic of Uzbekistan have signed a 10-year grace period for the implementation of the project "Emergency Response to Coronavirus COVID-19 in the Republic of Uzbekistan". a loan agreement in the amount of USD 100 million with the condition of repayment per year was signed;

For implementation of the project "Emergency measures against coronavirus COVID-19 in the Republic of Uzbekistan" between the Asian Infrastructure Investment Bank (hereinafter - OIIB) and the Republic of Uzbekistan (hereinafter - the Project) 10 for information that a loan agreement in the amount of USD 100 million has been signed with a repayment period of 30 years, including an annual grace period.

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