

THE ROLE OF TECHNICAL SUPPORT IN THE EVALUATION OF INVESTMENT PROJECTS

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Abstract:

The article examines the concept and essence of technical support, its role in evaluating promising projects, trends in the development of financing investment projects, issues of raising funds and factors influencing their timely development. The foreign experience of banks in attracting credit resources from international financial organizations has been studied. In addition, the possibilities of applying international experience in the field of technical evaluation of projects, ways of cooperation with international financial institutions such as the International Finance Corporation (IFC), the International Bank for Reconstruction and Development (IBRD), the European Bank for Reconstruction and Development (EBRD) and the Asian Development Bank (ADB) were considered.

Keywords: technical support, energy efficiency, checklist, international financial institution, loan agreement, banking product.

Technical support is an important factor in the development of both the credit and investment activities of a commercial bank and the client's investment project. Assistance to business entities is provided in the preparation of design estimates for obtaining financing from international financial organizations. Viable projects that have been pre-selected can benefit from technical support.

Technical support is provided by highly qualified specialists from both international financial organizations and commercial banks, who will help project initiators prepare documents for obtaining a loan (business plan, financial accounting). All this will help bring domestic business projects up to international business standards. The main objectives of technical assistance in project financing are to strengthen the financial and commercial basis of the investment project, increase its environmental and social sustainability, increase transparency and support the creation of a project benefit-sharing program.

Also, as we know from international practice, technical support for investment projects is accompanied by insurance of investment risks, their assessment, risk management and the institution of insurance plays an important role in making



management decisions. Issues of insurance of risks of investment projects were considered by Abdurakhmonov (2018-2023)

At the same time, an analysis of the current situation in the banking sector shows the presence of a number of systemic problems that hinder the development of the banking sector in accordance with economic transformations and the needs of society, such as a high proportion of the state's presence in the banking sector, insufficient quality of management and risk management in banks with state participation, low level of financial intermediation in the economy¹.

To date, Uzbek banks are working closely with international financial institutions to attract credit and grant funds within the framework of projects, receive technical assistance for investment projects, introduce leading foreign practices, develop new banking products and services, as well as increase the capacity of bank employees in the field of technical assessment.

Today, the reform of the banking system is one of the important factors in the development of the banking system of Uzbekistan. International financial institutions such as the International Finance Corporation (IFC), the European Bank for Reconstruction and Development (EBRD) and the Asian Development Bank (ADB) are involved in the process of transforming state-owned banks. Therefore, it would be advisable to link the results of the study with the role and importance of technical support from international financial organizations in organizing the financing of investment projects. In the course of the consistent reform of the financial sector, a number of measures have been implemented, as a result of which the necessary legal conditions have been created for conducting a progressive banking business and strengthening the competitive environment in the sector².

The International Finance Corporation (IFC) is committed to reducing greenhouse gas emissions and protecting the most vulnerable communities from climate risks, while building the capacity of the global financial sector to attract more climate finance. The IFC Group of Financial Institutions has been working with banks and other financial institutions for many years to expand their climate finance activities, from large-scale renewable energy projects to small-scale climate-optimized agriculture and everything in between.

¹ Decree of the President of the Republic of Uzbekistan, dated December 5, 2020, No. DP-5992 "The strategy of reforming the banking system of the Republic of Uzbekistan

² Decree of the President of the Republic of Uzbekistan, dated December 5, 2020, No. DP-5992 "The strategy of reforming the banking system of the Republic of Uzbekistan



IFC is also committed to tracking and reporting on what our clients are doing with investments designed to combat climate change. The Climate Assessment Tool for Financial Institutions (CAFI) is a web-based platform that allows financial institutions to verify whether a project meets internationally agreed criteria for climate finance in accordance with the IFC definitions for climate-related activities and the general principles of climate change mitigation.

Financial tracking; and calculate its impact based on a standardized methodology. CAFI helps financial institutions create a common understanding of what activities contribute to combating climate change.

The CAFI platform allows you to compile reports on a number of categories: adaptation, blue financing, energy efficiency, green buildings, renewable energy sources, transport, water efficiency and much more. CAFI is managed by the IFC with the support of the UK government. This tool is available for use by any financial institution that invests in large—scale climate-friendly projects - multilateral development banks, international financial institutions, banks, fund managers and others.

The European Bank for Reconstruction and Development (EBRD) is an investment mechanism established in 1991 by 40 countries and two international organizations to support market economies and democracy in 34 countries – from Central Europe to Central Asia. As an international organization, the EBRD enjoys a number of privileges, such as technical support for subprojects.

The EBRD's Green Technology Selector is an online shopping platform that offers a catalog of products and suppliers offering high—performance business technologies for a specific country.

These pre-approved technologies have been evaluated and are automatically eligible for GVC funding through a participating financial institution. Financing is up to 100% of the cost, but does not exceed 300,000 euros for the selected equipment.

The baseline level can be adjusted periodically to take into account the development of new technologies, the maturity of the market supply, the level of market penetration and the cost of technology.

In addition, the list is regularly updated and includes the latest technologies, materials and new suppliers.

Today, the role of technical support in financing investment projects is great. In general, technical support attempts to help specific users solve specific problems with the product and its use, rather than tasks related to training, customization or other support services. Most companies offer technical support for the products or



services they provide and sell, and do so either for free or for an additional fee. Large organizations often have their own internal technical support service, which helps staff solve emerging problems of a technical nature. It is also necessary, first of all, to improve the material and technical base, to provide technical support in terms of developing the potential of bank employees.

Considering the above, it can be concluded that technical support for project financing is a necessary element and has a positive impact on all stages of project implementation. With the help of technical assessment, commercial banks minimize credit risks, reduce the share of problem loans and improve the quality of the loan portfolio. Technical support from international financial institutions helps to improve the knowledge and experience of the bank's employees involved in the project evaluation process, and the skills of customers to minimize technological risks in the production process. In order to improve the role and importance of technical assessment, it is necessary:

- study the technical, financial and operational aspects of effective technologies in the market to help enterprises standardize effective technologies within their programs;
- providing consulting support in the evaluation of investment projects for the financing of production technologies;
- enhanced capacity building for entrepreneurs and key stakeholders such as investors, project initiators, suppliers;
- expanding the reach of investors, lenders and project initiators interested in adapting or installing effective production technologies;
- obtaining technical support from IFC, EBRD and ADB on climate change management and applying it in project evaluation practice;
- building the capacity of employees for the technical assessment of investment projects.

Based on the above, it should be noted that conducting a technical assessment is extremely necessary in the process of financing investment projects, and credit risk is reduced.

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