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GLOBAL EXPERIENCE IN INVESTMENT PROJECT FINANCING: INSIGHTS FROM DEVELOPED COUNTRIES AND THE EBRD'S ROLE

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Annotation. This article analyzes the experiences of developed countries in financing investment projects. It specifically examines the effective operational mechanisms of the banking systems in the UK, the USA, and Germany, as well as the role of the European Bank for Reconstruction and Development (EBRD) in financing green economy and long-term investment projects. The article also discusses the loans directed to Uzbekistan's economy by the EBRD, funds provided to support small businesses, and how international banking experiences can be used to improve the investment financing system. It offers suggestions for enhancing investment project financing practices.

Keywords: Investment projects, financing, EBRD, green economy, long-term loans, banking systems, developed countries, small businesses, financial mechanisms

Introduction

Currently, considering the global experience in organizing the activities of credit institutions is especially important for the successful operation of our country's banking system and for achieving the global level of economic development as a state striving to improve its position in the international arena. This is essential



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not only for increasing Uzbekistan's competitiveness in the global banking services market but also for restoring and enhancing the country's status in the international community.

In developed countries, the distinctive feature of modern banking operations is the large number of transactions with a wide range of customers. For example, the largest commercial banks in the UK engage in about 100 types of customer service operations, while U.S. commercial banks use over 150, and Japanese banks perform nearly 300 types of operations. Currently, there are over 15,000 commercial banks in the United States, which are the most widespread across the country, offering both short-term and long-term lending policies for individuals and legal entities. The most common among them are branchless banks, i.e., banks without branches. Therefore, the United States has the largest number of commercial banks. In Canada, all banking services, including long-term credit for investment projects of enterprises, are provided by fewer than 20 banks, each with a large network of branches.

Commercial banks are universal institutions that carry out operations in various sectors of the credit capital market. In the United States, commercial banks account for about 35% of the total assets of all financial institutions. Large banks offer consumer loans, accept deposits, manage payments, and provide other financial services, with all operations conducted at a high level of customer service. U.S. commercial banks are the key link in the country's credit system, particularly in lending for long-term production projects.

In Germany, leading commercial banks, such as Deutsche Bank, Dresdner Bank, and Commerzbank, have established special departments to organize long-term financing of large investment projects. These banks also perform functions related to investment banking, such as securities issuance and long-term lending. Currently, "Depfa Bank," which operates based on German and Irish investments, is the largest participant in the European project market. Its assets total 200 billion euros, and its total liabilities for infrastructure projects amount to \$2.6 billion.



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The bank finances investment projects in Europe, Japan, and North America, participating in 21 projects, 14 of which are in Europe (eight of them in the UK). This bank participates in large projects (the largest of which is the Tube Line project with a cost of \$317 billion) and relatively smaller ones, such as the East Renfrewshire Schools PFI project worth 68 million euros.

In the last 20 years, the volume of operations related to lending for production projects, mortgages, consumer loans, and other types of credit in Western European and U.S. bank practices has increased at an especially fast pace. Furthermore, mortgage loans and capital construction credits accounted for more than half of the total debt held by commercial banks in the second half of the 1980s. Statistical data shows that in the 1980s and 1990s, long-term loans became some of the most profitable operations for large banks. The scope of credit services expanded, offering loans for building industrial facilities, purchasing equipment, buying computer systems, housing, and more.

In the practices of global banks, numerous operations are carried out with long-term mortgage loans, one of the main advantages being the legal clarity of actions regarding real estate. In Western Europe and the U.S., a highly developed and legally regulated mortgage system has been established, based on accurate methods of real estate registration and a strict legal procedure for the creation and cancellation of real estate liens. For instance, in Germany, the basis of the registration system is the land register, and its operation is regulated by the specific act "Regulations for Managing the Land Register."

Such interest is particularly evident in the United States, where the mortgage market is highly developed, and the government effectively supports and promotes housing construction through credit and collateral mechanisms. Mortgage relations in the U.S. are regulated by federal and state laws, requiring lenders to provide detailed information about the loan and ensuring that the borrower's right to obtain credit is not restricted in any way. If the experience of

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leading foreign countries is utilized, Uzbekistan's banks could improve their long-term mortgage lending system.

Another traditional form of lending used by UK banks is a loan under a special credit account. A special credit account is opened for a company, and the company's current account is also credited. One positive aspect of this practice is that it can also be implemented through checks and cash withdrawals. The credit account is used for financing capital expenditures and carrying out various commercial projects. The terms of credit for investment projects may vary depending on the economic life of the purchased fixed assets or equipment, or the estimated time of the production project. Typically, these loans are medium to long-term. Interest is calculated on the unpaid portion of the loan each quarter and is deducted from the client's current account. In some cases, they can also be transferred to the loan account along with contributions to repay the principal sum. The interest rate is determined based on the bank's base rate (if a fixed rate is set). Banks specializing in financing investment projects have departments dedicated to organizing, monitoring, and analyzing project implementation. These banks carry out the following steps in the project acquisition and financing process:

- Preliminary selection of projects.
- Evaluation of project proposals.
- Acceptance of projects for financing.
- Monitoring the implementation of the project.
- Dynamic and static analysis.

Investment project proposals are selected based on their compliance with certain criteria. Initial evaluations are based on general information about the project, including its type, sector, geographical location, requested funding amount, development stage, and the quality and availability of guarantees, among others. Internationally significant banks also play a crucial role in financing investment projects. For example, the European Bank for Reconstruction and Development



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(EBRD) participates in financing investment projects related to sustainable development strategies in Central and Eastern Europe, North Africa, and Central Asia. The bank's shareholders include 73 countries. In 2023, the EBRD's investments amounted to 13.1 billion euros, an increase of 58 million euros compared to 2022. The number of investment projects financed by the bank in 2023 was 464, compared to 431 in 2022, 411 in 2020, and 452 in 2019. Thus, the EBRD financed a total of 2,171 investment projects from 2019 to 2023.

In 2023, the amount of financial resources formed by direct investments attracted by the bank and its own financial resources amounted to 26,269.2 million euros. Of this, 13,129.0 million euros were mobilized from the bank's own funds to finance investment projects. 50% of the total bank investments were directed towards financing investment projects related to the green economy. In 2023, the amount of loans allocated by the bank to finance green investment projects reached 6.5 billion euros. Additionally, the bank attracted 1,672.0 million euros from other investors for the implementation of green projects.

As an international bank, the EBRD also offers its investments to countries affected by natural disasters and war situations. For instance, despite the situation in Ukraine, the bank allocated 200 million euros to support the country's energy security, including the activities of the "Naftogaz" gas company, and 50 million euros to the "Ukrenergo" company.

From 2019 to 2023, the EBRD provided long-term loans to finance major investment projects in Central Asian countries. For example, it allocated 2,380.0 million euros to Kazakhstan's production and service sectors, including financing the construction of a 100 MW wind power station. In addition, the bank's loans were aimed at ensuring women's employment and creating green jobs.

Typically, the EBRD provides long-term loans ranging from 5 million euros to 250 million euros for investment projects in the private sector. The average size of the EBRD's investments is 25 million euros. Relatively smaller projects may be financed through financial intermediaries or through special smaller direct

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investment programs for countries implementing strategic reforms. The amount of loans provided by this bank to the economy of the Republic of Uzbekistan from 2019 to 2023 is 3,094.0 million euros. These loans are aimed at financing production and service projects as well as small business projects. Currently, EBRD loans can also be used by small business entities to purchase fixed assets. Overall, the experience of developed countries can be widely used in financing investment projects. Based on the analysis of the investment project financing mechanism, the following conclusions can be drawn:

First, a substantial amount of experience has been accumulated in the field of financing and lending investment projects in the practices of global banks and financial institutions.

Second, these banks have opportunities to finance foreign state producers using their assets. Therefore, it is of great importance to use the experience of the UK, the US, and Germany for financing investment projects.

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