



ECONOMIC POLICY OF THE ORGANIZATION OF ISLAMIC COOPERATION, FUNCTIONS AND ROLE OF THE ISLAMIC DEVELOPMENT BANK

Alimova Nargiza Muminovna

Trainee teacher

Tashkent State university of oriental studies,

Tashkent, Uzbekistan

giza81a@mail.ru

<https://doi.org/10.5281/zenodo.20956495>

Abstract. The article examines the economic activities of the OIC, as well as the functions and role of the Islamic Development Bank at the current stage. The Islamic Development Bank plays a role in developing mutually beneficial economic relations between OIC member countries and providing financial and other assistance to countries and Muslim communities in need, setting an example of implementing Islamic principles of mutual assistance.

Keywords: OIC, bank, economic integration, member states, finance, trade, shares, capital, etc.

Аннотация. В статье рассматривается экономическая деятельность ОИС, а также функции и роль Исламского банка развития на современном этапе. В развитии взаимовыгодных экономических отношений между странами-членами ОИС, оказании финансовой и другой помощи нуждающимся в этом странам и мусульманским общинам играет Исламский банк развития, дающий пример воплощения в жизнь исламских принципов взаимовыручки.

Ключевые слова: ОИС, банк, экономическая интеграция, государства-члены, финансы, торговля, акции, капитал и т.д.

Аннотация: Мақолада ИХТ иқтисодий фаолияти, шунингдек, Ислом тараққиёт банкининг ҳозирги босқичдаги вазифалари ва роли кўриб чиқилган. Ислом тараққиёт банки ўзаро ёрдамнинг Исломий тамойилларини амалга оширишнинг намунасини кўрсатиб, ИХТга аъзо давлатлар ўртасидаги ўзаро манфаатли иқтисодий муносабатларни ривожлантиришда, муҳтож мамлакатлар ва мусулмон жамоаларига молиявий ва бошқа ёрдам кўрсатишда муҳим рол ўйнайди.

Калит сўзлар: ИХТ, банк, иқтисодий интеграция, аъзо давлатлар, молия, савдо, акциялар, капитал ва бошқалар.

Introduction

Advocating for the strengthening of economic integration among Muslim countries, the Organization of Islamic Cooperation strives to create a pan-Muslim economic mechanism that would protect member states from the consequences of crisis phenomena in the global economy. The economic activities of the OIC are regulated by two main documents: the General Agreement on Economic, Technical, and Trade Cooperation (1977) and the Work Plan for Strengthening Economic Cooperation between Member States (1981). The OIC facilitates the establishment of cooperation between Muslim countries in fields such as agriculture, trade, industry, transport, communications, tourism, currency and financial relations, energy, science and technology, social security, labor resources, healthcare, and technical information services. The OIC consistently fights for the establishment of a new international economic order; most

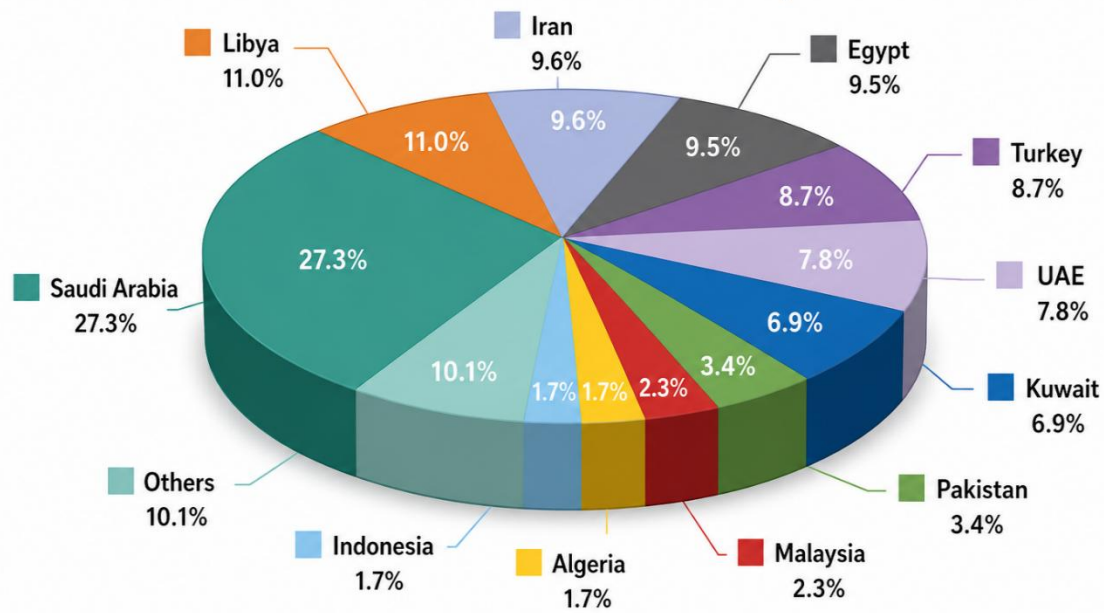
of its member states are members of Group 77 and China, which advocates for restructuring the structure of international economic relations.

In its economic activities, the organization strives to follow the core principles of Islam regarding the equitable distribution of income within society. At the same time, the OIC relies on the practical experience of a number of member states in the field of Islamic economics, as well as on theoretical concepts developed by theologians and economists from major Muslim centers, primarily Al-Azhar. The activities of the Islamic Development Bank (IDB), which is the largest body for trade and program financing in the Islamic world, provide an example of the implementation of Islamic principles of mutual assistance (*musharaka*, *murabaha*, *mudaraba*).

The IDB was established in 1976 as one of the instruments for implementing the idea of Islamic solidarity. The IDB Charter notes that "the alliance and interaction of Muslim peoples in the fields of finance and economics are the key to social progress and the return of the greatness of Islam." The objectives of the IDB were declared to be: drawing up plans for the development of trade, industry, and agriculture, as well as the practical implementation of these plans—accepting deposits and opening current accounts, organizing universal subscriptions for company shares and bills of exchange, and creating common funds for the purchase and sale of securities. In accordance with Sharia rules, 25% of IDB resources must be allocated to member countries (borrowers) in the form of interest-free loans. The IDB may not acquire more than a 30% stake in a specific company, nor may it invest more than 20 million Islamic dinars in one borrower enterprise at a time. Any OIC member can become a member of the IDB.

Currently, 56 states are members of the IDB: Albania, Afghanistan, Algeria, Azerbaijan, Bahrain, Bangladesh, Benin, Brunei, Burkina Faso, Gabon, Gambia, Guinea, Guinea-Bissau, Djibouti, Egypt, Indonesia, Iran, Iraq, Jordan, Yemen, Cameroon, Qatar, Comoros, Côte d'Ivoire, Kazakhstan, Kuwait, Kyrgyzstan, Lebanon, Libya, Malaysia, Maldives, Mali, Mauritania, Morocco, Mozambique, Niger, Nigeria, Oman, UAE, Pakistan, Palestine, Saudi Arabia, Senegal, Sierra Leone, Somalia, Sudan, Suriname, Syria, Tajikistan, Tunisia, Togo, Turkey, Uganda and Chad, Turkmenistan, and Uzbekistan (2003). To date, the organization's authorized capital exceeds 150 billion dollars. The IBR's supreme body is the Board of Governors, which includes all member countries. The group includes subsidiary institutions: Islamic Research and Training Institute (IRTI), Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), Islamic Corporation for the Development of the Private Sector (ICD), and International Islamic Trade Finance Corporation (ITFC). Each performs specialized functions in research, the private sector, trade, and insurance.

Main Shareholders of the Islamic Development Bank (IsDB)



The Islamic Development Bank (IsDB) was established in **1975** and is headquartered in **Jeddah, Saudi Arabia**. The bank operates according to the principles of Islamic finance and includes **57** member countries.

Each country automatically receives 500 primary votes plus one vote for each share it pays for. The largest founders of the bank are: Saudi Arabia – 27.3%, Libya – 11%, Iran – 9.6%, Turkey – 8.7%, UAE – 7.8%, Kuwait – 6.9%. The executive body is the Board of Directors, consisting of 11 members, 5 of whom are appointed by the largest shareholders and 6 are elected by the Management Board.

In 2015, world leaders pledged to provide healthcare for all people by 2030. In 2023, the world is only halfway to achieving the goal set by the Sustainable Development Goals (SDGs) to ensure universal health coverage by 2030. Achieving this globally agreed-upon goal requires additional efforts - from implementation to investment in healthcare. Prior to the COVID-19 pandemic, the World Health Organization estimated that low- and middle-income countries would need to significantly increase their health expenditures to achieve health-related SDGs, with an additional 371 billion US dollars required annually by 2030. This funding would allow the population to access medical services, contribute to the construction of new facilities, and train and place medical workers where they should be. For this reason, the African Development Bank, the European Investment Bank (EIB), the Islamic Development Bank, and the World Health Organization (WHO) are launching a new investment platform to mobilize more effective and coordinated investments in primary health care (PHC) systems in individual countries and to enhance country resilience. We are also attracting resources from other partners, such as the European Commission, to reduce the risks associated with these investments and make the conditions very attractive for beneficiary countries. As this is a global challenge, the Inter-American Development Bank, the leading source of development financing in Latin America and the Caribbean, is also considering joining this partnership to extend this initiative to the region. The increase in capital for the IDB will allow the bank to finance even more large-scale programs in 56 OIC countries. Projects in areas such as energy, transport,

water supply, and sewerage account for about 60% of the bank's investment portfolio, which it also creates and manages in accordance with Sharia principles.

The IDB has also authorized six banks to organize the issuance of 1 billion US dollars in Islamic sukuk bonds with a 5-year maturity period, with the sukuk to be registered on two stock exchanges—London and Malaysia. In addition, the issue of centralizing the IDB is being considered. Former Bank President Ahmad Muhammad Ali called for the creation of a global Sharia advisory body to unify the Islamic financial industry. The idea of centralizing control over the activities of Sharia banking institutions is gaining more and more supporters worldwide, as such supervisory and regulatory institutions can ensure compliance with unified industry standards and enhance.

According to the Ernst & Young consulting firm, Islamic banking assets in commercial banks reached 1.55 trillion by the end of 2012. US dollars, and by 2015 had exceeded 2 trillion dollars. The IDB Charter document states that the "harmonious and balanced development" of Muslim countries based on the principles and ideals of Islam can best be achieved through "financial and economic cooperation between OIC member states." Such interaction between Muslim countries in the fields of finance and economics serves as a guarantee for their social and social progress.

Goals of the IDB: drawing up long-term plans for the development of trade, national industry, and agriculture in member countries, providing technical assistance and financial support for the practical implementation of these plans through the acceptance of deposits and the opening of current accounts, organizing the subscription and placement of shares and bills of exchange of private companies, and establishing common cash desks and specialized funds for the purchase and sale of securities. The bank's priority goal is to provide regular assistance to the economic development of member countries. The IDB often pursues a patronage policy toward developing member countries in need of external financing for national economic development plans and programs. At the same time, the IDB acts as the main ideologist in promoting the ideas of Islamic economics, implementing the main provisions of the modern Islamic doctrine of economic development and Sharia customs into the economic life of member countries that resort to receiving funds from the bank.

The financial support of member countries includes elements of charity characteristic of Islam. 34 countries have become regular recipients of IDB resources, 13 of which are among the least economically developed countries. The financing of their economy is carried out from special accounts (Special Assistance Account) and carries exceptionally preferential financing, which, according to its charter, cannot be carried out through the bank's ordinary loan funds. The Islamic Development Bank (IDB) has allocated \$1.6 billion for the implementation of projects in Uzbekistan by the end of 2022. This became known following a meeting between the President of Uzbekistan, Shavkat Mirziyoyev, and the President of the Islamic Development Bank, Muhammad bin Sulaiman Al Jasser. Currently, projects worth \$1.2 billion are being implemented in our country jointly with the IDB to modernize housing and communal infrastructure, develop rural areas, healthcare, education, water management, entrepreneurship, and other sectors.

The Bank is also actively participating in financing the OIC information network (OICIS-net) project; through its financial support, information and telecommunication systems were implemented for the use of various types of data, which subsequently became freely accessible

to member countries through integrated network communication. The Bank assists in conducting seminars and "round tables" on the implementation of Uruguay Round decisions, and organizes meetings with member countries that require its assistance in joining the WTO to protect their interests in this international trade organization.

One of the IDB's major own investment projects was the establishment of the "Islamic Corporation for the Insurance of Investment and Export Credit" (ICIEC), aimed at intensifying the development of mutual trade and investment cooperation between member countries. ICIEC was established in Jeddah in 1994 to stimulate and support mutual trade and investment projects of member countries by providing them with export credits, as well as ensuring the insurance of capital investments and investments in host Islamic countries. The IDB's contribution to the ICIEC's authorized capital amounted to 50% (\$145 million), while the remaining 50% was contributed by 30 out of 54 IDB member countries. The corporation, which began its operations in 1995, primarily carries out export credit insurance against the risk of the importer's non-payment of debts for realized export supplies in full compliance with Sharia customs (it conducts comprehensive insurance of commercial and non-commercial risks).

The Bank attaches paramount importance to financial assistance in expanding trade relations between member countries, based on the premise that mutual trade objectively contributes to the economic development of Muslim countries as a whole. To this end, the IDB has developed and implemented a number of preferential financing schemes for their mutual foreign trade. The IDB assists underdeveloped countries in exhibiting goods at international exhibitions and fairs; for this purpose, it pays for the transportation and insurance of exhibition exhibits and the maintenance of accompanying personnel. The IDB also constantly finances the import operations of member countries, provides funds for the formation of their investment portfolio of securities, with which all types of operations are carried out by borrowers entirely on the basis of Islamic principles of economic transactions. The Bank provides long-term foreign trade lending using modern diversified forms and methods of Islamic financing. The specific nature of the IDB's operational and investment activities is manifested not only in the unconditional use of Islamic banking principles in all its operations but also in the application of the practice of long-term servicing of investment projects with an average term of 15 to 25 years based on Islamic financing methods. The special commission charged by the bank to borrowers for the use of its financial resources and investment instruments is usually 5.5%. The Bank is actively developing methods and methods for financing borrowers, including long-term ones, that would fully comply with all customs and rules of Sharia.

Having an intergovernmental status, the IDB often acts as a mediator between Islamic countries and industrially developed countries in various types of currency and financial transactions, including when Islamic states receive euro-dollar loans.

The IDB plays a leading role among all currently operating Islamic banks and financial institutions, controlling and regulating their operational (deposit) activities and investment operations. Through its operations, the bank contributed to the development of interstate cooperation and the cooperation of Muslim countries in the banking sector. The IDB (initially in cooperation with Bahrain and Malaysia, and subsequently with Brunei, Indonesia, and Sudan) is taking purposeful steps to promote the formation of a sustainable international Islamic financial and credit interbank market. In 2002, the Islamic Bank Liquidity Management Center was established with the authority to oversee the investment activities of Islamic banks

with the authority to oversee the investment activities of Islamic banks in various countries and, in the event of acute balance liquidity problems, provide financial support to problematic banks in accordance with Sharia rules. A significant volume of the OIC's economic activities passes through its specialized institution—the Islamic Chamber of Commerce, Industry, and Commodity Exchange—which has achieved certain successes in creating joint Muslim enterprises.

A special place in the OIC budget is occupied by donations and gifts, which are directed toward eliminating the consequences of natural disasters and solving the problems of refugees, or are used as assistance to less developed states. At the same time, the OIC directs its efforts not only toward the economic "integration" of Muslim countries but also toward strengthening the bonds of brotherhood and spiritual unity among Muslims. The promotion of Islamic values permeates all spheres of the organization's activities. Through its efforts, the OIC contributes to both the growth of the economic potential of the Islamic world and the establishment of its historical and cultural specificity.

The cultural and religious activities of the OIC are carried out through the International Islamic News Agency and the Center for Research on Muslim History, Art, and Culture. The World Muslim Enlightenment Center, the International Committee of Islamic Heritage, the Islamic Educational, Scientific and Cultural Organization, and several other institutions. The organization produces print, radio, and video materials on Islamic themes, organizes traveling book exhibitions, and creates Muslim cultural centers and institutes, as well as universities (for example, in Niger and Uganda). The OIC pays significant attention to the protection of historical monuments and the preservation of the traditional appearance of a number of cities (Jerusalem, Herat, Kairouan, Fes, etc.). The OIC also contributes to the dissemination of the Arabic language of the Quran throughout the world. The organization holds conferences on various issues related to the development of the theory of Islamic solidarity, as well as regarding Islam's attitude toward the most important phenomena of an international legal nature. This opens up broader prospects for developing cooperation between Islamic world states, including Central Asian countries, and the IDB based on the joint implementation of programs and projects that meet the needs, interests, and priorities of the socio-economic development of our country and the entire Central Asian region.

Conclusion

Thus, the Islamic Development Bank plays an important role in developing mutually beneficial economic relations between OIC member countries and providing financial and other assistance to countries and Muslim communities in need, serving as an example of implementing Islamic principles of mutual assistance. Established in 1976 as one of the instruments for implementing the idea of Islamic solidarity, the IDB has transformed into a body regulating the cooperation of OIC member states in the fields of finance and economics. Increasing the IDB's authorized capital to \$150 billion will allow the bank to finance even more large-scale programs in OIC member states, including projects in socially significant and strategic sectors (energy, transport, water supply, etc.). This opens up even broader prospects for the development of cooperation between Islamic world states, including Uzbekistan and other Central Asian countries, and the IDB based on the joint implementation of programs and projects that meet the needs, interests, and priorities of the socio-economic development of our country and the entire Central Asian region.



References:

- 1.Алимова Н.М. Сотрудничество Республики Узбекистан и Исламским Банком Развития. Узбекистанский гуманитарный журнал // Общественное мнение. Права человека. // Ташкент. №1 2014г. – С.52.
- 2.Алимова Н.М. Исламский Банк Развития как главный проводник экономической политики Организации Исламского Сотрудничества. // «Тошкент ислом университети», Нашриет-матбаа бирлашмаси, Илмий -тахлилий ахборотю – Ташкент. №1 20134 г. - С.56.
- 3.Agreement Establishing the Islamic Development Bank // Articles of Agreement. - Islamic Development Bank. – Jeddah. - 32p.
- 4.Investing in global health: A common objective. - 23 June 2023, - <https://www.isdb.org/news/investing-in-global-health-a-common-objective>.
- 5.Investing in global health: A common objective. - 23 June 2023, - <https://www.isdb.org/news/investing-in-global-health-a-common-objective>.
6. Исламский банк Развития утроил уставной капитал // Сайт «Ислам для всех». – 23.05.2013 г. – <http://islam.com.ua/news/11848/>.
- 7.Исламский банк развития выделит до конца года 1,6 миллиарда долларов на реализацию проектов в Узбекистане. - 18 августа 2022, 18:10, - <https://podrobno.uz/cat/economic/islamskiy-bank-razvitiya-vydelit-do-kontsa-goda-1-6-milliarda-dollarov-na-realizatsiyu-proektov-v-uz>.
- 8.Исламский банк Развития утроил уставной капитал // Сайт «Ислам для всех». – 23.05.2013 г. – <http://islam.com.ua/news/11848/>.
- 9.Официальный сайт ИБР: Islamic Development Bank. – Member Countries. – <http://www.isdb.org/irj/portal/anonymous?NavigationTarget=navurl://750e51a0219adf78e6329e>.
- 10.Постановление Кабинета Министров Республики Узбекистан «О членстве Республики Узбекистан в Исламском банке развития» (Собрание законодательства Республики Узбекистан). – Ташкент, 2003 г. - № 15-16. – С.139; 2012 г. - № 8-9. – С. 82.