

THE ISLAMIC ECONOMY – THE FASTEST GROWING LARGE ECONOMY. EURASIAN FOCUS





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Dear Friends,

I am delighted to acquaint you with our new piece of work – the *“Islamic Economy – the fastest growing large economy. Eurasian focus”* prepared by the Eurasia Lab of the SKOLKOVO Institute for Emerging Market Studies of the Moscow School of Management SKOLKOVO.

Moscow School of Management SKOLKOVO has always been on the wave of the acute international and regional trends to contribute its accumulated expertise and enable business to form solid social benefits. I am fully confident that this time we also have chosen a captivating and exhilarating theme for our study – the phenomenon of the Islamic Economy.

The whole world has accepted and accustomed to the existence and importance of the Islamic economy and the Halal industry. The Muslim consumers all over the globe voice their faith based needs to multinationals and drive the growing demand to support their modern yet religious lifestyle. International financial capitals have absorbed the Sharia-compliant financial deals and mastered such kind of partnership banking practices.

The Eurasian region has been historically original society with a very diverse ethnical, linguistic, religious, and cultural composition. Today being home for millions of Muslims, Eurasia is destined to become one of the meaningful centers of Islamic economy. The Islamic economy has already penetrated our society. We have numerous Halal products exporters and Halal certification is gaining momentum. Partnership banks and other

financial institutions render their services to our population. Educational and non-for-profit institutions prepare required specialists, hold thematic events, and sustain Muslim values to unite Islamic ummah. Islamic economy changes the structure of our economic activity and nature of our formal and informal institutions.

Yet Islamic economy is a complex phenomenon and we have to study it from all perspectives and assess its benefits and risks. Our report is an attempt to make a step forward to contribute to research of Islamic economy and to inform minds to turn their attention to this important theme. We aim at shedding light to current situation of Islamic economy development and its prospects in Russia, Central Asia and South Caucasus to guide interested individuals and business entities to become part of it.

Taking this opportunity, I would like to express our gratitude to our founders and long-lasting partners for their continuous support of our humble efforts to produce in-demand and timely studies. Special thanks to EY for their positive assessments, valuable feedback and insights. We are also very proud of having been working closely together with Astana International Financial Centre – one of the most significant initiatives in making our region better integrated into the global financial markets, including Islamic Finance perspective.

I sincerely hope that our report will have a wide resonance, outreach the business and expert community, and provide an impetus to revitalization of the interest in the Islamic Economy.

Andrei Sharonov

President
Moscow School of Management SKOLKOVO



Dear Readers,

I am pleased to present to you the study on *“Islamic Economy – the fastest growing largest economy. Eurasian focus”* conducted by the SKOLKOVO Institute for Emerging Market Studies (IEMS).

Being a relatively young market segment, the Islamic economy already occupies its own extraordinary niche in the global economic system. The world has noticed how resilient this segment performed during past financial downturns and witnessed its rapid growth in comparison to traditional economic markets throughout last two decades. Today, there should be little doubt that the Islamic economy will stay very attractive segment for years to come given the growing world Muslim population with evolving lifestyle preferences choosing more healthy, ethical and sustainable goods.

The Eurasian countries have a great opportunity to expand into the Islamic economy niche and to gain market share in the world of Halal food and goods, services, and institutions. The established connections of the regional countries with the Islamic world through the Organization of Islamic conference and its financial institution – the Islamic Development Bank, bring opportunity for Eurasian businesses. The evolving world of Islamic finance is expanding its market reach, and could see the Eurasian economies as an alternative source of capital.

It is not surprising that we at EY have also paid a proper attention to review one of

the Islamic economy’s mostly internationalized pillar – Islamic Finance. In 2016, we issued a study dedicated to the World Islamic Banking Competitiveness where we have analyzed nine core markets and distilled available information highlighting important trends and opportunities.

A stable and attractive niche of the Islamic economy can serve as an option for a predictable and gradual development for the Eurasian business community. The SKOLKOVO IEMS report in this regard is a suitable starting point to learn more on the Islamic economy and its opportunities for businesses in Russia, Central Asia, and South Caucasus.

At EY we are proud of having been a long-standing strategic partner of the Moscow School of Management SKOLKOVO, whose research and insights has consistently delivered impactful insights about Russia and the surrounding region as a whole.

Jay Nibbe

Global Vice Chair – Markets
EY



Dear Readers,

It is a pleasure for me to introduce the study by the Eurasia Lab of the SKOLKOVO Institute for Emerging Market Studies: *“The Islamic Economy – the fastest growing large economy. Eurasian focus”*.

It is hard to overestimate the scale and the importance of the Islamic economy in the modern society, given increasing Muslim population in the world, changing character of consumer preferences in favor for more healthy, secure, and eco-friendly products, evolving business practices sustaining ethical principles and partnerships. I totally support the idea and measures related to growing awareness about the Islamic economy, its drivers, opportunities and benefits.

In this regard, SKOLKOVO's report will acquaint you with the global trends related to adoption of the Islamic principles in various economic systems, reveal the drivers of this process, and will give you a valuable insights on current development in this sphere, especially in Russia and Eurasia. The report represents the results of studies of such sectors of the Islamic economy as Halal Food and Beverages, Modest Fashion, and Islamic Finance in Russia and Eurasian region and recommendations for capturing opportunities based on the implementation of Islamic principles into local economies, given the business cases of companies who have already benefited from that.

In my opinion, this report is very timely and will be useful for the target business community, as understanding the trends of the

Islamic economy development in the region will allow businesses to fine-tune their strategies, grow effectively and optimally in order to achieve prosperity. The report is well structured, easy to understand, and contains plenty of information about the current state of affairs and prospects of Eurasian countries in the path of Islamic Economy development.

For instance, you will discover that according to Thomson Reuters and DinarStandard, Kazakhstan is a leader in the Islamic financial sector and ranks second in the Eurasian region in terms of the level of development of the Islamic economy. Thanks to the close cooperation of Kazakhstan with the world community, in particular with the countries of the Middle East, it became possible to invest Islamic sustainable finances in the Kazakhstan economy and create a reliable legal basis.

The enabling legislative environment and economic prerequisites allowed the establishment of the Astana International Financial Centre (AIFC) in Kazakhstan. AIFC is a modern financial hub for the countries of Central Asia, Eurasian Economic Union, Caucasus, Western China and Mongolia. Creation of favorable conditions for the functioning and development of Islamic finance entities is one of the main directions for the development of the AIFC, which is largely supported by the Government of Kazakhstan.

I sincerely hope that you will enjoy reading this report and with the help of it, you will substantially widen your perspectives on Islamic Economy in Eurasia.

Kairat Kelimbetov

Governor
Astana International Financial Centre



1. Introduction

The magnitude of the global “Islamic economy” phenomenon is astonishing when its size is considered: more than \$ 2.2 trillion and with a projected growth rate of over 7% annually until 2022—that is twice as fast as the projected world GDP growth rate for this period. If it were a country, the Islamic economy as a whole would be the 8th largest in the world, outperforming Canada, Brazil and Italy.

Though the Islamic economy has become a hot topic, there is still a lack of credible information about it for regional stakeholders. The present study is an attempt by the SKOLKOVO Institute for Emerging Markets Studies (IEMS) to remedy the situation. We at IEMS always strive to keep a finger on the pulse of the most promising phenomena in the region and provide quality analysis for our audience.

More than one third of the Eurasian population is Muslim. They are customers for Halal good and/or services, and entrepreneurs who have the potential to enter the Halal market. This competitive advantage should not be ignored. Moreover, the economies in Eurasia are more Islamic than we think. We already have functioning partnership banks or “Islamic windows” that provide Sharia-compliant loans, deposits, and investment opportunities. We organize various Halal exhibitions where domestic Halal-certified producers showcase goods to be exported to Muslim consumers worldwide. We introduce new educational courses on Islamic Law and Islamic Finance, prepare qualified Halal-certifiers, and record success stories of Muslim tech start-ups. Therefore, the Islamic economy has established itself in Eurasia, while the ecosystem to support it (institutions, human capital, and awareness) is still evolving. In some countries it has reached a more advanced



level, while in others it is less developed. The extent to which the Islamic economic ecosystem is developed in Eurasia is debatable, but the importance and the need for it is unarguable.

The relevance of the Islamic economy for Eurasia is greater today than ever because of the need to attract additional financial resources for capital-intensive infrastructure projects in the region and to grasp the enormous potential of the Islamic market for local businesses. Putting this theme under the spotlight and on the political agenda might help regional governments see opportunities to restore the health of their economic systems as the Islamic economy has proved resilient in previous global economic crises. Empowering regional entrepreneurs to enter the Islamic market could give a strong impetus to SME development and improve the overall business environment in Eurasian states.

The purpose of this report is to point out to the business community the vast opportunities in the Islamic world, to highlight major bottlenecks to entering the Halal market and Islamic finance, and, ultimately, to offer viable solutions for the development of Halal markets and Islamic finance platforms in Eurasia.

The geographic boundaries of our report include the nine countries of Eurasia: Russia and countries from Central Asia and Caucasus (hereinafter “the CAC”) with large Muslim population: Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan. Despite the fact that Armenia and Georgia are also part of Eurasia, they are addressed to lesser extent in this study, because their population is predominantly Christian and as such, they are less involved in the Islamic economy.

As for the scope of the report, we will consider in detail the three main pillars of the Islamic economy: Halal Food and Beverages, Modest Fashion and the Islamic finance sector. The other Islamic economic segments, such as Halal travel, Halal pharmaceuticals and cosmetics, Halal



media and recreation, and their effect on adjacent sectors, will not be addressed. The reason is that, as a rule, the Halal Food and Beverages and the Islamic finance sector serve as links to conventional economic systems with Sharia-compliant customers. They drive the upgrading of legislation and regulations in non-Muslim countries which are eager to “join the club”. In turn, Modest Fashion has enormous potential in our region and should be mentioned. We will also give an overview of the digital Islamic Economy which has features of both a separate sector and “an umbrella” cross-sectoral dimension connecting market participants.

It is necessary to distinguish between Islamic countries and the Islamic economy. The Islamic economy is closely related to the Islamic population and, along with traditional Islamic states, is penetrating non-Muslim countries as well. Moreover, the non-Muslim population of the world is also becoming a customer for Islamic products (mostly, financial products) as the notion of Islamic business principles is tightly connected to ethical business practices, which can be acceptable to people of different beliefs and cultures.

As mentioned, the Islamic economy encompasses the food and beverages, clothing and apparel, media and entertainment, travel, pharmaceuticals and cosmetics, finance, and digital sectors. However, when we look at the degree of the Islamic economy’s development in Eurasia, we will need a more general term: the Islamic economic “ecosystem”. It encompasses not only the size and growth rate of the above-mentioned sectors, but is also a broader notion that brings in more general aspects of the Islamic economic environment in a given country or region. To illustrate the point, the Islamic economic ecosystem includes regulations dedicated to fostering the Halal market, certification, and Islamic banking, funds, various Islamic institutions, thematic events and related education.

This report is structured in a way that, we hope, will lead the reader comfortably from the global to the local, thus providing a holistic and systematic view of the topic. The report begins with a study of the scope of the Islamic world and the Islamic economy, and presents a current picture of the development of the Islamic economy in Eurasia through the prism of three “Fs”: Food, Fashion, and Finance. Halal Food sector includes all “permitted” by Sharia food and beverages. Modest Fashion concentrates on providing a range of faith-compliant clothing mostly for Muslim women (casual, sportswear, swimsuits, religious and special occasion dresses and accessories, etc.). Islamic Finance covers partnership banking, insurance, investments, and other related areas.

Furthermore, the report highlights the main local factors and problems of Islamic economic development categorized by elements of the Islamic economic ecosystem (institutions, human capital, awareness), and gives examples of successful experiences of local businesses dealing with Halal products, and provides valuable insights about government measures in the financial sector. It concludes with the formulation of a short list of high-level umbrella policy recommendations for government authorities, regarding the policies and measures which we believe will help develop and improve the Islamic economic ecosystem in Russia and the CAC by expanding local Islamic market economy and attracting new participants to it.

Previous works and studies gave wide-ranging and full descriptions of Islamic economic principles as applied to the financial system and banking products. Although we have used and relied on previous reports, we stress that they contain little information and analysis about the Eurasian region. Our research is more custom-tailored to our region, and is devoted to shedding light on, and providing a clear view of, the opportunities posed by the Islamic economy and Islamic finance in Eurasia.

2. Executive Summary

Demographic projections suggest that the number of Muslim consumers will reach one third of the world's total population by 2050. The modern generation of young Muslims is technologically perceptive and highly selective when it comes to goods and services in order to ensure that what they use in their everyday life strictly conforms to the requirements of their faith. The concept of Halal, which literally means “lawful”, or “permitted” in Islam, covers every aspect of a Muslim's life: food, clothing, personal care and health, tourism and entertainment, and finance. A Halal lifestyle largely corresponds to contemporary behaviour patterns which prefer organic and safe food, which adhere to socially and ecologically responsible and sustainable production. Thus, the global consumer community is moving unconsciously and inevitably towards becoming more “Muslim” in its quest for universally-shared values.

The Islamic economy and its ecosystem is becoming an important theme for new players as it has double-digit growth and volumes measured in trillions US dollars. New markets, clients, and increased revenues accrued to corporations shortly after they were certified as Halal producers. On the other hand, the robust growth of Islamic states with Sharia-compliant financial structures against the backdrop of global recessions and crises in traditional economic systems has fuelled curiosity towards, and the increased popularity of, “Participatory Banking”. The main takeaway of this report should be that the sooner Eurasian stakeholders realize the potential of the Islamic economy, the more attractive niches they could find within it and the more meaningful benefits they will be able to gain.



We found that Azerbaijan, Kazakhstan and Kyrgyzstan lead Eurasia in terms of overall Islamic economic ecosystem development. Russia is in the top 5 exporters to the Organization of Islamic Conference (OIC) countries (80% of Muslims in the world), and is the leading food exporter to the OIC among the nine Eurasian countries, but it has been outperformed by Azerbaijan in the Halal Food segment due Azerbaijan's steady work on Halal standards and certification. Tajikistan, Kyrgyzstan, Russia, and Kazakhstan are already exporting from 2/5 to 2/3 of their entire food and beverages production to OIC countries. Meanwhile, Armenia, Georgia and Uzbekistan could substantially increase their food export volumes to OIC countries, given OIC's heavy reliance on imports of food.

Russia is a leader of the Modest Fashion sector of the Eurasian Islamic economy both in terms of export volume to the OIC¹ and in terms of high attention to raising awareness of the theme of Halal fashion through mass media and events. Kazakhstan and Tajikistan gained higher scores in the social aspect due to affordable pricing of their clothing, and ranked 2nd and 3rd in Modest Fashion industry, despite the fact that Kyrgyzstan's and Georgia's clothing export volumes were higher. Kazakhstan is advised to increase the export of clothing to the OIC as its share of exports to the OIC versus its exports of clothing to the rest of the world is only 2%. In general, it is important to keep in mind the high level of competition in apparel manufacturing, including the segment of Modest Fashion. A near halving of clothing export volumes from Eurasia to the OIC has been registered since 2014, mainly due to increased competition from apparel manufacturers in China, India and Turkey, and to western brands launching Modest Fashion lines. To compete efficiently in the Modest Fashion segment, it is vitally important to offer unique value-propositions such as the shift from affordable clothing to sustainable dress, to be client-oriented (apparel for Muslim teens, sportswear, etc.), and to use marketing tools available through the Internet and apps.



In the Islamic Finance sector, Kazakhstan has most Islamic financial assets (69% of total) among the nine Eurasian countries, and it holds the leading position in terms of the quality of its overall ecosystem. Kazakhstan's Islamic Finance development model resembles the Malaysian and the UK models but with its own peculiarities. Consistent regulatory and legislative measures supported by the creation of financial infrastructure in the form of the Astana International Financial Center create favourable conditions for Islamic banking and related activities. Azerbaijan and Kyrgyzstan are also among the top performers in the Islamic Finance segment due to their governments' actions in adjusting the countries' regulation towards more a Islamic-friendly format. These measures resulted in the growth of financial assets accumulated in Islamic institutions located in these states and the opening of Islamic banks or "Islamic windows" in conventional banks there. Russia has a record of establishing Islamic banks and other financial institutions in the past; however, this process is hindered by the absence of federal-level legislation. It must be noted that technical, financial and expert support from international Islamic organizations such as the Islamic Development Bank (IDB), along with the enthusiasm of domestic policymakers, played a decisive role in the establishment of Islamic Finance sector in Eurasian states.

Eurasia has favourable conditions for the further development of the Islamic economy. The total number of Muslims in the Eurasian region has reached 86 million, which is comparable with the population of a country such as Germany or Iran. The number of Muslim millennials in the region is over 50 million or 58% of the total Muslim population. Almost all of them are familiar with the Internet. For instance, according to the World Bank, in Russia, Azerbaijan, Kazakhstan, Uzbekistan, Armenia and Georgia every second person in the country is an Internet user, which is the above world average².

The majority of countries in the region have either their own Halal standards and certification bodies or established partnerships with international leaders in this sphere. Certification of Halal



is voluntary in Eurasia, but it is an obligatory requirement from the buyer-countries' side, which means that exporters do most of it.

Awareness of the Islamic economy in Eurasia is increasing gradually, mainly through organized events dedicated to Halal industry, and to Islamic Finance forums. Educational programs and not-for-profit advocacy institutions contribute to the promotion of the Islamic economy and law, fostering interest among scholars and potential consumers, and trying to meet the high demand for Islamic economic specialists. Digital technologies serve as the main channel of information to connect customers with Halal producers, which is why the notion of “Islamic digital economy” has recently appeared. Digitalization of the Islamic marketplace in Eurasia is shaping the future of the Islamic economy and setting directions for its further development.

Based on an analysis of information we have gathered, and other observations, we conclude that the world has welcomed opportunities in the Islamic economy, and the Eurasian region must do the same. Despite their enormous potential, the states of Eurasia do not utilize it fully. The impeding factors are complex. They include lack of political will, a low level of awareness, and the absence of qualified specialists. On the other hand, solutions and growth potential also exist, and there is assistance available from international Islamic organizations (IDB and its affiliated institutions, various Islamic funds, and private partnerships) and separate states with advanced Islamic economic ecosystems (Saudi Arabia, Malaysia, UAE, etc.) to help improve legislative and physical infrastructure to make it more Islamic- and Halal-friendly. Assistance is also available for educating and training more specialists in this sphere; for supporting Halal producers/exporters and improving domestic Halal certification procedures; and for holding more events to raise awareness about the Islamic economy and its benefits.



3. The global Islamic Economy's growth factors and current trends

the geo-economic landscape

3.1 The Islamic economic ecosystem and its parameters

The Islamic economic ecosystem represents a wide range of conditions enabling sustainable and accelerated development of the Islamic economy in a given country. It includes special provisions for legislation, the regulatory framework, the business environment, relevant information services, suppliers, infrastructure, specialists, education, platforms for discussion, the awareness of clients, and political support from government. We will look at the Islamic economic ecosystem in Eurasia through its main categories: institutions (regulations, political will), awareness (mass media, events), and human capital (education, training). The extent of the ecosystem's maturity affects the ultimate performance of a country and makes it possible to assess and compare the success of different countries.

The Global Islamic Economy Indicator (GIEI) is a composite weighted index composed by Thomson Reuters and DinarStandard which evaluates and ranks 73 countries based on the overall quality of their Islamic economic ecosystem. A total of 49 different categories are used to compile the indicator, including supply/demand drivers relative to country size, governance and awareness, and

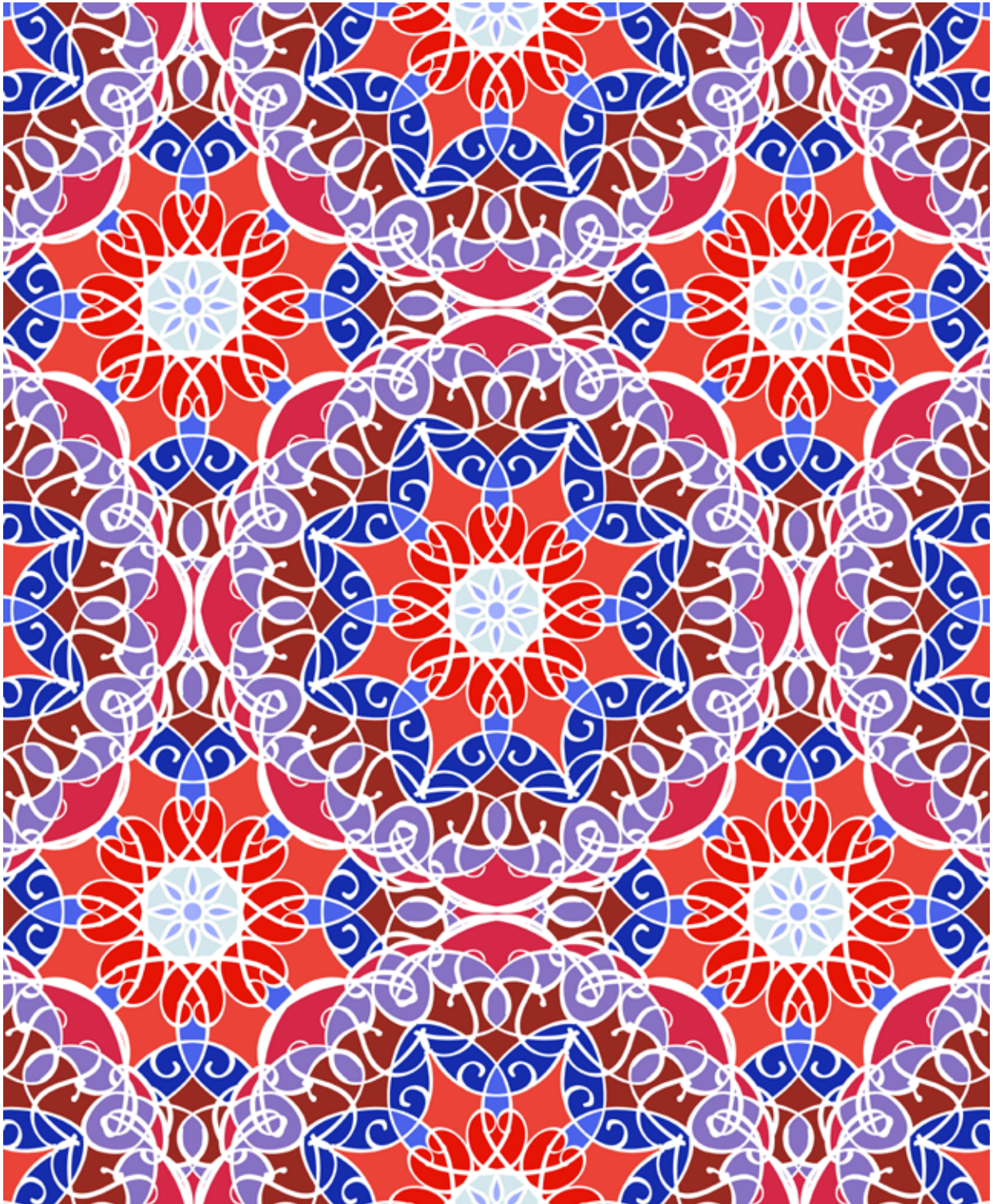
to social considerations. Countries which develop their overall Islamic economic ecosystem in all categories get the highest scores. Thus, in 2017, very strong awareness and governance scores made Malaysia the leading country in the Islamic Finance sector, despite the fact that Iran and Saudi Arabia had the biggest volume of financial assets among all 73 countries.

In 2017, Malaysia led the GIEI ranking as it had done for the previous five years due to its developed Islamic Finance and Halal Food ecosystems. Malaysia was followed by the UAE, with its strong Islamic Finance indicators, and Saudi Arabia, which is one of the leaders in the Islamic Finance and Halal Food segments.

What then is an Islamic economy? What segments or sectors, or what countries and regions, does it include? What are its size and its prospects? What are the drivers that keep it expanding? All of these questions will be addressed further in this chapter.

The first time the term "Islamic Economy" appeared in a book was in *Islami Ma'ashiyat* ("Islamic economy") which was written by an Islamic scholar, Sayyid Manazir Ahsan Gilani, and published in 1947 in Urdu. Gilani described it as an ideal economic system that corresponds to Islam. After Gilani, many experts tried to produce a valid and concise definition





of this broad concept. For instance, Hasanuz Zaman in his book “Economic Functions of an Islamic State” (published in 1984) provides the following definition: “Islamic economics is the knowledge and applications of the rules of the Sharia that prevent injustice in the use and disposal of material resources in order to provide satisfaction to human being and enable them to perform their obligations to God and the society”. A common and distinct definition of the term “Islamic Economy” had not previously been formulated.

Today, the Islamic world has moved beyond the Arab countries of Middle East and Northern Africa. It encompasses regions called home by overwhelmingly Muslim populations in Asia-Pacific and the Gulf Coast, but also confidently conquers the business and financial communities of non-Muslim countries. The reason is that Islamic values are universal values, and non-Muslim consumers who opt for ethical, sustainable, eco-friendly, and socially responsible solutions, commonly share them. That is why the Islamic economy goes beyond state borders and includes all the spending by Muslims and the spending on Halal goods by non-Muslims.

As for parameters, according to “Outpacing the Mainstream. State of the Islamic Economy Report 2017/18” developed and produced by *Thomson Reuters* in collaboration with *DinarStandard*, the Islamic Economy was estimated to be worth \$2.202 trillion in 2016⁵ (~11.9% of global expenditure). The global Muslim population’s spending across various sectors is projected to increase at 7.3% annually (2016-2022) to reach \$3.081 trillion by 2022.

In 2016, Muslim spend by category amounts to the following:

- food and beverage – \$1.24 trillion (~17% of total global spend on similar products);
- clothing and apparel – \$254 billion (~11% of total global spend on apparel and footwear);
- media and entertainment – \$198 billion (~5% of total global spend on recreation and culture);

- travel – \$169 billion (~11% of total global spend on outbound travel); and
- pharmaceuticals and cosmetics – \$140 billion (~7% of total global spend on similar products).

The word “Halal”, literally meaning permissible, nowadays encompasses not only food, but everything from finance to beauty products. Halal is also a lifestyle, including apparel and fashion, music, TV and films. In 2015, the revenues from Halal-certified food and beverage products were \$415 billion; revenues from Modest Fashion clothing purchased by Muslim women \$44 billion, and revenues derived from Muslim-friendly tourism services \$24 billion.

The Islamic Finance sector had around \$2.2 trillion in assets in 2016. This sector will grow at CAGR⁴ of 9.5% up to \$3.8 trillion in 2022.

The OIC, comprising 57 Muslim-majority countries, represented 1.38 billion Muslims in 2015 (80% of the world’s Muslim population)⁵.

As of 2016, the aggregate GDP of OIC⁶ countries was about \$18.3 trillion (~15.3% of total world GDP) and is projected to grow at an average rate of 4.8% in 2018, which is 1.3% higher than the expected global economic growth rate of 3.5%⁷. As is evident from these indicators, in spite of a stable pace of growth, the contribution of OIC countries as a group to world output in 2016 is below their potential and meaningfully below that of individual countries such as US (15.5%) and China (17.8%).

At the same time, despite the projected growth of GDP (gross domestic product) of OIC countries, the supply side of the Islamic community still does not keep up with the demand for Halalan Toyyiban⁸ products and services. Imports by OIC countries from the world in 2016 amounted to \$1.6 trillion. To avoid confusion, it is important to distinguish between imports to the OIC in general and imports of Halal. Exports to an OIC country are not necessarily Halal.

The average GDP per capita of OIC countries reached \$10,729 in 2016, which

corresponds to upper-middle income countries. In terms of discretionary income, the most attractive consumers in countries with GDP per capita over \$10,000 live in emerging Islamic African states: Tunisia, Libya, Egypt, as well as the emerging Islamic-states of Asia-Pacific: Brunei, Indonesia, and Malaysia, and of course, the oil-rich countries of the Middle East: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and UAE.

Muslim consumers worldwide contributed US\$107 billion to the global digital economy of \$1.9 trillion in 2014: that is a 5.6% share; and at a 17% CAGR their spending will grow faster than the rest of the digital economy by 2020, reaching an estimated \$277 billion⁹. The notion of “Islamic digital economy” has emerged and is now promoted and supported on a country level. For instance, on 20 December 2017 the Malaysian authorities announced that the country’s Islamic Digital Economy (IDE) framework was expected to be ready by the first quarter of 2018¹⁰. However, it is not known whether it has been launched or not. The UAE has already included the Islamic digital economy in its Islamic economic strategy as one of the seven main pillars. The UAE government and key player in the technology industry, the Dubai Silicon Oasis Authority (DSOA) free-zone, are committed to developing the Islamic digital economy in order to position Dubai as a hub for the development of electronic information, programs, applications and projects, as well as making it a platform for e-commerce and the Islamic media. In November 2017, the Dubai Islamic Economy Development Centre (DIEDC) organized its first Islamic lifestyle mini boot-camp for both digital and off-line start-ups and entrepreneurs¹¹.

Digital technologies and social media are also important drivers pushing the Islamic economy to scale up and overcome geographical and political boundaries. Social media advance awareness and fuel demand amongst consumers of Halal goods and services by sharing feedback on them, promoting them and advertising them. Halal e-marketplaces,

such as aladdinstreet.com, dagangHalal.com and zilzar.com, provide small producers, manufacturers and traders with platforms to go global. A mobile phone application called the Muslim Pro App offers prayer times regardless of where the user is in the world. It includes an in-app Quran, and provides suggestions for Halal restaurants and mosques within the user’s ambit. According to the owner of the application, Bitsmedia’s CEO Erwan Macé, the app was available in 15 languages, and had been downloaded 45 million times.

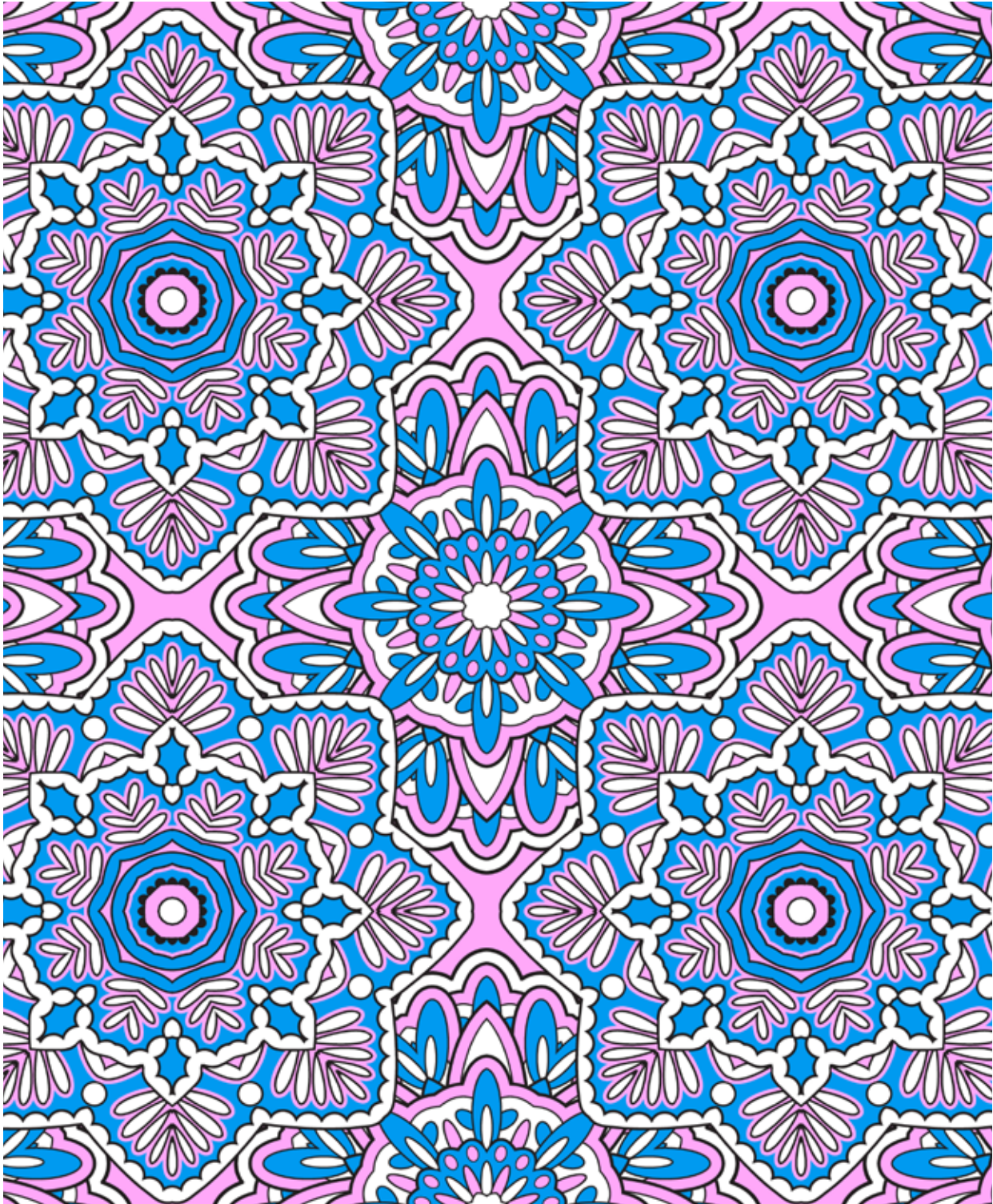
The major point and the main message of this report is that, despite the expanding Islamic economy and the billions of digitally active Muslim consumers, there are new niches in a largely untapped market waiting for new players to emerge.

3.2 Modern Muslims, their life-style and values

The crucial factor for the economic conversion, or “Islamization”, of the global economy—which might be called the expansion of the Islamic economy—remains the rapidly increasing Muslim population, including diaspora and migrants; in other words, the growth of the demand coming from Islamic customers who have their own lifestyle and preferences that must conform to certain religious requirements stipulated by Sharia law.

Sharia regulations and Islamic principles in the economy of the Islamic countries and countries with large Muslim population play a decisive role. The Pew Research Center’s¹² 2015 Report on “The Future of World Religions: Population Growth Projections, 2010-2050” projects the number of Muslims around the world increasing rapidly from about 1.6 billion in 2010 to nearly 2.8 billion in 2050.

The growth rate of the Muslim population is double the global rate. As a result, the share of Muslims in the world’s population is expected to rise from 23% in 2010 to 30% in 2050. The most accelerated growth of Muslims, as opposed to non-Muslims, will be observed in North America (197% vs 26%,





respectively) and Europe (63% vs -6%, respectively).

As for the regional distribution of Muslims across the globe in 2010, despite the prevailing fallacy, the Asia-Pacific region was home to the majority of the world's Muslims (61.7%), followed by the Middle East-North Africa region (19.8%) and Sub-Saharan Africa (15.5%). Europe, North America, and Latin America-Caribbean compose the rest of world's Muslims (3%).

The demographic forecast until 2050 reveals that in spite of a 10% drop, the Asia-Pacific region is expected to keep its leading position in total number of Muslims. As compared to a 5% increase of Muslims in Sub-Saharan Africa by 2050, the share of the global Muslim population living in Asian countries such as Indonesia, Pakistan and Bangladesh will decline. However, in absolute numbers, Muslims are projected to surpass Hindus and become the largest religious group in the Asia-Pacific region by 2050.

The Muslim share of the Middle East/North Africa population in 2010 was 93%. The concentration in the Asia-Pacific region is also quite high (24.3%), but it is still less than that in the Sub-Saharan Africa (30.2%). The Report concludes that this picture will remain stable until 2050 with minor fluctuations. Islamic ways of doing business and the demand for Sharia-compliant goods and services in non-Muslim regions are increasing due to the number of Muslim migrants arriving there. The Pew Research Center's report touches upon migration, stating that Muslim migrants from the Asia-Pacific and Middle East-North Africa regions consistently choose Europe and North America as their destination. Consequently, in 2050, the Muslim share of Europe's population expected to be 10% (it would be 8% without migration). In North America, that share is expected to reach 2%, versus 1% if projected without migration factor.

Conversions do not play a significant role in Muslim population growth. In 2010, the Pew Center stated "that statistical data for Muslim conversions are scarce and as per

their available information, there is no substantial net gain or loss of Muslims due to religious conversion." It found that "the number of people who embrace Islam and those who leave Islam are roughly equal. Thus, this report excludes the religious conversion as a direct factor from the projection of Muslim population growth".

In terms of population increase, perhaps the most important growth factor for the Islamic Economy is Muslim millennials. Millennials are people born in the last 20 years of 20th century. According to Thomson Reuters, Muslim millennials are considered one of the 21st century's most powerful economic forces. Shelina Janmohamed in *Generation M: Young Muslims Changing the World* states that almost two-thirds of Muslims today are aged under 30 years old, educated, and familiar with social media and other modern lifestyle attributes. Shelina Janmohamed is the bestselling author of 'Love in a Headscarf', a memoir about growing up as a British Muslim woman. She is an established commentator on Muslim social and religious trends. As vice president of Ogilvy Noor, the world's first bespoke global Islamic branding practice for building brands with Muslim audiences, she was named one of the world's 500 most influential Muslims, and specifically one of the UK's 100 most powerful Muslim women.

Muslims are the youngest (median age of 23 years old in 2010) of all major religious groups worldwide. By 2030, 29% of the global young population (15-29) is projected to be Muslim.

The notion of global Islamic ummah means the worldwide "translocal" Islamic community of believers with a global consciousness¹⁸. A British-American historian specializing in oriental studies and Islam, Bernard Lewis, argues that "whereas the West sees the world as a system of nations subdivided in various ways, including into religions, Islam sees the world as a system of religions, subdivided in several ways, including into nations"¹⁹. That is why Muslims see in their religion a source of identity and

Saudi Arabia's king-millennial

Saudi Arabia's new, 31-year old Crown Prince Mohammed bin Salman (since June 2017) is described by mass media as an "ambitious millennial" who is going to invite his young cousins and relatives to take leading roles in the kingdom. According to Bloomberg, a new trend has begun in Saudi Arabia where 70 percent of the population is under the age of 35¹³.

The king has set a goal to move the Saudi economy away from oil-dependence by the year 2030. His plan, called Vision 2030, largely reflects the general development trend of the global Islamic economy towards a more sustainable and interconnected Islamic society, called Ummah.

Specifically, the Crown Prince's vision includes supporting new private businesses, increasing the number of pilgrimage visitors, reforming the educational system and reducing the budget deficit by cutting subsidies, introducing a 5 percent value-added tax¹⁴, and FDI in priority sectors such as agriculture, building materials, car manufacturing, education, engineering, healthcare, housing, ICT, mining, renewable energy, transport and tourism¹⁵.

The young king intends paying more attention to infrastructure projects and to investment abroad, hence his interest in the Chinese Belt and Road Initiative (hereinafter, "BRI") in Eurasia. BRI will be passing through many Muslim countries and the Kingdom of Saudi Arabia may want to take part in financial structuring of BRI projects. The first ever state visit to Russia by a reigning Saudi monarch, King Salman, occurred in October 2017 and resulted in more than 15 cooperation agreements worth over \$3 billion in various spheres ranging from oil, military equipment and space exploration to infrastructure financing¹⁶.

In an interview with the Economist, Crown Prince Mohammed bin Salman shared his vision of the future for Saudi Arabia: "The Saudi Arabia that I hope for...is not dependent on oil; it is a Saudi Arabia with a growing economy; a Saudi Arabia with transparent laws; a Saudi Arabia with a very strong position in the world; a Saudi Arabia that can fulfil the dreams of any Saudi, or his ambition, through creating enticing incentives, the right environment; a Saudi Arabia with sustainability; a Saudi Arabia that guarantees the participation of everyone in decision-making"¹⁷.

fellow-feeling that is often stronger than nationalism. However, the integrity of Islamic ummah is arguable today due to the division into Sunni and Shia, as well as other religious schools and movements, in addition to the recent political tensions among the countries in the Middle East.

In any case, the fact is that Islam integrates all domains of human life, and as a comprehensive way of life, it shapes the behaviour, the preferences and choices of Muslims. Thus,

Halal is perceived to be a permissible and balanced lifestyle, which is not confined by food and clothes a Muslim is allowed to eat and wear, but spreads over all aspects of a Muslim's life, including entertainment and travel, medical treatment and social interaction, doing business and managing finances. The Halal lifestyle, based on faith and universal values, aims at sustaining believers' religious views.

Throughout the world, people are becoming more Muslim in their lifestyle, even though

this does not imply conversion to Islam. More and more people adhere to Halal as they opt for healthy, safe, eco-friendly, organic food, transparent and fair business practices. The process of economic conversion/ “Islamization” in this sense (becoming more Muslim in their lifestyle) or experiencing a better Halal transformation happens in two ways. On the one hand, there is a constant demand from Muslim consumers, and on the other, there is the supply of Halal products and services, which triggers demand as they meet all the requirements of modern society. As a result, we see a gradual but steady lifestyle transformation which is expanding the demand for Sharia-compliant goods and services on an individual basis.

For instance, people in Central Asia have traditionally been mostly Muslim; however, they began practicing the Muslim lifestyle more consciously in recent years. This is, first, because religion was literally absent in the Soviet Union, whereas after its collapse people could openly practice their beliefs. Secondly, people needed a substitute for a powerful Soviet ideology, and religion could fill the spiritual gap, especially in the time of hardship during the socio-economic transition. Islam, as a traditional religion, gained more importance in the life of locals and their lifestyle, so their preferences have been transforming accordingly.

Over 90% of the Muslims that were polled said that their faith affects their consumption preferences²⁰. The Halal market now incorporates an entire range of goods provided in supermarkets, five-star hotels, restaurants, fast food chains, airline meals, school dinners, military food, and even in prison rations. It is a lifestyle choice in matters such as personal hygiene, healthcare products, toiletries, cosmetics, and many more. The development of Halal goods all over the world has built the Halal value chain with entirely new sectors relating to Halal logistics, Halal security, Halal storage, Halal auditing, and Halal industrial improvement²¹.

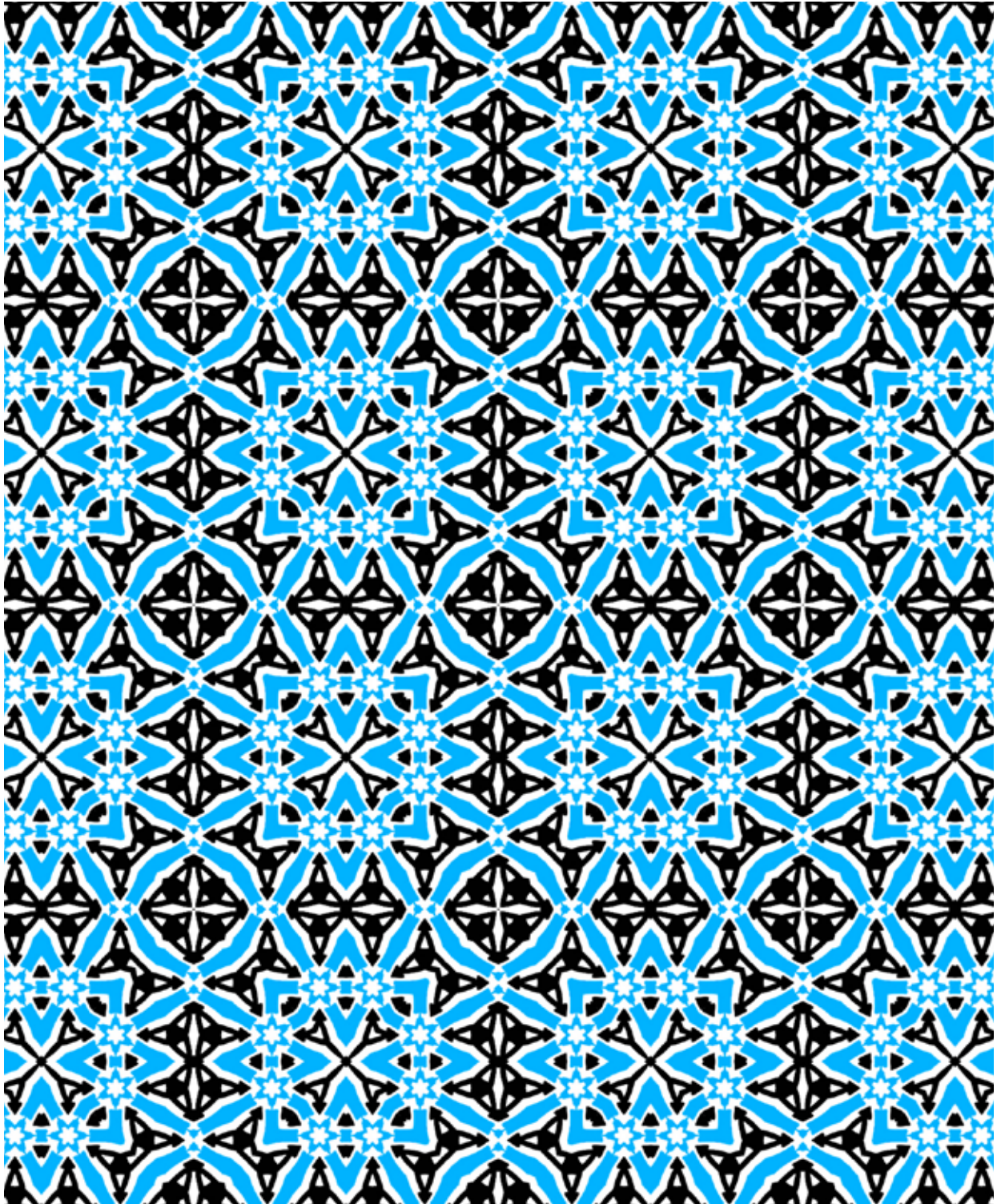
From the market perspective, Halal is a model of social commitment and the

responsibility of firms. The mark “Halal” on products augments customers’ trust and reliance on them. Halal is perceived to be a novel benchmark for safety, hygiene, and quality assurance not only by Muslims but by non-Muslim consumers too. The above statistics prove the obvious potential of the Islamic economy as the demand for Sharia-compliant products correlates with the number of people wanting products and services that meet their faith-based needs.

3.3 Industry knowledge platform

Private companies and multinational corporations respond to consumers’ needs very fast. They were amongst the first to meet Muslim consumers’ preferences and align Halal products and services with their businesses in pursuit of new markets. They are striving to unleash the potential of Islamic financing to develop their commercial projects. The companies that adhere to Halal improve their export chances because they have a competitive advantage over other food companies. Notable examples amongst mainstream multinationals addressing Halal products are Nestle (Switzerland), Baskin Robbins, Subway, Kraft, Gerber, McDonald’s, KFC, Cargill, Nema Food Company, Midamar (USA), Tesco (UK), Alibaba (China), Namet Gida, Banvit (Turkey), and Carrefour (France).

Nestle (Switzerland) is an acknowledged pioneer in the field of Halal among multinational corporations. It established its own Halal Committee in the 1980s and has separate facilities for its Halal products. In 2008, Nestle’s turnover of Halal products reached \$5.23 billion or 5% of its annual revenue²². At that time, 85 out of its 456 facilities worldwide were equipped for Halal production. The major Nestle’s production sites of Halal products are located in Australia. Surprisingly, Nestle claims that it did not have to change its products and processes because they were inherently Halal²⁴. Nestle has a strong presence in the Halal food markets of Malaysia, Indonesia, Turkey and Middle Eastern countries, while



France, Britain and Germany are emerging as key Halal markets in Europe²⁴.

Short after getting certified as Halal, corporations enjoyed steep growth in their client base and revenues. For instance, McDonald's in Singapore reached 8 million patrons a year after obtaining Halal certification. KFC, Taco Bell, and Burger King registered 20% increases in the number of their customers since being certified as Halal²⁵.

Multinationals have made sizable investments in OIC markets, such as Unilever (UK) investing \$333 million in its Halal operations in Southeast Asia²⁶. L'Oreal, Colgate, and Campbell Soup increase their investments in Halal segment of their business. Mitsui Sugar Co (Japan) invested \$7.6 million in the Halal production of sugar and sweeteners to deal with growing regional demand and to compensate for a potential domestic slowdown²⁷.

Recently, the growth of interest in the Islamic economy as a whole from authoritative consulting firms and rating agencies, eminent economic researchers, as well as high-ranking politicians and businesses, has been evident in the mass media and in official circles. In the global arena, we see more thematic reports, such as those issued by Ernst & Young, and Thomson Reuters. The latter, in collaboration with Dubai Islamic Economy Development Centre, launched a comprehensive global reference for Islamic economic intelligence, news, insights, information and data called Salaam Gateway. It is also a global database of companies in the Halal, Islamic finance, and Islamic lifestyle industries²⁸. MNC's General Electric and Goldman Sachs released corporate "sukuk", the Islamic bonds. Halal producers are also growing bigger and going global through IPOs (e.g. Malaysian DagangHalal's IPO on the London Stock Exchange). Due to the up-swing in Islamic/Halal companies, the S&P Dow Jones Islamic Market Indices, which were first compiled in the 1990s, substantially increased in the 2000s.

Private businesses willing to go for the Islamic market often trigger governmental

initiatives. In fact, some non-Muslim governments have already succeeded in the Islamic dimension of the global economy. Australia and Brazil are in the Top 5 Halal Food producers in the world. China's, Italy's and France's fashion industries largely support the Modest Fashion sector, meeting the requirements of Islam. Singapore is about to surpass Malaysia in the battle for leadership of the Sharia-compliant Pharmaceuticals and Cosmetics market, while Germany is climbing up the list of the Halal Media and Recreation services providers.

The global consciousness of Muslims keeps developing, backed by broader globalization, digitalization, interconnectedness and sustainability trends. We believe that the "Islamization" of the world economy is a matter of time, taking into account the growing Muslim population, the preferences of Muslim millennials, trends in favour of organic, safe, eco-friendly goods, and technological advances that turn the globe into a big, highly connected, and interdependent village. There are several shortcomings, such as the absence of global unified Halal certification standards, but Islamic ummah is working on the existing certification institutions to be widely recognized and accepted. The establishment of the International Halal Accreditation Forum based in UAE in 2016 is a positive step in this direction.

The earlier we all realize the potential of the Islamic economy, the sooner we might benefit from it. The rest of the world has already begun to move in this direction. It is now time for Eurasian society to grasp the opportunity.

4. A Snapshot of Islamic Economy development in Eurasia in the context of 3 Fs

Azerbaijan leads the Eurasian region in terms of the level of Islamic economic development due to having the highest overall GIEI score in the Halal Food, Travel, and Pharmaceuticals & Cosmetics segments. Its Halal Travel, Pharmaceuticals & Cosmetics, and Media & Recreation sectors have performed far above the global average in 2017. See 9.1 GIEI rankings for Eurasian countries in 2017.

Kazakhstan outperformed every other Eurasian country in terms of Halal Finance, but Halal Media & Recreation, Halal Food and Pharmaceuticals & Cosmetics also contributed to Kazakhstan's second place in the region in the Islamic economic ecosystem ranking.

Russia ranked highest in two segments, Modest Fashion and Media & Recreation, among Eurasian countries in 2017. In comparison with Kyrgyzstan, Russia showed slightly better results in Halal Food, and in Pharmaceuticals & Cosmetics. However, Kyrgyzstan's successes in Islamic Finance and Halal Travel played a decisive role and pulled Kyrgyzstan into 3rd place, overtaking Russia.

The top 5 includes Tajikistan due to its relatively high score in Modest Fashion, Halal Pharmaceuticals & Cosmetics, and Halal Food sectors.

Uzbekistan got a better score in the Halal Media & Recreation sector than Kyrgyzstan and Tajikistan, but the other segments of the Islamic economic ecosystem in Uzbekistan remain undeveloped. Turkmenistan has the lowest score, showing few signs of the development in the Halal Media & Recreation,

Modest Fashion, and Islamic Finance sectors.

Georgia and Armenia are not included into GIEI ranking since their population is predominately Christian.

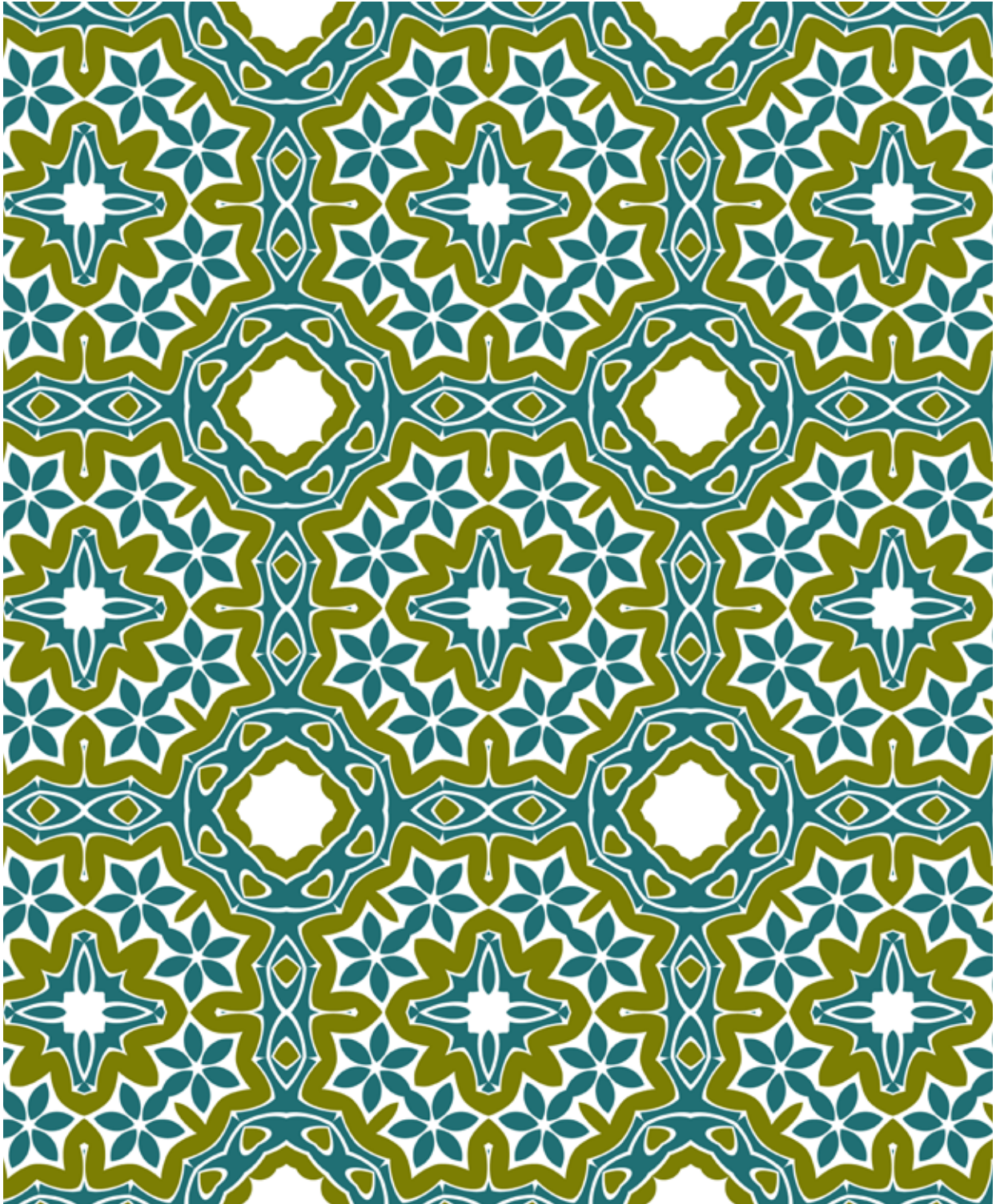
We would like to note that GIEI ranking for Eurasian states looks patchy in some cases due to the many "not applicable" instead of actual data, as is seen in the relevant tables in Chapter 9 (Appendices: Tables and Graphs). We emphasise that this situation indicates a lack of available information about the region rather than the absence of Halal markets and the Islamic economic ecosystem as a whole.

4.1 Food and beverages

As everywhere, private businesses willing to enter the market in Islamic countries increase trade turnover and stimulate government initiatives. For instance, the popular producer of baby food, "Progress", began to produce Halal products in Russia under the brand "FrutoNyanya" in November 2017. However, the following statistics prove that there is much more potential for Eurasian states in the Islamic markets for food and beverages.

The OIC is a significant source of demand for Halal food, importing \$190 billion in food and beverage products in 2015, and accounting for 46 percent of the \$415 billion Halal-certified food and beverage industry²⁹. Exports of all kinds of food and beverages from the Eurasian region to the OIC in 2016 dropped by 3% compared to 2015 to \$9.4 billion, which is roughly 5% of the total for OIC country spending (80%





of all Muslims in the world) on food and beverages, and 0.3% of global Muslim spending on food and beverages in 2016. See 9.2 Export of food from Eurasian region to OIC.

Cumulatively from 2001 to 2016, all food and beverage exports from the Eurasian region to the OIC constituted 4.69% of total OIC imports from the world, and 45.1% of the whole region's export to the world. See 9.3 Cumulative amount of food and beverages export of Eurasian countries to OIC and to the world, 2001-2016.

In 2015, the top 5 exporters to the OIC were: Brazil (\$16 billion), India (\$13 billion), Argentina (\$8.9 billion), Russia (\$8.8 billion),

and France (\$7.7 billion). These top 5 source markets represent 28.5% of total OIC food imports. The top 5 importers of the food and beverages among the OIC were: Saudi Arabia (\$21.5 billion), Malaysia (\$15 billion), UAE (\$14.9 billion), Indonesia (\$14.3 billion), and Egypt (\$14.2 billion). Their share was 42% of total OIC food imports in 2015³⁰.

For more than a decade, Russia has been one of the top exporters to the OIC, and a leader in food exports to the OIC among nine Eurasian countries (81.24% of total export of food from Eurasia to OIC), several times more than the next country in order, Kazakhstan (11.7% of total export of food from Eurasia to OIC).

Poultry and dairy are the major Halal products in Russia

HALAL PRODUCTS AN-NOOR™ BY RESURS (ESTABLISHED IN 2003)

The Resurs group is one of the leading agro-industrial companies in Russia. Its main activity is the production and sale of food products from poultry meat, grain and oilseed. Resurs began to export its products in 2012. At that time, its main partners were Liberia, Jordan and Equatorial Guinea. Now the company supplies more than 30 countries in Asia, Africa, the Middle East, Europe and the CIS. As of 2016, export volume exceeded 27,000 tons.

In 2016 experts at the International Center for Standardization and Certification "Halal" (ICSC) conducted an audit of the poultry farms "Ptitsekombinat" and "Stavropol Broiler" (both part of the Resurs Agricultural Enterprise Group) and testified to their conformity to Islamic requirements. At both enterprises, poultry slaughter is carried out manually by Muslim carvers, under the supervision of experts from the ICSC Halal. For the first time in modern Russian practice, the method of slaughter of a bird was applied without the use of stunning. This method of slaughter is in demand and is widespread in many Islamic countries.

In 2016, following an inspection by representatives of the Ministry of Environment and Water Resources of the United Arab Emirates, the processing plants of Resurs received accreditation for the supply of poultry products to this country. In 2017, Resurs became the first Russian company to receive a certificate from the Agency for Standardization and Metrology of the United Arab Emirates (ESMA), which gives the right to export Halal products to the countries of the Middle East. Resurs presented a line of Halal products called An-Noor™ in spring 2017 at the international exhibition Gulfood-2017 in Dubai (UAE). The Halal assortment under Resurs' trademark An-Noor includes poultry meat and was created as part of the company's aim to export Halal products to Islamic countries.

AGROHOLDING “BELAYA PTITSA” (“WHITE BIRD”)

Agroholding “Belaya Ptitsa” was founded in 2004 in an ecologically clean area of the Belgorod region, Russia. For 14 years, the company Belaya Ptitsa has positioned itself as a reliable partner and supplier of poultry products of consistently high quality. Today Belaya Ptitsa is one of the largest Russian vertically integrated agricultural holdings for the production of poultry meat (as of 2016 the volume of export was 10-12,000 tons), and one of the largest Halal broiler producers in Russia. In 2018, “Belaya Ptitsa” plans to increase the volume of deliveries of its products abroad to 20,000 tons in the course of expanding the international geography of sales and strategic development of its export potential.

At the Moscow Halal Expo in 2016, the company's products received the “Best Halal Product” diploma in the “Semi-finished Poultry Meat” category. At the international exhibition “Gulfood – 2017” in the United Arab Emirates, Belaya Ptitsa became one of the few producers that represented the Russian market for Halal products on the world stage. At the exhibition, the quality of the products of the company, certified according to the Halal standard, was highly appreciated by the organizers. In 2017 at the largest international event, “ProdExpo 2017”, the company's products were again awarded gold medals.

GROUP OF COMPANIES “DAMATE”

The “Damate” Group of companies is a Russian agricultural holding that is involved in three areas of activity: turkey farming and processing, milk processing and dairy farming. The company's production facilities are located in the Penza and Tyumen regions. Damate began shipping products for export in the fall of 2015. Currently, the company exports its products to the EU countries as well as to Vietnam, Hong Kong, Gabon, Benin, Azerbaijan and the Democratic Republic of the Congo.

Today Damate is the only company in Russia that produces Halal turkey meat. It also produces Halal dairy products at OJSC Penza Dairy Plant (part of the Damate Group of Companies). Damate received a Russian certificate issued by the International Center for Standardization and Certification “Halal” under the Council of Muftis of Russia in 2013, and has repeatedly confirmed it. The enterprises where the products are manufactured have successfully passed the audit of the International Center for Standardization and Certification “Halal”.

Damate first received permission to export products to the UAE in 2016. In January, Damate was audited by the Ministry of Natural Resources and the Environment of the UAE and began supplying turkey meat to Dubai. However, due to changes in the powers of the UAE public services, the company had to re-submit its application in 2017. In September 2017, PenzaMollInvest (part of the Damate Group of Companies) hosted inspectors from the UAE and Russia, who checked not only the conformity of the slaughter and processing processes to Muslim canons, but also the implementation of HACCP plans (the international system for controlling product safety), the sanitary condition of the enterprise and personnel, the composition of the feed, raw materials and ingredients. The whole process took almost a year. At the first stage, the Rosselkhoznadzor checked the enterprises for compliance with the UAE requirement and included it in the approved register, and then the UAE representatives visited Damate's facilities for an inspection. A group of veterinarians and experts thoroughly studied the production process and inspected the enterprises. They assessed the level of production organization and its compliance with the highest world standards.

As a result, Damate became the first Russian turkey producer to receive an international certificate from the Agency for Standardization and Metrology of the United Arab Emirates (ESMA). In addition to the countries of the Persian

Gulf, it is recognized in a number of other Muslim countries. PenzaMollInvest is in the list of the approved enterprises on the website ESMA. The enterprise and the products made at its poultry processing plant in the Penza region were found to be fully compliant with the Halal standards of the UAE and the countries of the Cooperation Council of the Arab States of the Persian Gulf (Bahrain, Qatar, Kuwait, Oman, and Saudi Arabia). This was confirmed by a certificate issued by LLC “GULFTIC-ICSC HALAL”.

To date, Damate sells about 80 tons of Halal products per month and plans to increase its production volumes to meet the growing demand. The group started deliveries of products to the United Arab Emirates in March 2017. The first batch of “Indilite” turnkey meat, weighing 3.2 tons, was sent to the UAE. Now dairy products are also being supplied to the UAE under two brands: Molokom and Damate. They include soft curd, sour cream, butter, cheese, low-fat drinking yoghurts under the Molkom brand, and a premium line of Damate thermostatic yoghurt in glass packaging. All products of Damate supplied to the UAE are Halal and produced under the supervision of accredited specialists.





Nevertheless, Azerbaijan dominates the GIEI ranking in the Halal Food segment. See 9.4 Halal Food Sector Score, part of GIEI 2017.

A breakdown of the indicator scores reveals that Azerbaijan gained the highest score in the governance category of the Halal Food

segment (at the same level as the sector leader, Malaysia), which indicates that sound Halal regulations at government level and certification requirements, including certification of Halal required for imports, are in place. See 9.5 Halal Food sector score breakdown by country and by metric categories, 2017.

Deveci Broyler's "SƏBA" ("Seba")

Deveci Broyler is a producer of chicken products under the "SƏBA" brand in Azerbaijan. Shareholders in Deveci Broyler are the Azerbaijan Investment Company (AIC), holding a 25% stake, Baku Investment Company with 74%, and two private individuals.

Currently, the "SƏBA" trademark unites Səba Open Joint Stock Company, Bilasuvar Agro Limited Liability Company and Karabakh Takhil Limited Liability Company and Davachi Broiler Deep Processing Limited Liability Company. Crop produced by Karabakh Takhil is sent to Səba. Səba itself supplies feed for the birds it breeds and so is confident of its high quality. Poultry products from Davachi Broiler are sent to Deep Processing, where the chicken meat undergoes deep processing and half-finished products are produced. All this conforms to the concept of "Səba", which is defined as "from nature to kitchen".

Factory Səba was established in 1996 during the reconstruction of the Davachi Poultry Factory, which came into operation in 1981 and which was privatized in 1997. Restoration of the previous productive capacity, replacement of old devices and equipment with new, repair and adjustment of existing mechanisms and devices and other similar work, started in January 2002, made the enterprise ready for production after only six months. Experienced and qualified former personnel of the enterprise were involved in production again.

Today the factory is located on a 135-hectare site. There are 90 buildings, including 52 sheds for birds (broiler houses for keeping birds). The factory employs about 800 workers. The annual production of poultry meat at the enterprise is 13,000 tons.

Deveci Broyler, with the production of chicken and chicken products Səba, became the first Azerbaijani enterprise that was certified in accordance with state standards. Certification was conducted in 2014 as a result of studies conducted over approximately two months. The study examined the general rules for acquiring, preparing, processing, classifying, labelling, packaging, marking, controlling, loading, transporting, distributing, storing and servicing the raw materials, and transporting the meat to its place of sale. Earlier, in 2012, Deveci Broyler was certified according to Halal standards by the Association for the Certification and Control of Food and Consumer Goods (GIMDES), which has been operating since 2005 in Turkey.

Even though the share of the Eurasian region's exports in the OIC total imports of food and beverages is relatively small, some individual countries such as Tajikistan, Kyrgyzstan, Russia and Kazakhstan are already exporting from 2/5 to 2/3 of their entire food and beverage output to OIC countries. On the other hand, Armenia and Georgia, as well as Uzbekistan, have the potential to increase their

exports of food and beverages to OIC countries given OIC's heavy reliance on imported food. Imports account for 15.9% of total consumer spend on food and beverage across all OIC countries. In 2016, the largest categories of OIC imports by size were vegetable- and seed-derived products (\$93 billion), meat, mostly beef and chicken (\$23 billion), followed by dairy and animal by-products (\$14 billion)³¹.

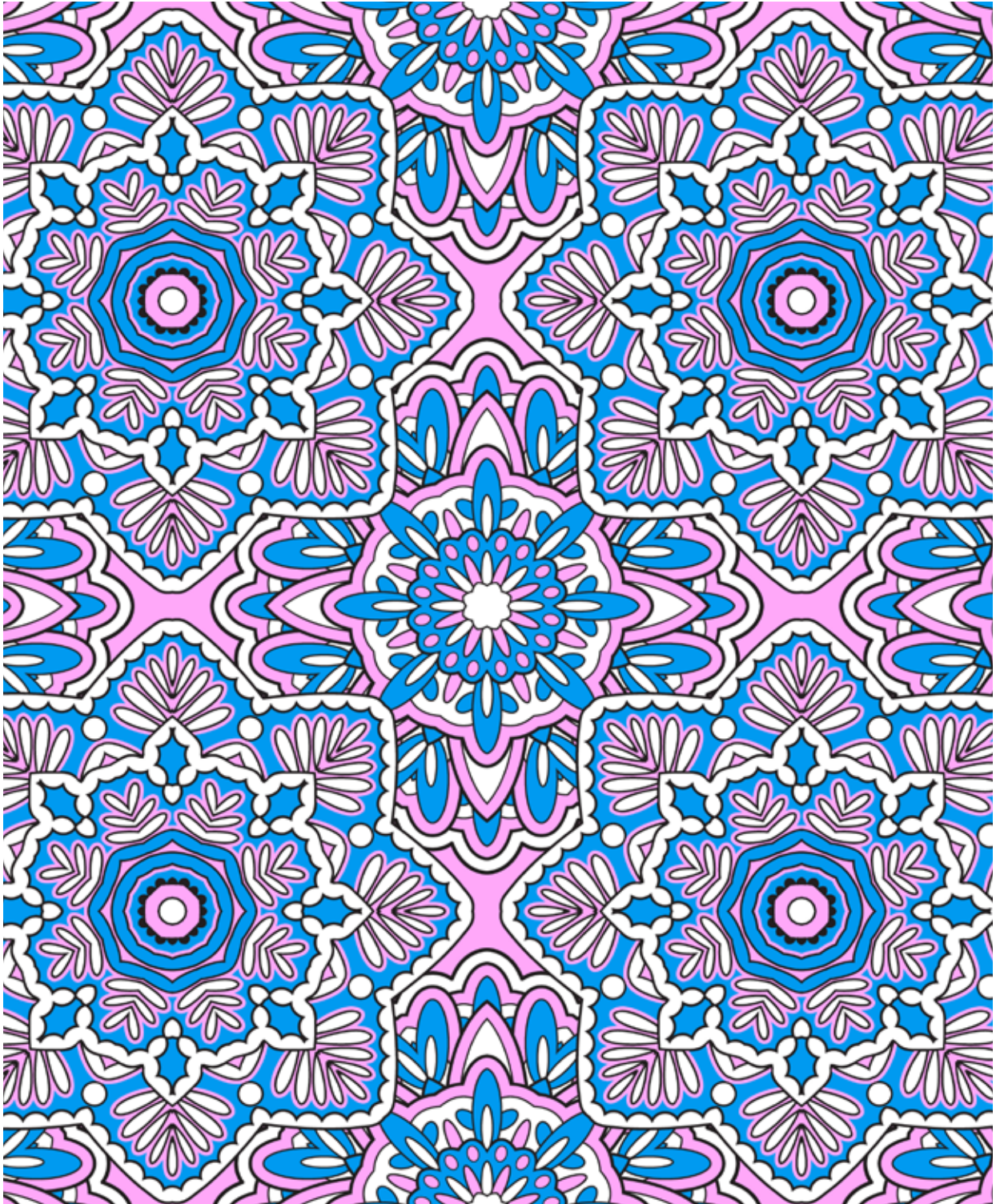
“Abaya”

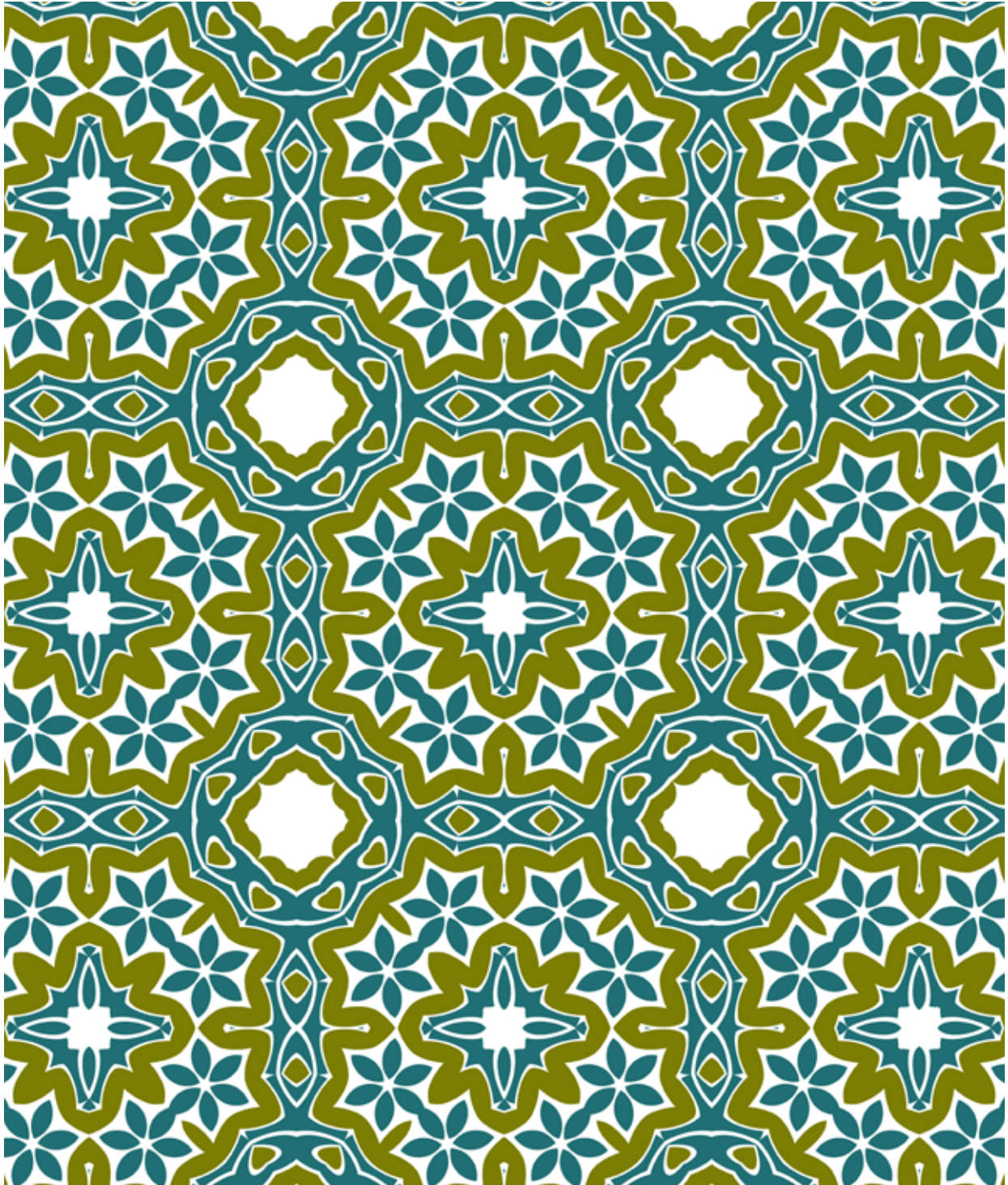
“Abaya” is a farming establishment located in Pavlodar region, Kazakhstan. The main activity of Abaya is running a 1st category feedlot site, with meat and plant production. The company has more than 50 items of machinery and equipment and over 12 years' experience in supply of its products. The company has been engaged in the cultivation of grain and fodder crops since its foundation, which makes it possible to maintain more than 10,000 head of cattle. The company has its own storage facilities for fodder crops, which allows a year-round supply to the farm animals. All goods produced by the company have certificates of origin of the goods. It also has a management system certificate in accordance with the requirements of state standards.

In 2014, Abaya put into operation a feedlot site for 3,000 head of cattle, which allowed it to reach the level of major producers engaged in the production of beef. Recently, the company has also implemented a project for the construction of a feedlot for 10,000 head of cattle. Agricultural land available to the company will allow further expansion of livestock and crop production.

Since 2013, long-term agreements have been signed with large local retail chains and meat processing complexes to buy all the company's meat products. These agreements provide for the joint processing and sale of meat products, both domestically and for export.

In 2017, the company started delivery of products to the United Arab Emirates. The first 35 tons of frozen meat has been delivered, and the next batch of 20 tons is on its way. Abaya was certified and received permission to export products to the UAE in 2016. The process took three months. Representatives of the UAE checked the meat processing plant for compliance with veterinary regulations and included the company in the register of suppliers of the countries of the Persian Gulf. The company has a local certificate for the production of Halal products, which is valid for several years.





“Kayyp-Ata”

“Kayyp-Ata” is a Kazakhstan producer of beef meat, horse meat, lamb with a Halal certificate. It is located in the Southern Kazakhstan region, and is a farm with more than 5,000 head of cattle, a meat factory with an area of 15 hectares oriented to production. Slaughtering is carried out using German technology and procedures which comply with international requirements. The complex also has warehouses and special refrigerators, which increases productivity and the quality of work. There is a shed for 20,000 head of small cattle, and about 1000 head of small cattle are slaughtered per day.

Ecologically clean and quality products are in high demand. The partnership not only produces meat, but also sells it to foreign countries. In Kazakhstan, a company such as Kayyp-ata can work without a Halal certificate, but if it were to export its products to the Islamic world, Halal certification would be necessary. The company has already shipped its products to the UAE, Iran, and to some CIS countries (mainly, Uzbekistan). In June 2016, Kayyp-ata sent a first batch of thousands of small-livestock to the UAE. It should be noted that negotiations on the supply of meat to the United Arab Emirates took five months. It is planned to send from 20 to 60 tons of Kazakhstan meat products to the UAE weekly.

In 2017, almost 10,000 small cattle were sent to Iran. Control over the quality of the meat was carried out by Iranian representatives. To ensure that the products correspond to the standard of Halal, a veterinarian, laboratory assistant, slaughterer and even a Mullah arrived from Iran. Iran plans to purchase 5,000 tons of meat products in Kazakhstan in 2018³². Moreover, similar negotiations are being held with Saudi Arabia and Iraq.

To increase its export potential, the company is constructing a meat-packing plant worth 500 million tenge (~\$1.5 million). It is planned that 300 head of cattle will be slaughtered daily there. The enterprise will meet all the requirements of European standards and will be able to export meat to any country in the world. In addition, within the framework of the memorandum signed between Kayyp ata and the Malaysian corporation, Marditech, it is planned to create a Halal hub in South Kazakhstan. The amount of investment in the project is \$10 million and the capacity is 10,000 head of cattle.

Confectionery house “Kulikovsky”

Confectionery house “Kulikovsky”, founded in 1991, is now the leader in the Kyrgyz confectionery market. The company is taking advantage of changing consumer patterns and a growing demand for Islamic products consumption in the region. Natural and environmentally friendly raw materials, modern European equipment and the best confectioners allow the company to produce products for customers in different countries, including for Muslims (certified Halal). Its offers fresh pastries, gourmet cakes, delicate desserts and delicious cakes.

The company got the certificate of Halal four years ago for the first time, because of the high demand for Halal products. Today almost all of its 200 products have a Halal certificate, with the exception of six desserts containing cognac.

The company has three production sites with an area of more than 4,000 square meters, and the latest equipment from Germany, Italy, and Belgium. Daily, the company produces up to five tons of products for four countries: Kyrgyzstan, Kazakhstan, Russia and China. After more than 20 years of work in the confectionery market, the company has established its own trading network and has accumulated considerable expertise in marketing and sales.

In the long run, the producers from Russia, Kazakhstan, Kyrgyzstan, and Tajikistan can grasp the opportunity and concentrate on capturing the world’s Halal Food and Beverages market. These countries already have a big share of their food exports going to the OIC countries. Yet, the potential of the world Halal Food and Beverages segment is not limited to the food market of OIC countries. Considering that the OIC represents less than 50% of the world’s Halal Food consumption, and given the mediocre GIEI Halal Food sector scores of Russia, Kazakhstan, Kyrgyzstan and Tajikistan, there is a long way to go to catch up with the global leaders of Halal Food production in terms of raising awareness and improving their Halal regulations and certification.

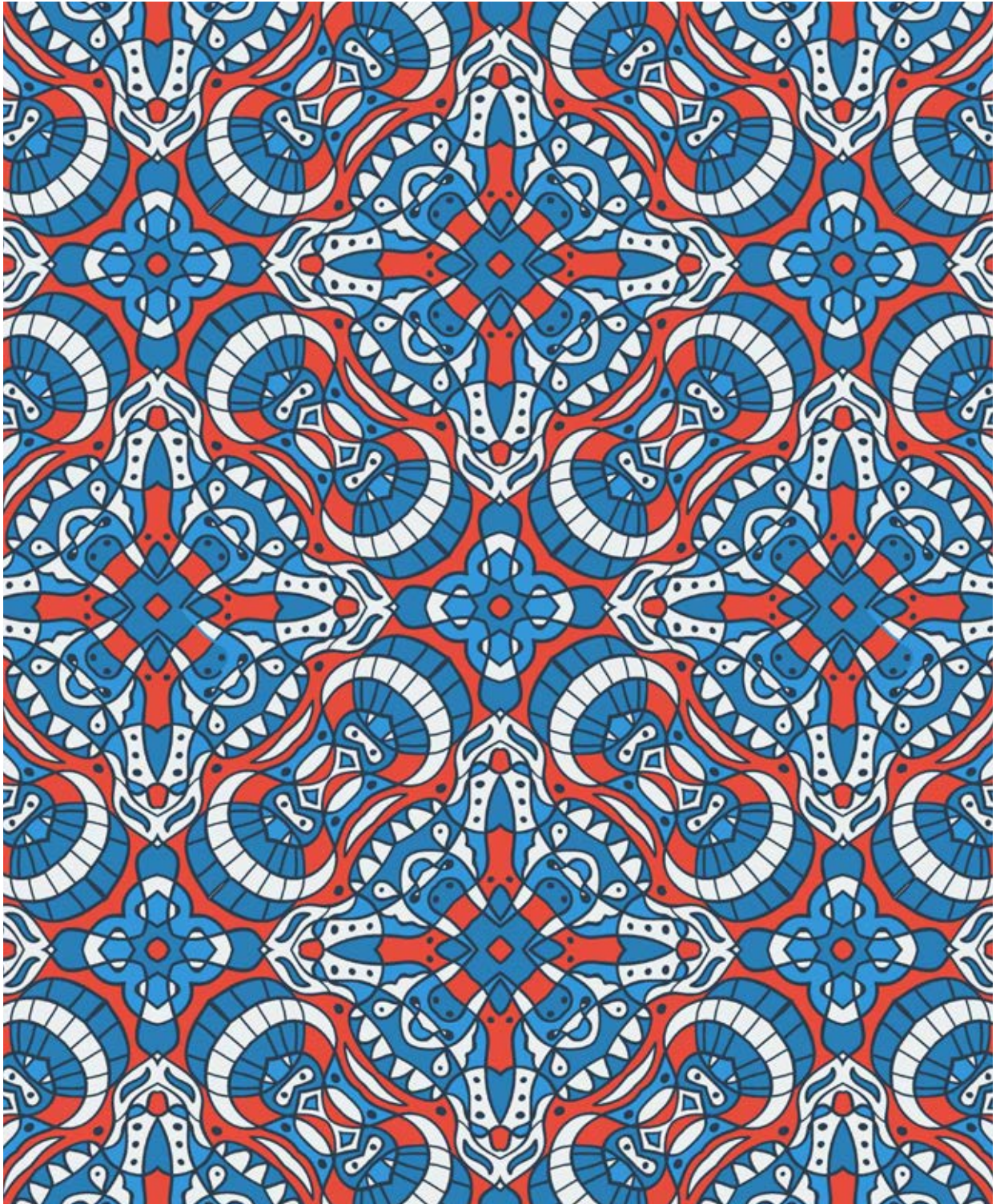
We will analyse more closely Halal certification, as well as successful examples of firms that have adopted Halal standards in Eurasian states, in a separate chapter of this report.

4.2 Fashion

In 2016, OIC clothing imports represented 8% of global clothing imports and amounted to \$35 billion. In the same year, the top Muslim clothing consumption markets were Turkey (\$27.4 billion), UAE (\$20.8 billion), Nigeria (\$17.6 billion), Saudi Arabia (\$16 billion), and Indonesia (\$13.5 billion).

The countries that export most clothing to the OIC were China (\$17.5 billion), India (\$5.4 billion), Turkey (\$2.7 billion), Bangladesh (\$1.3 billion), and Italy (\$1 billion).

In general, we observe the almost halving of clothing exports from Eurasia to the OIC³³ since 2014, mainly due to increased competition from apparel manufacturers in China, India and Turkey, and from Western brands launching their Modest Fashion lines (for instance, D&G, H&M, Nike’s modest sportswear, Danish label Hummel). See 9.6 Export of clothing from Eurasian region to OIC.



In 2016, all nine Eurasian countries together exported clothing worth \$282 million, which was 0.81% of total OIC clothing imports. Since 2001, this indicator has stayed almost the same at 0.79%. In turn, the OIC has accounted for 22.6% of the Eurasian countries' clothing export in recent decades. See 9.7 Cumulative amount of clothing export of Eurasian countries to OIC and to the world, 2001-2016.

The leader of the Modest Fashion sector of the Eurasian Islamic economy is Russia, both in terms of export volume to the OIC (60.39% of total Eurasian export of clothing to OIC according to ITC data) and in terms of the overall GIEI fashion sector score. More than 1/3 of Russian clothing exports go to the OIC region. Kyrgyzstan (20.25% of total Eurasian export of clothing to the OIC) and Georgia (18.59% of total Eurasian export of clothing to the OIC) also export a large part of their apparel and footwear production to OIC, 36.2% and 75.3%, respectively.

However, it is Tajikistan and Kazakhstan who rank 2nd and 3rd in Modest Fashion development on the GIE indicator. See 9.8 Modest Fashion Sector Score, part of GIEI 2017.

In that category, apart from clothing exports, Russia is in 1st place. Kazakhstan's and Tajikistan's performance is available in the Modest Fashion sector in 2017? See 9.9 Modest Fashion sector score breakdown by country and by metric categories, 2017.

Russia paid more attention to raising awareness of the theme of Halal Fashion through mass media and events, while Kazakhstan and Tajikistan gained scores in the social aspect of the indicator due to the low price of their clothing. Kazakhstan shows a great potential for increasing the export of clothing to the OIC as a share of the country's exports to the OIC versus its exports of clothing to the rest of the world, which is only 2%. Young Kazakh designers, such as Zulfiya Akatayeva (the owner of the Muslim brand ZUFA), *Indira Bekbauova* (stylish Muslim clothes brand Indira Bekbau), and Regina Balaubekova (the creator of the brand "ABROI") pay an important role in the Modest Fashion sector³⁴.

Armenia's clothing export volume to the world is comparable to that of Georgia, but it exports only 0.5% of it to the OIC. Georgia has captured the opportunity to the full extent and 75.3% of its clothing exports go to the OIC. It is important to remember that competition from global mass clothing manufacturers as well as from famous brands is relatively high in the segment of Modest Fashion, and is growing fast. The barriers for new players trying to enter the market must be overcome through unique value-propositions such as the shift from affordable to sustainable clothing, and being client-oriented (apparel for Muslim teens, sportswear, etc.), and through employing the vast opportunities of marketing presented by the Internet and apps.



Fashion house “Firdaws”

Fashion house “Firdaws” is the first national Haute Couture brand of fashionable clothing from the Chechen Republic designed in national motifs. The Fashion House is located in the heart Grozny, the capital. Firdaws won the Grand Prix and Vice Grand Prix of The Couturier of the Year 2011 in Moscow.

Medni Kadyrova³⁵ is the founder of the fashion house Firdaws. Since 2009, the first fashionable brand in Chechnya has been producing Muslim clothes and setting the tone by presenting the audience with unique individual trends which combine modern ideas with the historic cultural legacy of Chechnya. The brand derives its name from the Arabic word “Firdaws” which means “Paradise Gardens”. The Garden of Paradise “Firdaws” mentioned in the surahs of the Quran represents a world full of beauty, harmony and spiritual purity.

The Firdaws collection was created by a group of young and talented designers born in the Chechen Republic. Their ideas for the collection are drawn from the history of the Vainakh national costume and the wisdom of the Quran. The symbol of Firdaws is the image of a bird of paradise, first recorded in the letters of Arabic calligraphy. Like the paradise bird of the Firdaws garden, the collections of this fashion house inspire the imagination of spectators by the use of flowers, the lightness of the shapes and the grace of the silhouettes. Today, Firdaws presents fashionable women's clothing at the highest level.

The line's first collection was launched in 2012 at the Royal Mirage Hotel in Dubai. The press wrote that the Chechen fashion show was “a wave of mesmerizing pastel colours and fascinating elegant designs”. According to Mrs. Kadyrova, her “designs are inspired by the natural beauty and grace of Arab women, to whom she dedicated her first collection”. The audience at the Firdaws Fashion Show in Dubai included high-level personalities, celebrities and designers from the region including the renowned designers Zuhair Murad, Walid Atallah and Furn One, in addition to representatives from local, regional and international media³⁶.

Mrs. Kadyrova, who next plans to take her collection to the runways in Saudi Arabia, said her goal was to “conquer the world of Middle East fashion.”³⁷ Her daughter, Aishat Kadyrova, who is currently head of Firdaws, arranged a Moscow fashion show in 2017. She has taken over the label, with a view to expand the brand's international reach. Ulzana Zadulayeva, Firdaws's spokesperson, cited her intention to expand the business in key markets: “Abu Dhabi, Bahrain, we will be thinking about these.”³⁸



HAYAT Design Studio

HAYAT was one of the first design companies in Russia to create stylish casual clothes from a sketch to a finished product not only for Muslim women, but also for all women who choose purity and nobility. HAYAT is classified as a small enterprise whose main activity is the development, production and sale to the ultimate buyer of women's designer clothes consistent with the norms of Sharia. HAYAT is a combination of the best style traditions of the cultural capital of Russia, St. Petersburg, and strict compliance with the laws of Islam.

The firm was established in 2006, when its founder and chief designer, Gulnara Nurullina, created the first collection. After defending a thesis on the topic of Islamic business and finance, as well as writing some books on this topic, Gulnara had a desire to go into the practical dimension and start her own business in this field. The idea with clothes arose because there were a gap in the market, and growing demand, in 2006 in Russia. However, the main reason for creating HAYAT was that the business brings her joy; it is her favourite occupation in life.

For 12 years, HAYAT has pleased women with stylish models of impeccable quality. The trademark “HAYAT – it's my life” is registered in the patent office of the Russian Federation. Gulnara considers this step important for a stable and long-term business.

The establishment of HAYAT did not differ from normal business development, starting from idea, brand concept, niche choice, client definition, development and production of the first trial batch to the marketing and promotion of goods, the online store opening, conducting analytics and improvement of business parameters, expansion of business, and off-line store opening. Many difficulties arise when buying fabrics. The material may not match the quality: it may shrink, shed, disperse at the seams due to looseness, etc. Therefore, one of the main lessons learned is that one must choose reliable suppliers who will accept commercial responsibility for low-quality supplies. The main recommendations for peer entrepreneurs is the importance of forming a strong team and building long-term relationships with partners. As regards policy, Gulnara suggests simplifying tax reporting, and introducing tax incentives for small businesses, in particular domestic producers, in order to develop the local Modest Fashion segment.

Today HAYAT has two stores in Russia and a chain of partner-stores abroad. It releases new collections four times a year, offers over 20 models of headscarf and a wide range of clothes made of quality natural fabric, including exclusive designer models. HAYAT is also the official and exclusive representative in Russia of the British company Islamic Design House.

Success is a relative concept. It is important for Gulnara Nurullina that HAYAT's customers are happy when they wear the company's clothes and come back to HAYAT repeatedly. HAYAT strives to take measured steps and not to chase scale. It has a delicate approach to business and each individual client. HAYAT's plan for the future is to improve further the quality of its customer service.

4.3 Finance

The trendsetters in the international Participation Banking industry are the nine countries with the most developed Islamic Finance sector environment: Bahrain, Qatar, Indonesia, Saudi Arabia, Malaysia, United Arab Emirates, Turkey, Kuwait and Pakistan. Cumulatively, they account for 93% of Islamic finance assets, estimated to exceed \$ 920 billion in 2015³⁹.

Currently, Kazakhstan has the most Islamic financial institutions (IFIs) assets (69% of total) among the nine Eurasian countries and holds the leading position in the Islamic Finance sector according to Thomson Reuters and DinarStandard's GIEI. See 9.10 Islamic Finance Sector Score, part of GIEI 2017.

In 2009, Kazakhstan became the first country in the region to pass laws regulating Islamic banking, and in 2012 the first country in Eurasia where an Islamic sukuk was issued. In January 2018, the Islamic financial company "Al Sakr Finance" for the first time entered into a deal with the Kazakhstan company "Transtelecom" for the purchase of non-residential premises on the terms of Islamic leasing (Ijara)⁴⁰. Kazakhstan is gradually laying the foundation for an Islamic

finance infrastructure. Kazakhstan now has a legal framework for Islamic banking: sukuk, takaful, and ijarah (leasing). There are now two operating Islamic banks, "Al Hilal bank" and "Zaman bank"; leasing companies "Kazakhstan Ijara Company" and "Al Sakr Finance"; the mutual insurance company "Takaful"; Islamic trade and finance company "New Finance Invest"; and a "Zakayat" fund in Kazakhstan. National development institutions such as "Development Bank of Kazakhstan" (DBK), "DBK-Leasing", entrepreneurship fund "Damu", and JSC "KazAgroFinance", are also active participants in the Islamic finance market in Kazakhstan. In 2012, the Kazakh government introduced a 41-point "Road Map for Development of Islamic Finance by 2020." The plan aims to enhance legislative provision, market education, Islamic financial infrastructure, development of the public sector, Islamic financial services, science and education, and investor relations with support from various public and private institutions. Furthermore, in 2018, the Astana International Financial Center (AIFC) will be launched. It is intended to become a platform for further development of Islamic Finance in Kazakhstan and Eurasia.



Kazakhstan's Islamic finance model

According to a study by the Boston Consulting Group, the potential volume of Islamic financial assets in Kazakhstan could reach \$23 billion by 2025. The assets of Islamic banks could reach 10% of the entire banking sector in Kazakhstan⁴¹. In his annual address to the people of the Republic of Kazakhstan in 2015, President Nursultan Nazarbayev announced that Kazakhstan aspires to become a regional hub for Islamic finance through the platform of Astana International Financial Center. This aspiration builds on consistent previous steps and will lead to a number of coordinated initiatives, including explicit regulation of the Islamic finance and banking sectors.

Legislation plays an important role in building Islamic banking. The Kazakhstan model is closest to the schools for Islamic finance in the Middle East. Representatives of the school of Bahrain were among the advisory group on amendments to legislation in Kazakhstan. It takes into account the principles of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Currently, AAOIFI standards have been adopted by a number of central banks and financial regulators and are the main normative document for the Islamic financial industry in the field of audit and accounting, as well as Islamic financial and investment products. More details on Kazakhstan's legislation on Islamic financing can be found in Article 52 of the Law "On Banks and Banking Activity in the Republic of Kazakhstan".

In accordance with the law "On Amendments and Additions to Some Legislative Acts of the Republic of Kazakhstan on the Organization and Operation of Islamic Banks and the Organization of Islamic Finance.", the Islamic Bank is a "second-tier bank, carrying out banking activities in compliance with the principles of Islamic financing ... on the basis of a license from the authorized body". Unlike in Russia, Turkey, Azerbaijan and a number of countries where Islamic banks are forced not to advertise their speciality, Kazakh law mandates that "the name of an Islamic bank should contain the phrase 'Islamic Bank'".

The authorities in Kazakhstan establish a level playing field for Islamic financial intuitions. For example, in order to ensure the equal treatment for both Islamic and conventional financial products, special legal provisions were introduced in 2009 into the Civil Code, the Law on Banks and Banking Activities, the Tax Code, the Law on Investment Funds, and others. New amendments to the Law have been introduced and were approved in November 2015. The amendment provisions facilitate the conversion of conventional banks into Sharia-compliant ones and permits Islamic windows too, as well as formation of takaful firms.

On the principle of the equal treatment of all banks, the National Bank of Kazakhstan as a regulator does not provide special incentives for Islamic finance. This differentiates Kazakhstan's model of Islamic finance from the Malaysian one. The Islamic finance industry is protected in Malaysia as an "infant industry". Malaysia provides impetus in the form of financial, tax, and regulated incentives. For instance, such governmental tax incentives are provided to make sukuk more competitive financial instruments.

In this regard, the Islamic finance model in Kazakhstan resembles the UK model. The key principle adopted by the British government towards the formation of its Islamic finance industry is "no obstacles, no special favours". The UK government amended tax and regulatory guidelines aimed to set up equal conditions for all participants of the UK's financial markets, including Islamic financial institutions. At the same time, the British authorities made it clear that the establishment of a special legal field for individual financial institutions was unreasonable and legally impossible. For example, according to Sharia norms income cannot be guaranteed by an Islamic bank, and moreover there is a risk of losing capital. However, British law makes it mandatory for all banks that accept deposits to follow the Deposit Guarantee Scheme. This approach differentiates the UK's regulation of Islamic finance from the Kazakh

one. According to the Bank Law of the Republic of Kazakhstan, an Islamic bank is not a participant in the obligatory deposit insurance system, and deposits in Islamic banks are not guaranteed by it. Given this provision, deposits in Islamic banks are less attractive than those in conventional banks. Addressing this issue, the National Bank of Kazakhstan is working to develop a special deposit insurance system based on world best practice.

Further hopes for the development of Islamic Finance in Kazakhstan are primarily associated with the International Financial Center in Kazakhstan's capital – Astana (AIFC). It is projected that out of the \$40 billion investment that AIFC plans to attract by 2025, the share of Islamic finance could amount to \$7-8 billion over seven years. In 2016, a memorandum of cooperation was signed between AIFC and the IDB, which envisaged launching the full range of Islamic finance services available in the world through the platform of AIFC. Last year, AIFC issued a publication on Islamic finance standards based on AAOIFI documents. On the part of the government, this structure has been given exceptional confidence by transferring to it the functions of the IDB Governor's country office, which only Ministries previously performed. Also, in accordance with international experience, a central council on the principles of Islamic finance will be established, as stipulated in the legislation of the Republic of Kazakhstan.

English law, implemented within the framework of AIFC, will help give a chance for the ultimate success of all these efforts. The principles of Islamic finance not only do not contradict, but also completely correlate with the basics of English law. It is thanks to the flexible foundations of this right that countries like Malaysia, Singapore, Bahrain, Dubai, Oman, the United Kingdom and even the United States are successfully building an Islamic (partner) financing system.

In Kazakhstan, all the conditions for the development of Islamic finance have been created, including the legislative one, and the people and business are both interested in Islamic financial products. In addition, such international institutions as IDB and the Islamic Corporation for the Development of the Private Sector are active. Speaking about IDB, it works not only with Islamic financial companies, but also with state institutions, for example, with the entrepreneurship development fund “Damu”, and with “Kazagro” and “Baiterek” holdings. This work allows business in the country to receive funding through Islamic financial instruments, thereby increasing the number of representatives of the private sector familiar with Islamic finance.

The experience of developing Islamic finance in Kazakhstan has been successful in the CIS. The main advantage enjoyed by Kazakhstan is that, first, there is interest from the government in the development of Islamic finance and the intention to make Kazakhstan a regional hub for Islamic financing. This factor is fundamentally important, because the special rules of Islamic financing require a special legislative base, the creation of which directly depends on the legislative and executive bodies. As a result, by 2009, the first changes and amendments were already made. The second factor is the growing interest and demand for Islamic financial products from the population. This all creates a favourable environment for the development of the segment of Islamic banking. Another positive influence is the consistency of the position of the country's leadership: the government of the Republic of Kazakhstan confirms its support for this direction, making it one of the key influences in the AIFC.

“Al Hilal Bank” experience in Kazakhstan

“Al Hilal Islamic Bank JSC” (Al Hilal Bank) was the first Islamic bank in Kazakhstan and the CIS region, established in 2010 under the terms of an intergovernmental agreement between Kazakhstan and UAE. It is a subsidiary of Al Hilal Bank PJSC, one of the fastest growing and innovative UAE banks, which is 100% government owned, and based in Abu Dhabi.

Initially Al Hilal Bank in Kazakhstan focused on building relationships with corporate and state-owned companies providing Islamic financing solutions for large projects. In 2017, it launched Islamic banking products for individuals. Today, Al Hilal Bank has several offices there, including a head office in Almaty and branches in Almaty, Astana, and Shymkent. It provides a wide range of Sharia-compliant banking products and services both for corporate customers and individuals.

The bank’s assets, as of January 1, 2018, comprise 0.23% of the total assets of the banking sector (56.5 bln Tenge). The gradual and wise approach of Al Hilal in Kazakhstan over the last eight years has resulted in its financing projects worth over \$ 1 billion.

In the initial stages Al Hilal worked in three directions. The first problem that the bank faced was staff. On the one hand, the country simply did not have specialists who understood Islamic banking; on the other hand, people who did not understand what an Islamic bank is were wary of working for Al Hilal. For training, the bank sent staff to Abu Dhabi, where they could learn the principles of Islamic banking.

Another difficulty was the creation of a base of standard contracts. The head bank’s contracts from the UAE were used as a basis, which Al Hilal bank’s lawyers and local law firms then adapted to Kazakhstan law while maintaining their compliance with the principles of Islamic finance. The Bank Law in Kazakhstan details a number of basic contracts used in Islamic banks and which are permitted in Kazakhstan: murabaha, musharaka, ijara, etc. At the same time, contracts known to Kazakh law are used to designate traditional contracts: murabaha in law is characterized as a commercial loan agreement, ijara as leasing, musharaka as a partnership agreement, etc.

When coming to a new market Islamic banks unlike conventional banks face additional tasks on working with the regulator and tax authorities. For the regulators this was the first experience of working with Islamic banking. Al Hilal bank did a lot of joint work to improve legislation and regulations. For instance, together with representatives of the Sharia Council, it took an active part in drafting relevant legislation, providing technical advice, structuring transactions and legal issues for the issue of Islamic sukuk bonds. The results of the joint preparatory work were transferred to the National Bank and the Ministry of Finance, and to date all decisions and plans for the issue of sovereign sukuk are in the hands of regulators.

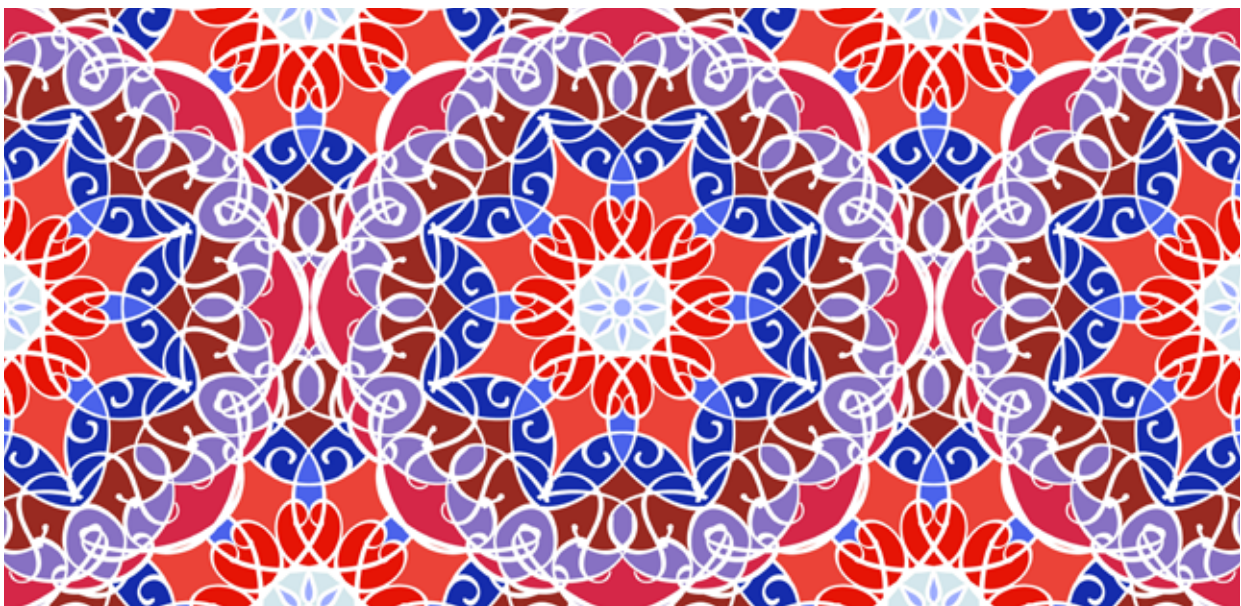
As for business strategy, Al Hilal started by focusing on the corporate segment. It was important to establish business processes, to develop Islamic products and to reach certain capacities in order to become a stable bank. For corporate customers, in turn, it was easier to understand Al Hilal bank’s products. Working with corporate clients helped the bank improve its products, test them in Kazakhstan’s realities, and make adjustments. Work with individuals involves servicing a large number of clients; here one needs to put work in hand in a working pipeline, where all the mechanisms work accurately and correctly. A new product that has not been tested in the market represents a risk. In addition, the past 10 years have been very difficult for Kazakh banks. Increased caution was necessary because hasty actions could damage not only the image of Al Hilal Bank in UAE but also the reputation of the whole Islamic banking sector in Kazakhstan. After seven years, Al Hilal bank, with a certain amount of experience

and understanding of the specifics of the local market, felt ready to enter the retail sector. It already sees interest from the market: after eight months of operation, retail deposits have reached \$45 million, which exceeds the bank's forecasts. So, Al Hilal bank is planning to increase its presence in the retail sector.

When the Islamic Bank Al Hilal was starting out in Kazakhstan, there were many myths about Islamic financial products among the population. Many misunderstood the meaning of the notion of "no interest rates" and thought that meant money was "free". They believed that Islamic banks exist only for the implementation of social projects, or that they only serve Muslims. Al Hilal bank began to conduct educational activities right from the start, firstly in the mass media, so that they could then relay the correct understanding to the population. Later on, lectures were held in universities, because students are future specialists, executives, financial directors and business leaders. Explanatory work was conducted with imams, as with people who are a source of information for a large part of the Muslim population of the country. Launching a retail business last year made the task of raising awareness more urgent among the wider society.

In the market, Al Hilal bank has a special status: on the one hand, it is the first Islamic bank in Kazakhstan and the CIS; on the other hand, it is a part of one of the largest financial groups in the region that has an A+ Fitch and an A2 Moody's rating, attesting to its financial stability and reliability. The head bank of Al Hilal in Abu Dhabi closely monitors its subsidiary in Kazakhstan, whose experience, if successful, can be taken as the basis for opening representative offices in other Eurasian countries in the future. In addition, other Islamic banks in the Middle East are watching the experience of Al Hilal Bank with a view to opening more Islamic banks in Kazakhstan.

Source: Al Hilal Bank in Kazakhstan



Azerbaijan and Kyrgyzstan are also among the leaders in the Islamic Finance sector of Eurasia along with Kazakhstan due to their governments' initiatives on amending the countries' law to allow more Islamic-friendly formats. These initiatives are being successfully implemented and have resulted in an increase in the financial assets accumulated in Islamic institutions and the opening of Islamic banks or "Islamic windows" in conventional banks.

On May 16, 2006, the Kyrgyz Republic, EcoBank OJSC and the Islamic Development Bank (IDB) signed a Memorandum of Understanding that contained provisions establishing a cooperation mechanism for the development of Islamic banking in the country. Two months after the signing of the Memorandum, on July 12, 2006, President Bakiev signed Decree No. 373 "On the Pilot Project for the Implementation of Islamic Financing Principles in the Kyrgyz Republic." The decree confirmed the intention to develop the Islamic

financial sector in parallel with the traditional one. Banks operating in the country have a choice: either continue to carry out interest-bearing transactions, or convert themselves into Islamic banks. In July 2007, then President of the country Kurmanbek Bakiyev and President of the Islamic Republic of Iran Mahmoud Ahmadinejad, attended the official opening ceremony of the Islamic window project in EcoBank. Since May 2008, not only legal entities, but also individuals have been able to open savings accounts in the bank ("Qard Hasan") without interest being charged/paid on balances. In August of the same year, the bank began to open demand deposit accounts (Wadiah) and urgent investment deposit accounts on the basis of the mudaraba mechanism. At present, EcoBank offers its clients (both individuals and legal entities) a wide range of Islamic banking products. Along with Islamic banks, there are microfinance organizations in Kyrgyzstan that work mainly on the principle of "murabaha".



“Kompanion Invest”

“Kompanion Invest Microcredit Company” (MCC) is a subsidiary of Kompanion Bank CJSC. Kompanion Bank CJSC has been providing financial products and business development services to the people of Kyrgyzstan since 2004. So far, the company has over 113,000 clients, 900 employees, and 108 branches and savings cash desks countrywide.

Mercy Corps, an international non-governmental organization, is the bank’s founder and major shareholder. In March 2015, Kompanion increased its equity by bringing direct Dutch investment into the economy of Kyrgyzstan. The Dutch Development Bank (FMO) and Triodos investment funds (Triodos Fair Share Fund, Triodos Sicav II) became shareholders. The international community rates highly the company’s work. In 2014 Kompanion was certified by the SMART Campaign that confirms companies’ adherence to client protection principles. Kompanion became the first organization in Central Asia to receive the European Microfinance Award for its contribution to environmental preservation.

Kompanion Invest was established in Kyrgyzstan in 2011 and since then has been building a base for a microcredit company operating on Islamic principles and norms. The company positions itself as the leading Islamic financial institution for the development of communities in Central Asia. The company’s activities are aimed at strengthening and developing communities, offering financial and developmental products and services to entrepreneurs and private individuals in accordance with Sharia.

In 2012, Kompanion Invest conducted its first murabaha agreement transaction. In November 2013, the company became one of three finalists of the international competition, Islamic Microfinance Challenge 2013, organized by the CGAP (Consulting Group on Assisting the Poor), together with the Islamic Development Bank, the Al Baraka Banking and Triple Jump Group. The winner was the Wasil Foundation, Pakistan, which presented a package of services aimed at financing agriculture. Kompanion Invest, as well as Khartoum Bank of Sudan, were the other top finalists.

In 2015, the company completed the process of introducing Sharia accounting and audit standards for Islamic financial institutions. In 2016, Kompanion Invest fully switched to the Standards of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). That year, Kompanion Invest also received a certificate of the National Bank of the Kyrgyz Republic on compliance with Islamic principles of banking and financing (No. 352-4/534 dated July 22, 2016).

In April 2017, Kompanion Invest raised long-term finance from Deutsche Bank. The investment agreement was signed in April 2017. It is in full compliance with Sharia standards. The main purpose is to support microfinance products and services that are consistent with Islamic law. The funds were provided as part of Deutsche Bank’s New Initiatives Fund project that provides accessible financing to low-income clients in developing countries.



Azerbaijan's Islamic Finance sector has been developing despite a certain resistance from those Azerbaijani officials who insist on adhering to the principles of secularism in the country. They automatically oppose any projects at state level if the word "Islamic" is mentioned, even when connected with Islamic finance and, in particular, Islamic banks. The reason is historical. The Azerbaijanis are proud that the Azerbaijani Democratic Republic (ADR), proclaimed on May 28, 1918, became the first secular state in the Muslim East, a few years before the abolition of the caliphate in Turkey. The modern Republic of Azerbaijan (since August 30, 1991) adopted from the ADR a flag, a coat of arms and a hymn, as well as a secular policy which minimizes the role of Islam in the public and political life of the country.

As a consequence, there is no special status for Islamic banks in Azerbaijan. Therefore, for all official documents, Kausar Bank, the only Islamic bank in the country at the moment, is apparently a typical traditional bank. Kausar Bank was one of the first commercial banks in Azerbaijan, being licensed under the Soviet Union in 1988. Until September 2001 it was known as the Universal Bank. On October 21, 2002, the National Bank of Azerbaijan issued a new license to Kausar for all types of banking activities. Nevertheless, Kausar Bank is recognized by the world Islamic banking community as an Islamic bank. The Bank is a member of the General Council for Islamic banks and financial institutions and the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). It offers its customers only four Islamic banking products: 1) opening and maintaining an investment account based on the *mudaraba* mechanism; 2) business crediting in accordance with the mechanism of *musharaka*, 3) lending to individuals and legal entities by buying and selling bills that are analogues of Islamic *sukuk* bonds; and 4) financing the purchase of cars, household appliances, etc. though the *istisna* and *ijarah* mechanisms. Due to restrictions in Azerbaijani law concerning the trade

activities of banks, the mechanism of *mura-baha* cannot be used by Kausar Bank.

Like Azerbaijan and Kyrgyzstan, Tajikistan has also performed well in its governance score, and is positioned above Russia in overall Islamic Finance ecosystem quality. The law on Islamic banking in Tajikistan came into force in August, 2014. Soon after that, in 2015 Tajikistan Development Bank tried to become a full-fledged Islamic bank with the support from IDB. These plans did not bear fruit, even though Tajikistan has consistently proved its serious plans for developing its Islamic Finance industry. In February 2017, it was announced that the National Bank of Tajikistan (NBT) planned to establish the Consultative Council for Islamic Banking Services for the purpose of introducing Islamic banking in Tajikistan⁴². The government also has plans to allow *sukuk* transactions⁴³. In March 2018, it was announced that the National Bank of Tajikistan was speeding up the process of introducing Islamic banking; in particular, regulatory legal acts were being developed in order to license Islamic credit organizations⁴⁴.

Uzbekistan and Turkmenistan have room for development in terms of attracting Islamic financial capital and upgrading their legislation. To date, among Islamic institutions, only IDB has implemented several projects supported by Islamic finance. This organization plays the role of a donor operating through established scheme of development programs. Historically, Turkmenistan joined the IDB group in 1994, while Uzbekistan was the last to join, in 2003. Since then, the IDB group has provided funds worth more than half a billion USD to both countries. Most funding has been directed into the transportation and energy sectors⁴⁵. See 9.11 Islamic Finance sector score breakdown by country and by metric categories, 2017.

Russia claims that "Participatory Banking" is not important for the country. In 2015, a working group on participatory banking was established and, soon afterwards, the Bank of Russia adopted a 2-year Activities Plan (a road

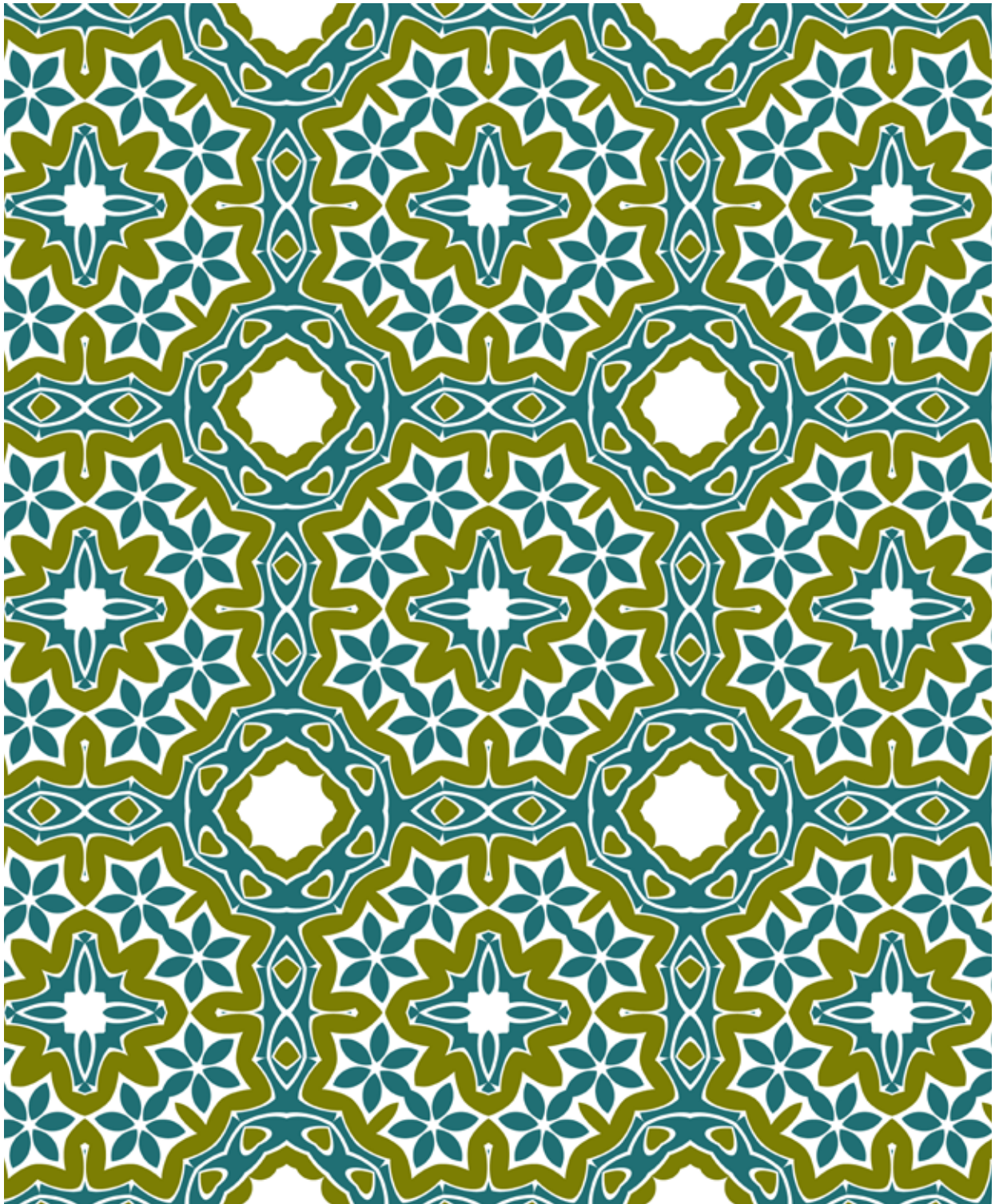
map) for the development of Islamic financing in the Russian Federation. It covers key aspects of partnership banking: legal, regulatory, educational and others, and provides for a set of activities aimed at exploring the possibility of introducing partnership banking services in Russia. However, recent developments at the federal level may give the impression that Russia is drifting away from the Islamic economy. On March 9, 2017, the Russian State Duma (lower house of parliament) rejected a Bill that would let Islamic banking fully and legally operate in Russia⁴⁶. Almost a decade ago, due to identified violations, the only bank in Russia that used Islamic technologies, the Badr-Forte Bank, had its license revoked. It had operated since 1991, and began using Islamic methods of financing in 1997. With the assistance of Badr-Forte Bank, in December 2005, the consumer society “Manzil” (“Fireside”) was registered in Moscow. The main goal of the company's activities was the implementation of a Halal housing program enabling acquisition of housing offered by the society through the mechanism of diminishing musharaka. This initiative also failed soon after its establishment due to the lack of understanding among potential clients and a lack of the necessary specialists. Since then, many other Islamic banking organizations have been set up, but most eventually closed down: Amal Financial House, a subsidiary of Bulgar Bank in Yaroslavl, lost its license in 2017, Ellips Bank in Nizhniy Novgorod and Express Bank in Dagestan, established in 2011, were also deemed as inefficient and were liquidated in 2013⁴⁷.

In August 2014, the Association of Russian Banks sent a letter to the central bank suggesting that the promotion of Islamic finance would support economic activity and attract investment from the Middle East and Southeast Asia⁴⁸. In the absence of a legislative basis at federal level, Russian banks willing to develop Islamic financial instruments are forced to work in Islamic-friendly regions or neighbouring countries. Since 2017, Sberbank has been mentioning that it wants to

develop Islamic banking in Kazakhstan. As explained by the press service of the bank, Kazakhstan can be unequivocally regarded as one of the promising markets for the development of partner banking in the CIS. Sberbank also notes that the presence of a legislative base in Kazakhstan, the activity of the Astana International Financial Center and the presence of a subsidiary bank in the Kazakh market all create favourable conditions for the launch of such project. Sberbank believes that in addition to the demand for Islamic financial products and services, Kazakhstan has a developed client segment which is growing steadily. The organization added that at the initial stage it is considering products for the corporate segment only. Currently, work is under way on products for the development of medium, small and individual entrepreneurship; schemes are being structured to attract direct investment in project financing. Sberbank acts consistently towards developing partnership banking, having already concluded the first Islamic financial transaction on leasing in Tatarstan in 2017. In February 2018, Sberbank announced that its project on Islamic finance will be given a new impetus and that it will open “Islamic windows” in Russia sometime this year. Before that, deposit products by Islamic banking standards will be tested by Sberbank in the capitals of Tatarstan, Chechnya and Bashkortostan⁴⁹.

As seen from the experience of the Kazakhstan, Kyrgyzstan and Azerbaijan, government commitment and international technical, financial and educational support are crucial factors for successful development of Islamic Finance sector in Eurasian countries. Assistance from IDB illustrates this. Expansion of the Islamic financial industry is one of the nine key strategic thrusts of IDB⁵⁰. In pursuit of this goal, IDB is actively involved in development of Islamic Finance in Central Asian member countries through three major channels: technical assistance, operational support, and research and training.

For instance, on January 9, 2007, an agreement on technical assistance was signed



Sberbank

Founded in 1841, Sberbank is today the largest bank in Russia, and one of the largest companies in the country. It holds 28.9% of Russia's aggregate banking assets (as of January 1, 2018), with 60% of Russian population using its services on a regular basis. It is also a Top 5 Russian employer. Sberbank is made up of a network of 14 regional banks, with 14,200 branches across the country. Outside Russia Sberbank has subsidiary banks, branches and representative offices in the CIS, Central and Eastern Europe, Turkey, the UK, the United States and other countries.

The majority shareholder and founder of Sberbank is the Central Bank of Russia, which owns 50% of the share capital plus one voting share. The rest of the Bank's stock is held by international and Russian investors. In 2017, Sberbank adopted its Strategy 2020. This new business development strategy is focused on the implementation of initiatives that will take Sberbank to the next level and ensure its ability to compete with global technology companies while remaining the bank of choice for retail customers and businesses.

Sberbank is responding promptly to market demand. Analysis of research results and information obtained from representatives of various sectors of the economy paints a clear picture of a specific client segment in the Russian market. This is one which prefers banks that offer products and services which correspond to the ethical values of the client. Moreover, Sberbank sees in the instruments of Islamic finance a good opportunity to access all sectors of the Islamic economy. For Sberbank this is also an additional tool for diversifying funding sources (in this case - from the Middle East, Asia and Europe). Moreover, individual Islamic finance products help develop medium and small businesses, and venture entrepreneurship, thus empowering the domestic producer.

Sberbank experts participate in the working group under the Bank of Russia and in the State Duma. In Sberbank's view, now, when it is necessary to finalize the legislative base, it is necessary to cooperate more closely with the Islamic Development Bank (IDB). As part of the activity within this working group, Sberbank has also worked with the Islamic Corporation for the Development of the Private Sector and other related bodies. Together with the IDB, they are developing a road map for the introduction of partnership banking and related financial services in Russia. The first steps in this direction have already been taken: the Russian Central Bank, Vnesheconombank and Sberbank have signed memorandums of understanding and cooperation with the IDB for the development of partnership banking in Russia. Sberbank cooperates well with its colleagues from Vnesheconombank, which is more prominent in public-private partnership (PPP) projects. Similarly, the IDB mainly aims at PPP and it is interested in financing large infrastructure projects of national importance.

At the initial stage, Sberbank proposed an integrated approach to changing legislation. However, this requires detailed revision of the Civil Code, tax and banking legislation, and the finalization of regulation for the securities market. Undoubtedly, in order to build a fully-fledged working model of partnership banking, it will be necessary to have definitions of partnership financing in the Civil Code, as well as rules for market regulation that will allow Sberbank to offer products and services that meet generally accepted international standards. However, to ensure progress in this area of development, Sberbank has decided to launch a number of pilot projects simultaneously.

At the IX International Economic Summit "Russia - Islamic World: KazanSummit-2017" Sberbank announced the successful structuring of a pilot deal with a leasing company in the Republic of Tatarstan. Structured by Sberbank, the Islamic finance products of Mudaraba and Kafal received certificates of compliance with the AAOIFI standards (Organization of Accounting and Audit of Islamic Financial Institutions) from the Sharia

Review Bureau. Thanks to the synthesis of these two products that the bank has a unique opportunity to finance the transaction within the framework of current legislation, yet without violating the standards of Islamic finance. The funds allocated to the leasing company were used to finance customers who have been evaluated by the bank. Thus, the bank participated not just as a creditor, but also in the assessment and distribution of risk between the bank and the leasing company. The size of the first tranche was not significant, but the experience gained by the Sberbank team will be important for further development.

At this stage to promote partnership financing Sberbank is looking for ways to adapt individual products and services to existing legislation. The first results have been the above-mentioned pilot deal with leasing companies in the Republic of Tatarstan (25 million rubles) and a financing deal for the Russian grain exports to the Middle East (\$ 30 million). They will help Sberbank to acquire experience, build processes, and test both its products and internal procedures.

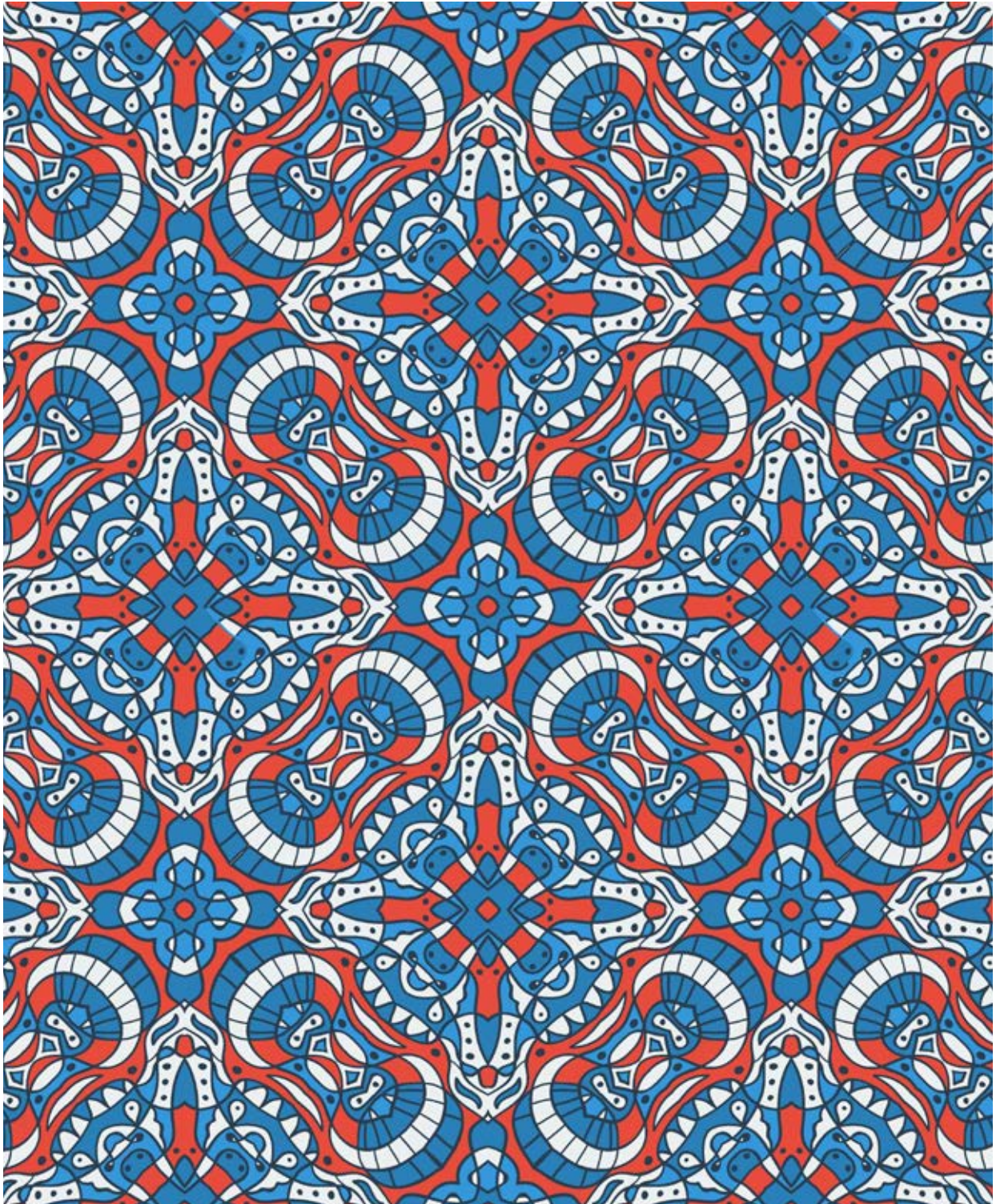
Moreover, in late April 2018, the Bank of Russia announced the launch of a "regulatory sand table" for testing banking products and services using innovative financial technologies. Sberbank submitted a proposal to use this platform to test products and services of Islamic finance.

Sberbank is also ready to act as a strategic partner for Russian companies in creating new markets. By accumulating expertise in the field of Islamic finance, Sberbank is ready to provide consulting services in the area of certification of products and services for export to international markets. Sberbank notes the potential demand for such services in the areas of halal food, tourism and pharmaceuticals.

Sberbank pays special attention to the formation and development of information channels, both for its partners and its clients. The Bank takes an active part in conferences, seminars and forums. Since 2015, Sberbank has been a participant in the Kazan Summit. Within its framework, a business breakfast was held every year. This has turned into a business platform, where representatives of the public sector, banks and entrepreneurs establish communication and discuss opportunities. In 2017, Sberbank together with the International Association of Islamic Business held the first Russian-Islamic Economic Forum on the site of the Corporate University of Sberbank. Its main goal was to convey to the private sector a conceptual program for the development of Islamic finance in Russia, to share news and to present new projects and digital solutions. Sberbank intends acting as a driver of Islamic finance in Russia. Special attention is being given to the project to develop an educational program for Islamic finance at the Corporate University of Sberbank. As part of this, the bank's specialists will share their theoretical and practical skills with colleagues. Sberbank plans to scale this educational program up to the market.

The greatest interest in Islamic finance products comes from the Republics of Tatarstan and Bashkortostan and the Chechen Republic. In these regions, there is a greater interest in the retail segment and SMEs. Market trends make it necessary to rethink the approach to investment policy with the result that, as of now, investors are not interested in creating portfolios or conducting trading operations behind which there are no real assets. The Russian market for Islamic finance is still in its infancy. Market participants are waiting for the reaction of the regulator. Thus far, real results have been obtained only by Sberbank. Once other banks take an interest, the development of partnership banking could be rapid.

Source: Sberbank



between the Kyrgyz Republic and the IDB providing for the allocation of a grant to the Republic of 170,000 Islamic dinars⁵¹ (255,000 USD) for the purchase of the necessary equipment, training and consulting services for EcoBank employees and other needs. At the end of August 2007, a framework agreement was concluded between Bank TuranAlem (BTA) of Kazakhstan and IDB, which provided funding for BTA Bank projects in the field of small and medium-sized businesses using the mechanisms of *istisna* and *murabaha*. In total, the bank managed to borrow \$250 million. The largest Islamic financial institution investing in Azerbaijan remains the IDB. Since the beginning of its cooperation with the country in 1992, the volume of investments by the IDB has reached \$ 300 million. At the same time, 25% of the total investment was directed to financing the agricultural sector, and one third to improving the road and transport infrastructure, the development of small and medium-sized businesses, and improving the living conditions of economically active migrants.

Furthermore, additional legislative amendments are needed in Eurasian countries, especially Russia, Azerbaijan, and Kazakhstan. In Kazakhstan, it is obvious that the introduction of amendments to the current insurance legislation would greatly accelerate the development of Islamic insurance in the country, but for some reason, amendments to the banking and insurance legislation to bring it in line with the *Sharia* were not accepted in a single package. Similarly, the lack of legislation acceptable to Islamic banks and the disapproving attitude to Islamic banking displayed by regulators hamper the initiatives of Azerbaijani banks towards applying Islamic financing methods. For example, in October 2007, the Bahrain International Investment Bank (IIB) acquired a 49% stake in the Azerbaijani Amrahbank. Shortly after acquiring Amrahbank, the IIB leadership announced plans to transform it into a fully-fledged Islamic bank offering a wide range of Islamic banking products. However, these intentions

have not been realized because of uncertainty with the legal regulation of an Islamic bank. Meanwhile, on the bank's website, in the section "Islamic banking", it states that Amrahbank plans to offer its clients Islamic banking services in the near future.

That is why, despite the fact that Islamic Finance is the main pillar of the global Islamic Economy, our opinion is that the primary drivers of the Islamic Economy in Eurasia are the Food and Fashion industries. These industries do not need much regulatory adjustment from government and they are less "politicized". We believe that the Islamic Finance sector will adjust to this as the first two sectors (Food and Fashion) evolve and bring increasing demand for financial products.



5. Drivers of Islamic economy in Eurasia

In general, the Eurasian region has all prerequisites for the development of an Islamic economy:

- Belt and Road Initiative
- Large Muslim population and strong presence of Islam in the region
- Evolving certification of Halal practices
- Growing awareness of topics related to the Islamic economy
- Spread of internet and IT technologies

Below we will discuss each factor in more detail.

Islamic economic ecosystem category: Institutions

5.1 Belt and Road Initiative

China's "One Belt One Road" initiative can be viewed as an Islamic Economy initiative because 1) it is aimed at developing China's western province, Xinjiang, which has a large Muslim population (Uighurs), and 2) the initiative touches many countries, including Islamic states and Eurasian states with Muslim populations.

China's "One Belt One Road" initiative will span 68 countries and will provide a further impetus for the development of Islamic finance, mainly through financing infrastructure projects. Importantly, ongoing projects are expected to require major funding and Islamic finance may be utilized to fill this gap. Especially interesting in this regard is the infrastructure sukuk⁵².

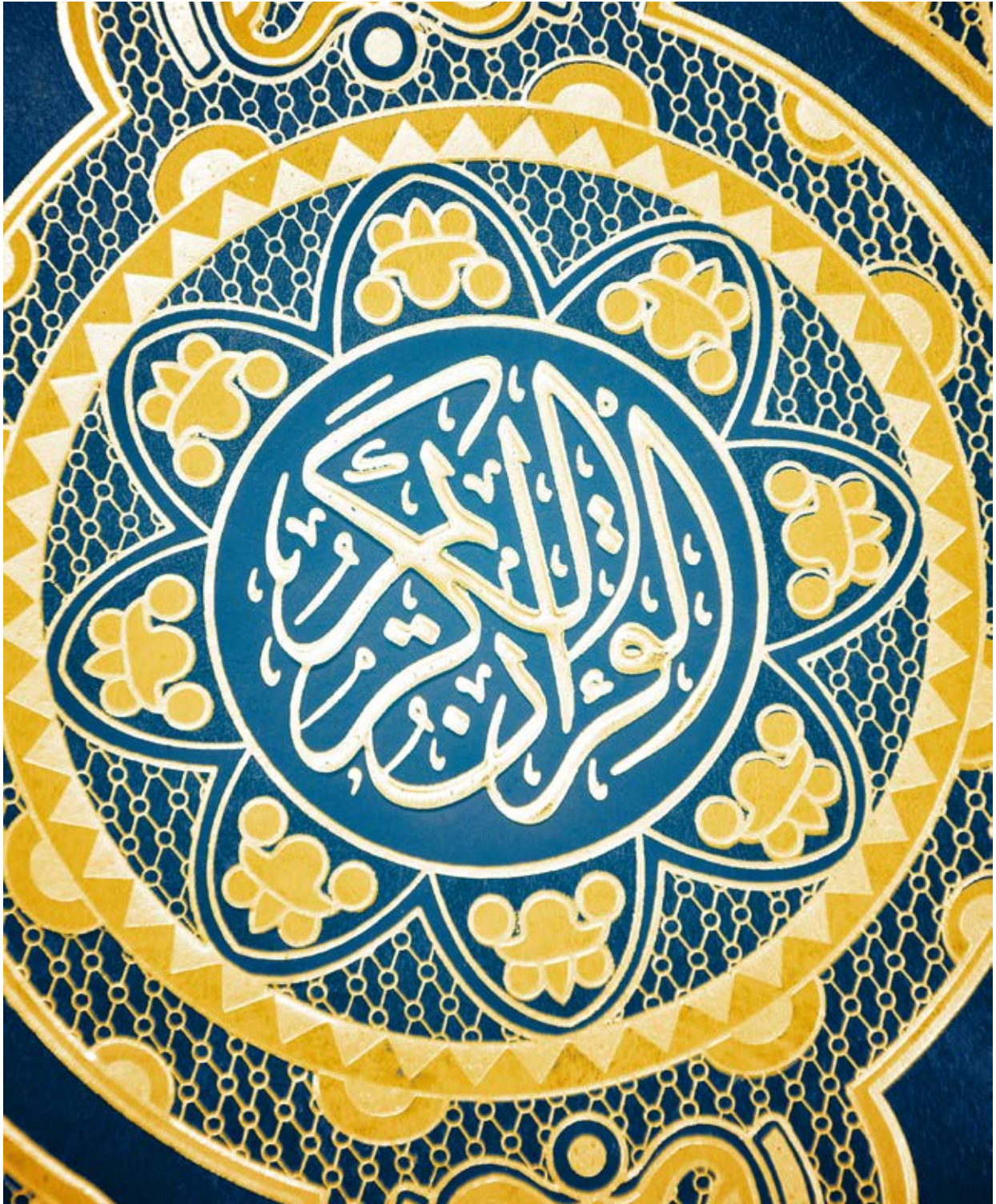
The China-led Asian Infrastructure Investment Bank (AIIB) has already attracted \$100 billion in capital from 56 shareholder countries. China's ambitious BRI development framework, has accelerated economic activity in the region through large initiatives such as the China-Pakistan Economic Corridor (CPEC) and the Bangladesh-China-India-Myanmar (BCIM) Economic Corridor. For instance, according to Thomson Reuters and DinarStandard, in 2017 Pakistan was in 6th place in the GIEI ranking due to its Halal Food sector's strong performance after it was boosted by the China-backed BRI initiative activities.

For most Eurasian states, (Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan) the limiting factor in trade is being land-locked and their geographic distance from sea routes. Fundamental to their trading capability is the development of rail networks that link the countries to Russia and China. However, the development of Gwadar Port in Pakistan, and the development of a Chinese silk trading route that goes through Eurasian states, will give them indirect access to the sea. As of 2014, the Chinese government also launched the Silk Road Fund, which has over \$40 billion of planned foreign investments in infrastructure projects across Central Asian countries. The Belt and Road initiative will facilitate the active development of transit flows from Southeast Asia to Europe and Central Asia via Lianyungang Port. This port will also have a major impact on the formation of the Trans-Eurasia transit system as well as the Kazakhstan-Turkmenistan-Iran railway corridor⁵³.

Turkmenistan has benefitted from new gas pipelines to China and Iran. In the near future, the Turkmenistan-Afghanistan-Pakistan-India



Old Mosque in the Saint Petersburg, Russia



(TAPI) pipeline will further support natural gas exports with a capacity of 33 billion cubic meters of natural gas a year from Turkmenistan to Afghanistan, Pakistan and India over 30 years.

In Uzbekistan, BRI will target nearly 7,000 km of railways, roads, airports, ports, waterways and pipelines and this will unleash its potential to become a sizeable player in the global Halal food industry. Uzbekistan has significant potential as a Halal food producer, but it must invest in its railways to ensure access to Russia and China. Once the fundamental trade infrastructure is in place, the country can address demand for Halal, starting with its neighbours⁵⁴.

Still many hindrances in logistics remain to limit the growth of trade in Halal products, including the high cost of investments in track-and-trace technology and the absence of clear standards and guidelines. The requirements of Halal must be observed through the whole value chain of Halal products: from farm to fork, including for instance Halal storages (keeping Halal products separately from non-Halal ones). If building general infrastructure is a capital-intensive project that has to be handled by governments, Halal-oriented logistics is an attractive potential niche for private companies.

More information on BRI and ongoing projects in Eurasia can be found in our report “Geo-Economics of Eurasian Heartland” that is available online on Skolkovo IEMS website.

5.2 Evolving certification of Halal

According to ITC Trade Map data, 78% of the \$415 billion certified Halal food and beverage industry is from non-OIC countries, indicating that source countries require a robust Halal certification system⁵⁵.

The harmonized legislative base of the Eurasian Economic Union (EAEU) member countries⁵⁶ distinguishes mandatory compliance of products with the requirements of technical regulations and voluntary declaration, or confirmation, of conformity of product

requirements to different standards (international, regional, state, foreign, standards of organization, technical conditions). The existing technical regulations of the Customs Union do not regulate certification of Halal products, which is conducted on a voluntary basis. All EAEU countries are members of FAO, so they can apply for certification of Halal products of the requirements of CAC / GL 24-1997 “General guidelines for the use of the Arabic term “HALAL” (“PERMITTED”), developed in a joint FAO-WHO programs on food standards “Commission” of Codex Alimentarius”. Also, other standards for certification of Halal products may be applied within EAEU countries, as well as the development of individual state standards and standards of organizations. For example, the Kyrgyz Republic developed two national standards; the Republic of Kazakhstan also has two state standards; and the Russian Federation has one standard for Halal products. One of the main challenges in this regard is having the local certification accepted in importing countries. To tackle this problem, many countries such as Azerbaijan initially advised their producers of Halal goods to get certificates from internationally recognized bodies or directly in the country of destination.

Russia has developed several systems of certification of Halal which are registered in Rosstandart:

- 1) In order to develop Halal production, in 2007 the Council of Muftis of Russia created the International Center for Standardization and Certification (ICSC) “Halal”. It certifies wide range of food and services, equipment, cosmetics and personal care products, as well as medications. Since January 2015, it has become a full member of the World Halal Council (WHC⁵⁷), accredited to a number of specialized agencies in the Middle East and North Africa, such as the Ministry of Environment and Water Resources of the United Arab Emirates, and the General Organization of the Veterinary Service of Egypt. According to information from the official site of

ICSC “Halal”, its certificate enables the export of Russian producers to the countries of the Muslim world. At the end of 2017, according to their official website, certificates had been received by more than 160 enterprises. More than 20 Russian companies have already exported their products to such Muslim countries as Saudi Arabia, the United Arab Emirates, the Islamic Republic of Iran, Jordan, Egypt, Bahrain, etc.

- 2) Another Halal Certification Center, the Halal Committee under the Spiritual Directorate of the Muslims of the Republic of Tatarstan (SDM of RT), became an associate member of the Halal World Council in 2014. Its voluntary certification of Halal products allows the products of Russian enterprises from meat to medicines to be officially recognized at state level in OIC countries if they are properly controlled by the Halal Standards Committee at SDM of RT, with subsequent certification by the Republican Certification Methodological Center “Test-Tatarstan” and the certification bodies authorized by it⁵⁸. As of December 2017, the Committee of Halal standard at the SDM of RT has certified more than 140 enterprises.

In total, more than 300 Russian enterprises, entrepreneurs and organizations produce products in accordance with the requirements of Halal. Among them are large meat processing plants and poultry factories, including Prioskolye (more than 4,500 tons of poultry per year), Chelny Broiler (more than 5,000 tons per year), Elinar Broiler, Ekol (more 6,500 tons of meat of large and small cattle), Resurs, SAFA, Evrodon group of companies, Halal-Ash, as well as poultry farms Ak Bars-Pestretzi, Ravis-Sosnovskaya, Yasnye Zori, Belaya Ptitsa, Pavlovskaya, Turbaslin Broilers, Maikop Poultry Factory and others⁵⁹.

In terms of the certification of Halal, we observe a positive trend. According to Alexey Khersontsev, the head of Rosakkreditatsiya,

Russia intends to become a participant of the International Halal Accreditation Forum (IHAF)⁶⁰, which will allow Halal products to be exported to Islamic countries without double tests (in Russia and also abroad). Participation in the IHAF will allow Russia's accession to an agreement on mutual recognition within the International Laboratory Accreditation Organization (ILAC). This will confirm compliance of the Russian accreditation system with international standards.

In Kazakhstan, the certification of Halal is voluntary, but to comply, Halal products in Kazakhstan, international, regional and foreign standards that meet the requirements of Article 24 of the Law of the Republic of Kazakhstan “On Technical Regulation” may be applied.

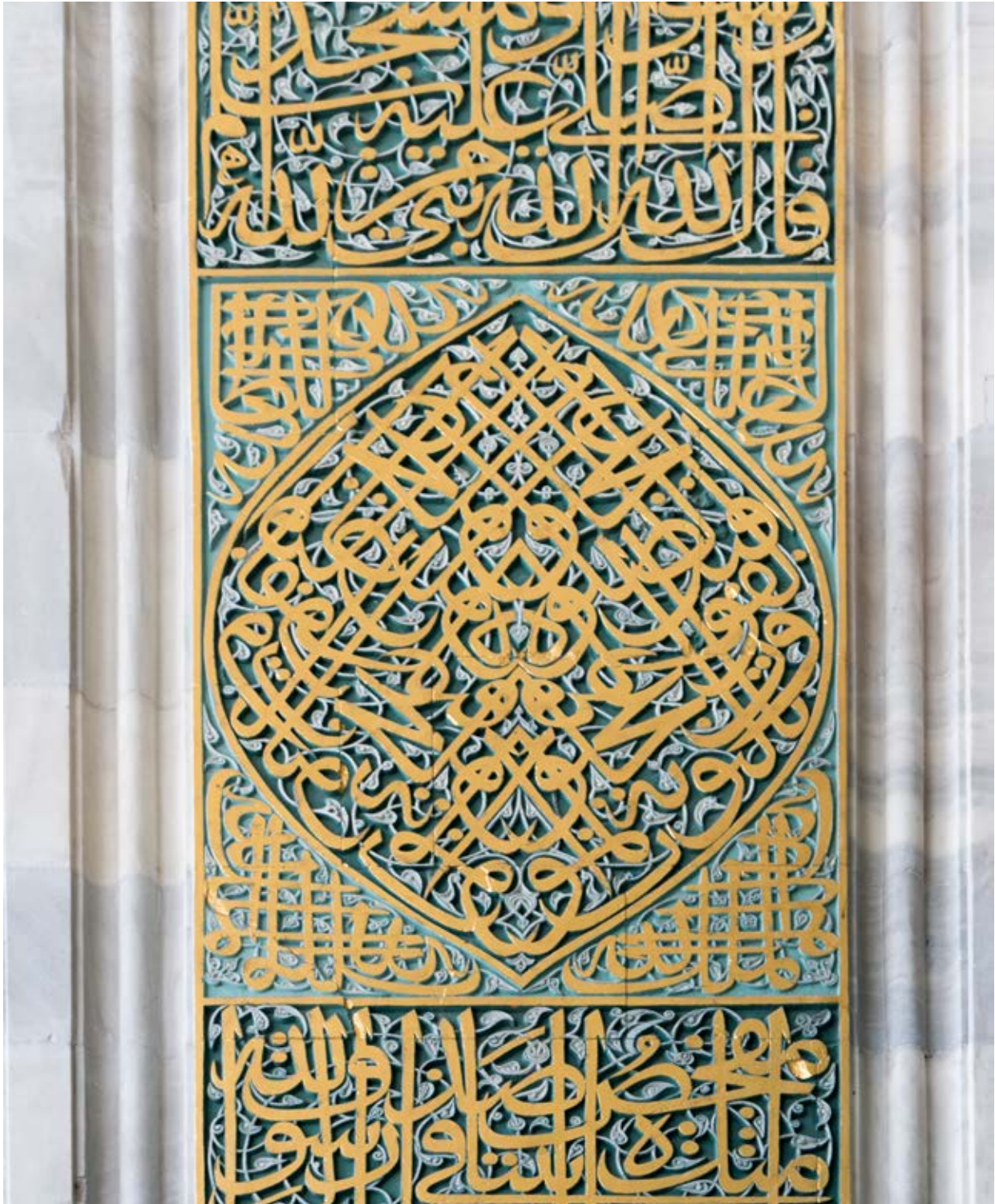
In Kazakhstan, there are two state standards for Halal products:

- ST RK 1632-2007 “Tourist and excursion equipment. Hotel “Halal”
- ST RK 1353-2005 “Sausages cooked Halal”.

The Technical Regulation Committee of the Ministry for Investments and Development of Republic of Kazakhstan provides technical regulation only in the field of food safety, and not Halal requirements.

To date more than 600 companies have been certified. In Kazakhstan Halal products are certified by the following organizations:

- 1) Department of standardization of the Halal products of the Spiritual Board of Muslims of Kazakhstan (SBMK);
- 2) “Halal Damu” LLP. In May 2017 it began work on accreditation in JAKIM⁶¹. According to the register on its website, it certified 138 companies.
- 3) An association of legal entities, called the “Halal Industry Association of Kazakhstan”, was established in 2006. It has accreditation in JAKIM, which means recognition of the certificates of this association in Malaysia and other countries. According to the register on the site, 164 companies are certified by the association.





Moscow Cathedral Mosque, Russia

The systems of voluntary certification of Halal products in Kazakhstan have not yet been recognized in foreign markets. The Halal accreditation bodies in Kazakhstan are currently applying for membership of IHAF⁶². For the time being, when exporting to Arab countries, Kazakh producers have to negotiate the issue of recognizing Kazakhstan certificates for Halal products with the importer or pass certification by the state control bodies of these countries.

Kazakhstan has already taken notable steps towards becoming a key player in the Halal food industry. It is home to over 600 Halal businesses, plus 130 dedicated slaughterhouses catering to its Muslim population⁶³. The National Agribusiness plan also encourages the expansion of domestic meat companies, which led Aktepa Company, a domestic Halal meat processor, to open a Halal-certified plant in 2015⁶⁴. Today, 30% of all meat sold in the country is classified as Halal.

According to the report, in 2015, Kazakhstan ranked 5th in attractiveness for Islamic investments among 57 countries members of the OIC⁶⁵. Taking into account that the oil and mining sectors are hard to enter for new foreign players, agriculture and food processing might be an acceptable alternative to start with. Foreign companies, including those from the OIC, have begun to look for opportunities in the Halal industry in Kazakhstan. Malaysia-based Mardi Holdings, for example, is planning to invest in a range of Halal production facilities in Kazakhstan in the near future, due to Kazakhstan's promising position as an export market. Kazakhstan-Malaysia collaboration in the sphere of certification of Halal will be further enhanced through close cooperation with the Halal Development Corporation (HDC), its visit to Kazakhstan is expected in 2018.

The umbrella brand "HALAL KAZAKHSTAN" was presented for the first time at the specialized exhibition "HALFEST ASEAN 2017" in Kuala Lumpur.

Unfortunately, there is a problem with the uncontrolled Halal market in Kazakhstan. There is no single body that has both the authority and knowledge to control the producers

and sellers of products with the brand "Halal" in terms of their authenticity and compliance. It is a common situation when a product with the label "Halal" in fact fails to meet necessary requirements of Halal standards.

In Kyrgyzstan, there is likewise no body that monitors compliance with the standards of Halal. There are no punishments for offenders. Under the Ministry of Economics there is a special Halal department, which officially monitors compliance with the established standards of Halal, but in fact does not have the authority to do so.

Moreover, there are two religious bodies that compete with each other in terms of certification of Halal. The Islamic Center for Religious and Scientific and Medical Research exists under the Ministry of Economy and applies the Malaysian (KMS MS 1500: 2011 "Guidelines for the production, production, processing and storage of Halal products") and the Turkish (KMS TS OIC / SMIIC 2: 2011 "A Guide for Halal Certification Bodies") standards of Halal. Another body, the Spiritual Board of Muslims of Kyrgyzstan (SBMK), supports the Eurasian standard of Halal. According to the Eurasian standard, horsemeat, the use of which is widespread in Central Asia, is entirely permissible while in other Muslim countries the use of horsemeat is unacceptable.

The Ministry of Economy has also published a "Development Concept of Halal Industry in the Kyrgyz Republic", with the aim of ordering the certification system, and developing the production and export of Halal products.

Before 2012, Azerbaijani companies applied to GIMDES, the association for the certification and control of food and consumer goods which has been operating since 2005 in Turkey, to confirm the compliance of their products with Halal standards.

The State Committee for Standardization, Metrology and Patents (SCSMP) of Azerbaijan has approved three standards, which came into force on August 1, 2012:

- 1) AZS 372-2012 Meat products "Halal". Production, transportation, storage and realization of general requirements

- 2) AZS 386-2012 (CAC / GL 242012) Halal “general rules for the use of the term”
- 3) AZS 7312012 (OIS / SMIIC1: 2011) “Halal food. General requirements”.

These standards define the general requirements for the production, transportation, storage and sale of Halal meat products, general rules for the use of the term Halal, and general requirements for Halal food standards. The requirements of all three standards are mandatory. They were developed by the Azerbaijan Institute of Standards.

In 2014, the SCSMP of Azerbaijan approved a further state standard, AZS 757-2014 “Halal Products Certification Rules”. This regulates the certification of “Halal products” and the rules for the provision of certificates of conformity for these products. According to the standard, the client must apply to an accredited certification body for certification of “Halal products”. It should be noted that Azerbaijani Halal standards fully comply with the established standards of the OIC.

In accordance with the requirements of the legislation of Azerbaijan, enterprises that are not certified on the basis of AZS 731-2012 but have the word “Halal” on their products, will be punished by the State Committee for Technical Regulation and Standardization. The purpose of these measures is to protect consumer rights, prevent unfair competition and strengthen consumer confidence in the domestic market.

There is one accredited certification body for Halal products in Azerbaijan, AzeSERT HALAL LLC. As a part of capacity building, AzSert employees were sent to India, Germany, Austria, the Czech Republic and the Russian Federation to monitor the process of slaughtering animals and using other raw materials (meat products, ingredients, food additives, chemical agents, packaging and labelling materials), which are part of the basic requirements of the standard.

To date, in Azerbaijan, twelve certified enterprises produce Halal products of 40 types.

Starting from 2016, when President Shavkat Mirziyoyev came to power in Uzbekistan, the country has set a course for expanding its infrastructure and enhancing its trade capabilities, including development of the Halal segment. Uzbekistan’s Halal food industry has a considerable potential for growth, underpinned by three strong demand drivers: a growing Muslim population which increases demand for Halal food and beverages; an increasing number of Muslim tourists; and untapped trade opportunities with the OIC countries. Muslims, being the majority of Uzbekistan’s population, spent \$10.4 billion on food and beverage in 2015, and are expected spend not less than \$20.4 billion in 2021, based on 14.4% CAGR according to DinarStandard analysis.

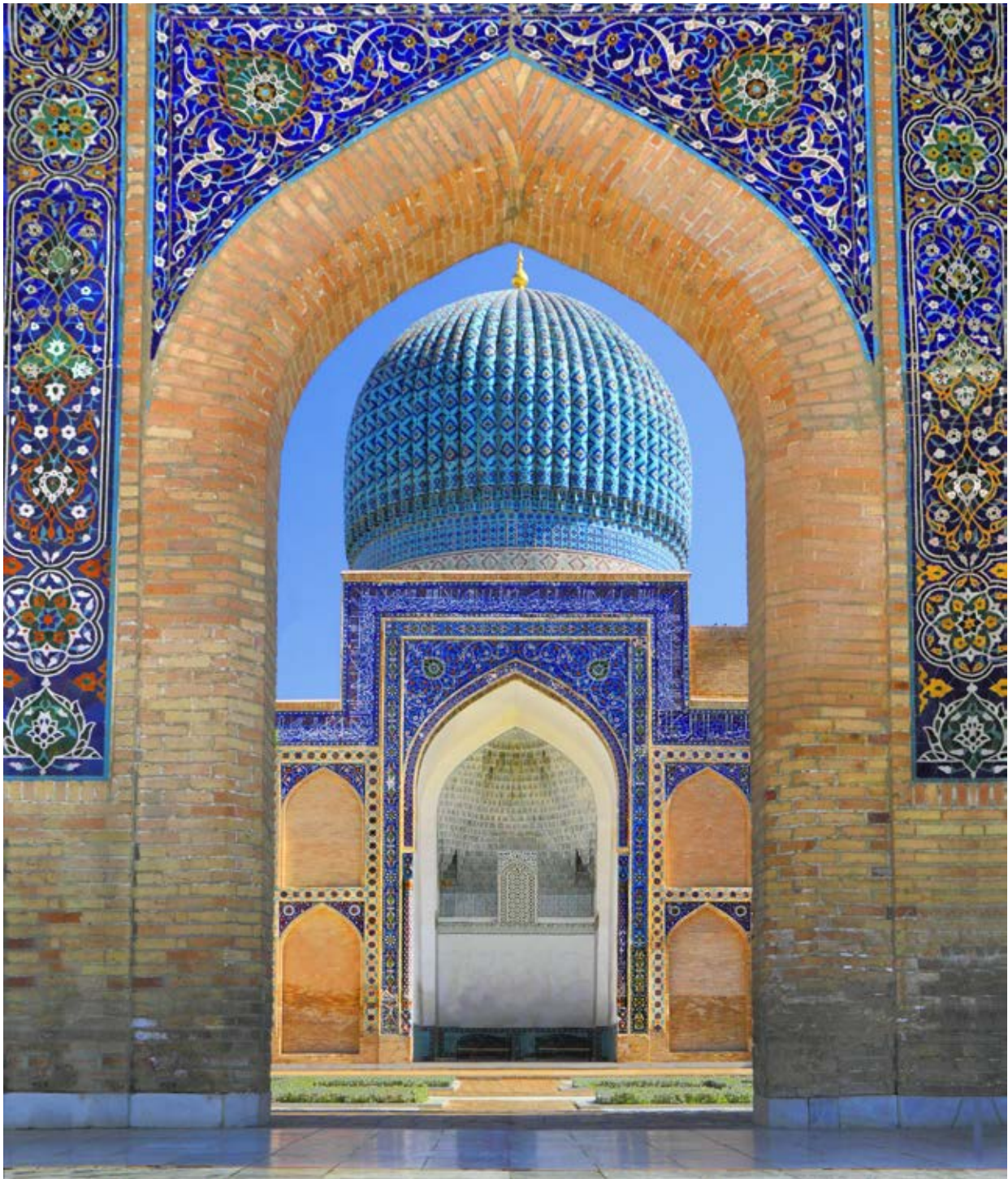
Uzbekistan is capable of attracting more Muslim visitors thanks to its rich Islamic history. Currently, there are almost 2 million international visitors, 14.9 % of them being Muslims coming from the largest source markets, which are Turkey (18,166 visitors), followed by Russia (3,305), and India (1,645), according to a survey undertaken by National Tourism Entity Uzbektourism in conjunction with the UNWTO.

Uzbekistan has substantial opportunities to export food and beverage products to OIC countries, but these opportunities are currently unexploited. To illustrate the situation, agriculture is a critical segment of Uzbekistan’s economy, accounting for 18.8 % of GDP in 2015. Production of meat accounts for 40.7 % of total agricultural output or \$5.9 billion in 2015, and is expected to reach \$75 billion in 2020 with 5 % CAGR⁶⁶. However, Uzbekistan exported \$3.2 million worth of meat and live animals in 2015, of which only \$32,000 was meat exports; \$3.1 million was live animal exports. The largest destination markets for Uzbekistan’s live animal exports in 2015 included Kazakhstan (\$831,000) and Turkey (\$368,000)⁶⁷.

The vast opportunities for exporting agricultural products, especially meat, from Uzbekistan are limited by shortcomings in certification of Halal. Uzbekistan-based Halal certification bodies are not recognised by any of



Qolsharif Mosque in Kazan Kremlin, Tatarstan, Russia



Blue ornate arch portal of ancient Bibi-Khanym Mosque in Samarkand, Uzbekistan

the big certifiers such as Malaysia's JAKIM or Indonesia's MUI. There is no formal Halal certification in Uzbekistan, although the existence of local certification bodies remains unverified. To date, the Halal standard has not been adopted in Uzbekistan. Uzbek companies receive Halal certificates from the International Center for Standardization and Certification "Halal" (Russia).

On March 24, 2011, the Uzbek Agency for Standardization, Metrology and Certification informed the producers of meat and milk products of Uzbekistan about the ban on the use of the "Halal" mark on the labels, as in the regulatory documents for the products produced in Uzbekistan there are no requirements for labelling products with the "Halal" logo. Such labelling is not allowed because it is not reliable and not documented, which can lead to violations of the law "On Protection of Consumer Rights".

The issue is a hot topic in the country. In the period from 1 to 3 November 2016, representatives of the Agency "Uzstandard" took part in the work of the 52nd meeting of the Scientific and Technical Commission for Standardization and the 35th meeting of the Working Group on Information Technologies of the Interstate Council for Standardization, Metrology and Certification held in Bishkek (Kyrgyz Republic). One of the issues discussed by the experts was the standardization of Halal products.

In March 2013 Tajikistan officially introduced Halal standards for food products, with an appropriate logo. The standard adopted takes into account the growing needs of the population, since the absolute majority are Muslims. When developing the standards, the experience of Turkey, Kazakhstan and Malaysia was studied. Employees of the Agency for Standardization of Metrology received diplomas from international educational institutions in Malaysia, Turkey and India.

With the adoption of standards and norms for Halal food products, there is a need to introduce changes and additions to the law of Tajikistan which provides for a certain responsibility

of producers in cases of using the "Halal" brand without confirmation by the certification body (for misleading Muslims, for deception, for violating laws on competition, etc.).

Tajikistan producers have a big potential to export their products to OIC countries. Nowadays, many producers of fruits and nuts, canned food and juice nectar, dried fruits and legumes have HACCP Food Safety Management System certificates.

Certification of Halal products in Armenia is not regulated by national technical regulations and can be carried out on a voluntary basis based on compliance with various standards. Some Armenian producers of Halal products prefer Certificates of proven Russian certification organizations, such as the International Center for Standardization and Certification "Halal" of the Council of Muftis of Russia.

Limited Liability Company "STANDARD DIALOG" was established in 2009 in Yerevan. In the same year, it established and had accredited a testing laboratory for food products and certification. This company provides Halal certification for companies that operate in Afghanistan, Iran, Iraq, Armenia, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.

In March 2017, the first Armenian certification office of the organization "World Halal" opened in Yerevan. Initially, it certified products for export to Iran, now it aims at assessing the conformity of Armenian products to the requirements of the OIC, contributing to the growth of demand for Armenian products, an increase in the tourist flow, and entry into new markets. To date, the Armenian certification office has issued certificates of Halal for two slaughterhouses: "Golden Ax" and a company in Kapan.

According to the Embassy of Armenia, there is a slaughterhouse in Arzni village (Kotayk region) that provides meat products – OOO Voske kazin.

In June 2017, Armenia signed a Memorandum of understanding with Iran, which agreed to provide technical and expert assistance to

Armenia, including an exchange of information on the legal framework for food and non-alcoholic production. There were also seminars on the control of production based on Halal standards; how to conduct audits and assessments of conformity of production to Halal standards; sharing of information on internal market of both countries; the implementation of joint projects; and providing Halal marking in Armenia.

There is no formal procedure of Halal certification in Georgia. Some Georgian companies have certificates of Halal from international certification bodies such as the Islamic Food Research Centre (IFRC) which is a credible Hong Kong-registered Halal certification body operating in Malaysia. IFRC is an active member of the World Halal Council (WHC), a federation of global Halal certifiers and also has received recognition from the Islamic Religious Council of Singapore (MUIS), the government Halal authority⁶⁸. Having a certificate of Halal is not a requirement in Georgia, but a business decision for export-oriented firms. For instance, fruit and vegetable processing and growing company, Aroma Product Ltd.⁶⁹, which exports its products to over 30 countries in the world, has a certificate of Halal from IFRC, along with a Kosher certificate and an Organic certificate⁷⁰.

Turkmen entrepreneurs are interested in developing the Halal dimension. In 2017, a family-owned Turkmen company called Taze Aye announced plans to export its Halal and other products to neighbouring countries. To help accomplish this, it received debt financing from the European Bank for Reconstruction and Development totalling 4.5 million US Dollars. Its Halal meat production currently represents 12% of its total production⁷¹.

Now dozens of Turkmen enterprises operate in strict accordance with international standards ISO 9001, HACCP, FSSC 22000 and others, and find it is useful to adhere to Halal certification as well⁷². There is an understanding that certification in accordance with the requirements of the Halal standard is an important aspect in the production of

high-quality products and increasing the export potential of Turkmen goods. Representatives of the Turkmenistan business community attend international and regional events dedicated to the Halal industry in order to share the experience of foreign colleagues and assess the prospects for the development of national Halal⁷³ industry.

Islamic economic ecosystem category: Human capital

5.3 Muslims in Eurasia

The Muslim community in Russia comprises approximately 20 million people (~15% of total population)⁷⁴. The Republic of Adigea, the Republic of Bashkortostan, the Republic of Dagestan, the Ingush Republic, the Karachaevo-Cherkessian Republic, the Republic of Northern Ossetia-Alanim, the Republic of Tatarstan and the Republic of Chechnya are the regions in Russian Federation where the majority of Muslims live. Nonetheless, a large number of Muslims – about 3 million people – reside in the capital, Moscow. Unofficial estimates of the number of Muslims in Russia ranges from 25 million⁷⁵ to 36 million (one fourth of total population)⁷⁶.

200,000 Muslims praying during Kurban Bairam (Eid al-adha) in Moscow, Russia, September 2017.

Fellow-feeling and brotherhood with the rest of the world's Muslims are also characteristic of Muslims in Russia. For instance, three days after the Kurban-Bairam celebration in September 2017, a demonstration by Russian Muslims was organized in front of the Myanmar embassy in Moscow to protest the “massacre of Muslims” and the world's silence about it. On September 4, 2017 a similar demonstration supporting Muslims in Myanmar was organized in Grozny, Chechnya. About 1.1 million people took part.



Source: <http://inosmi.ru/politic/20170917/240296348.html>



Source: <http://inosmi.ru/politic/20170917/240296348.htm>

Islamic Russia

Russia is getting more and more connected to the Islamic world. It has a large and growing Muslim population and migrants, and intensifying relationships with Islamic countries on various levels. Here we explore two different archetypes of the Islamic economy in Russia – Tatarstan and Chechnya.

TATARSTAN: ISLAMIC HEARTBEAT OF RUSSIA

The internal republic of Tatarstan is the 6th largest region of the Russian Federation in terms of its economy's size by gross regional products. It has a population of 3.9 million people. The main city, Kazan, is considered the third capital of Russia, and is called the Muslim capital.

The president of Tatarstan, Rustam Minnikhanov, known for his active role building networks with overseas Islamic economy and finance centers, such as Malaysia, UAE, Saudi Arabia, and Bahrain, pays regular official visits to these countries and participates at various related events there. For example, on December 28, 2017 during his working visit to the UAE, he visited the Dubai Islamic Economy Development Centre. A Memorandum of Understanding between the Russia-Islamic World Strategic Vision Group and the Dubai Islamic Economy Development Centre was signed. The parties agreed to set up a working group to prepare a roadmap for all areas of cooperation to develop the Islamic Economy. They also agreed that Halal lifestyle would be the main topic of the forthcoming 10th International Economic Summit of Russia and the OIC countries, KazanSummit.

Rustam Minnikhanov is the chairman of the "Russia – Islamic World" Group, which was created in 2006, when Russia joined the OIC as an observer. In January 2018, the RIW Group signed an Memorandum of understanding with the Dubai Islamic Economy Development Centre (DIEDC) for developing an integrated Islamic economy strategy. The parties will also exchange knowledge and insights related to Islamic banking and finance and the Halal industry. The DIEDC and the RIW Group plan to co-host informative workshops in partnership with education institutions from Tatarstan and Dubai and to organise exhibitions representing diverse sectors of the Halal industry. After signing the MoU, Minnikhanov emphasized: "We attribute great importance to the development of the Islamic economy"⁷⁷.

In Kazan, in March 2016 the Partnership Banking Center⁷⁸ started operations as a subsidiary of LLC Tatagroprombank. The centre collaborated with the Islamic Development Bank in Saudi Arabia and provided a wide range of banking services both for individuals and legal entities. However, a senior executive of Tatagroprombank was charged with fraud and in April 2017, and the Center stopped work due to the revocation of the license of the head structure, Tatagroprombank. Nevertheless, even against the background of the banking crisis, the authorities of Tatarstan continued their efforts to introduce Islamic banking to the region. In August 2017, the Tatarstan company Sukuk-Invest issued "bonds in accordance with Sharia law."⁷⁹ After that, in September 2017, plans were announced to open a Russian centre of Islamic economy in Tatarstan, the founders of which will be the government of Tatarstan and Sberbank⁸⁰.

Russian Tatarstan leads the country in the number of different types of events with an Islamic economic and financial theme. The International Economic Summit "Russia – the Islamic World: KazanSummit" has been held in Kazan since 2009 and has become the main platform for economic interaction between Russian regions and countries of the OIC. In 2016 KazanSummit was the most large-scale and international event throughout eight-year history of the forum: 1556 representatives from 51 countries, including heads of diplomatic missions of the Islamic states, ministries of countries of the Organization of Islamic Cooperation, deputies of the State Duma, the Federation Council and Russian regions all participated in the summit⁸¹. The 10th International Economic Summit "Russia – Islamic World: KazanSummit 2018" was held on May 10–12, 2018 in Kazan.

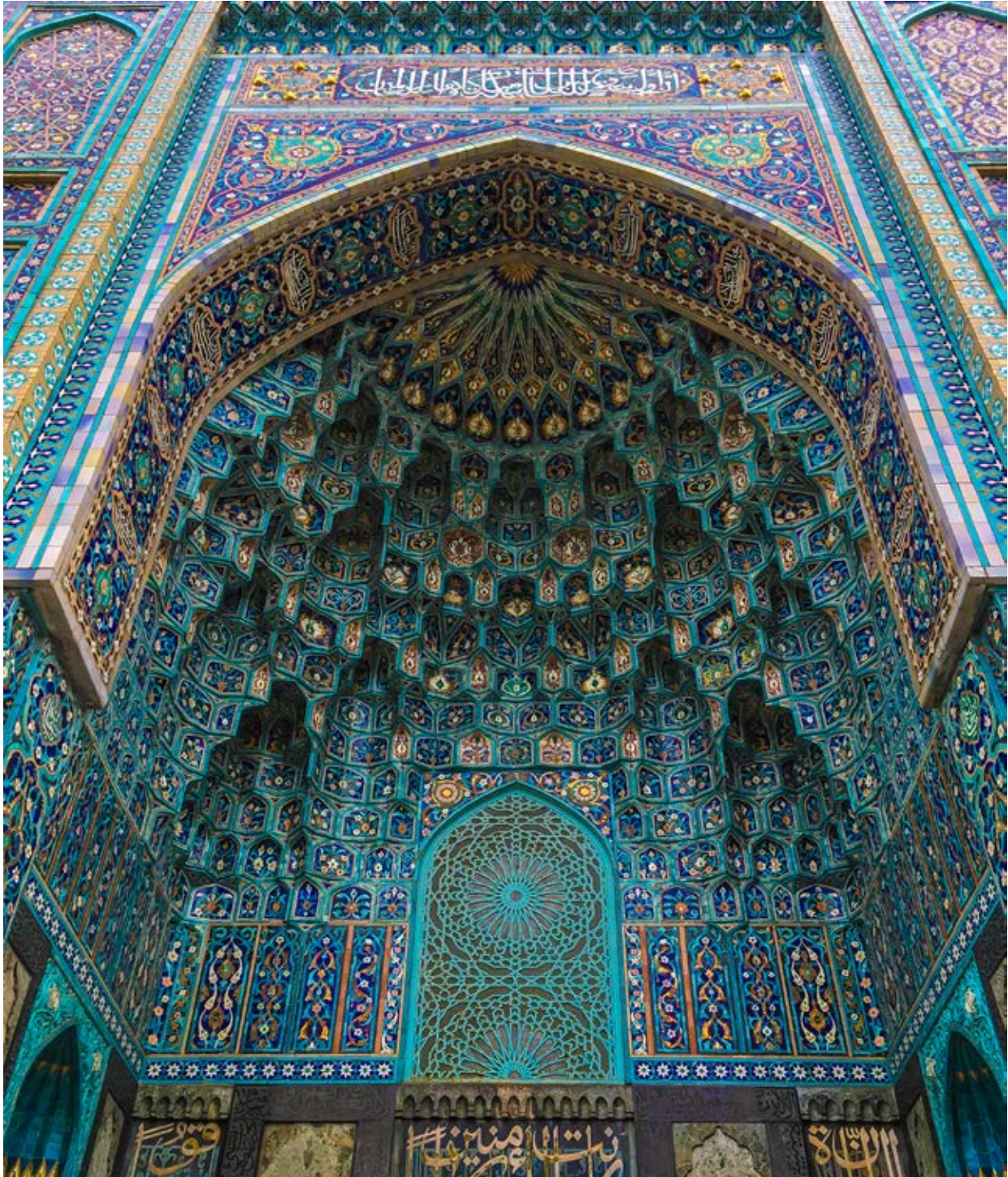
In 2015, Kazan Sukuk Conference was held in Tatarstan, organized by the Islamic Business and Finance Development Fund (IBFD Fund), the centre of competence of Islamic business and finance in Russia. Tatarstan has also very rich and intense cultural and educational aspect of its development. It is a major point of attraction for various cultural events and is a centre of advanced Islamic education in Russia. Qolsharif mosque, built in 2005 in Kazan, claims to be one of the largest in Russia, and in Europe outside Istanbul. The mosque predominantly serves as a museum of Islam. Besides the main mosque building, it includes a library, publishing house and Imam's office⁸². Opened in 2017 in the city of Bolgar, the Bulgarian Islamic Academy in Tatarstan is another example of Tatar Islamic educational aspirations. The main purpose of its creation was the formation of a national Islamic theological school⁸³.

International festivals of designers of Muslim clothing, competitions, shows, conferences, weeks of Muslim fashion, etc. are held in Russia annually. In December 2016, Kazan hosted the 8th International Muslim Clothes Festival "Islamic Clothes Fashion". The organizers of the event were the Spiritual Board of Muslims of the Republic of Tatarstan, TAI, the Russian Union of Muslim Women of Russia and the Union of Muslim Designers of Russia with the support of the Islamic Foundation for Culture, Science and Education⁸⁴. The event dates back to 2006, when the first show of Muslim clothing was organized in the Hermitage-Kazan centre in the Kremlin. The event was attended by designers, fashion designers, business representatives, clothing manufacturers and directors of stores, shops, and trading firms. All discussed the problems of selling Muslim clothing. More than 60 applications from designers, design studios and schools were accepted for participation in the contest and the show. Foreign participants are coming from Turkey, the United Arab Emirates and other.

CHECHNYA: ISLAMIC CONNECTOR OF RUSSIA

Chechnya is an integral part of the secular Russian Federation, and it has the same laws as Moscow. However, in practice, this North Caucasian republic with a population of 1.4 million people, who are 95% Muslim, has undergone considerable Islamization (in the traditional sense) in recent years under the leadership of Ramzan Kadyrov (appointed in 2007) and has built a solid ground for Islamic economic development (stable political regime, restoration of infrastructure, and inflow of investment). Ramzan Kadyrov is well-known for developing full, traditional Islam in Chechnya. In 2017, at the third meeting of the Russia-Islamic World Strategic Vision Group, Kadyrov said: "Russia remains the most loyal ally and protector of Islam"⁸⁵. Most women in the streets of the capital, Grozny, wear Muslim hijabs; under the "moralization" program, women with their heads uncovered are not allowed to enter government offices. It can be difficult to get alcohol late at night as, since 2009, sales are officially allowed only from eight in the morning to ten in the evening. Magnificent new mosques are being built; the lessons of Islam are taught in schools; and the government renders financial assistance to young people who study the Quran. Aslan Abdullayev, deputy mufti, the religious leader of Chechnya, noted with pleasure that Islamic customs and rituals are observed here much more nowadays than they were in the 1990s⁸⁶.

Ramzan Kadyrov presents himself as an advocate for modern Russia and expresses complete loyalty to the Federal government. Chechnya is positioned as a bridge connecting Russia to the Muslim world and the Middle East. Kadyrov aspires to be recognized not only as Russia's representative in the Muslim world but one of its leaders. Kadyrov is the only regional leader in Russia with such level of international connections. These international relations were started years ago by his father, Akhmad Kadyrov, the former leader of Chechnya who had been an Islamic cleric, and who was later sustained and strengthened by Ramzan Kadyrov. Kadyrov's strategy towards Islam also has a political and economic dimension. In the search for inward investment, the Chechen leader held negotiations and renewed ties with the Saudi Arabian and Jordanian royal families, the Palestinian leader, and the governments of UAE and Bahrain. As a result, for instance, the Saudi Investment Fund has expressed interest in a number of projects in Chechnya (i.e. ski resort, the Akhmad Tower, the International Special Forces Training Centre)⁸⁷.



The dome of St. Petersburg's cathedral mosque, Russia

Labour migrants from Central Asian countries and Azerbaijan substantially contribute to the total number of Muslims in Russia, as 85% of all migrants are Muslim⁸⁸. Apart from labour migrants, students from the Central Asian republics and Azerbaijan represent another stream of Muslims coming to Russia. To illustrate the scale, in the 2015/2016 academic year, over 100,000 students from Muslim-majority Central Asian countries and Azerbaijan came to Russia. Most were from Kazakhstan (35%), Uzbekistan (11%), and Turkmenistan (9%)⁸⁹. According to our estimate based on projections of total number of foreign student in Russia by 2030 made by the Sociology Institute of the Russian Academy of Science, the number of students from Central Asian countries and Azerbaijan could exceed 250,000 by 2030⁹⁰. The Muslim population in Russia, including migrants and students, is continuing to grow and could be an engine for further economic growth in the country in general, and a force promoting Islamic economic development.

As of 2017, the Central Asia and Caucasus (hereinafter, CAC) region comprises about 85 million people, the majority of which (except Georgia and Armenia) are Muslims. *The total number of Muslims in the Eurasian region – 86 million*, is comparable with the population of Germany, Iran or Turkey, and considerably more than the population of such states as France, the UK, Italy or South Korea. It is slightly less than half the population of Pakistan and one third that of Indonesia. Eurasian Muslims are predominantly Sunni Muslims, except in Azerbaijan where the majority (85% of total Muslims) identify themselves as Shia. See 9.12 Number of Muslim population in Eurasia.

The number of millennials in the region is 135 million⁹¹, and over 50 million of them are Muslim. They are competitive, well-educated and active Internet users. For instance, according to the World Bank, in Russia, Azerbaijan, Kazakhstan, Uzbekistan, Georgia and Armenia every second person in the country is an Internet user, which is the above world's average of 45.91 out of 100 people in 2016⁹².

5.4 Institutional Islam in Eurasia

Historically, Islam established itself in modern Eurasia in two main locations. The first, in the eighth century AD, was in the Northern Caucasus, Transcaucasia (mainly in Azerbaijan) and in Central Asia, where the Arab-Muslim expansion had a military, economic, and cultural character. The second one happened in the tenth century in the region of the Volga River. At that time, the Turkic-speaking inhabitants who were the ancestors of the present-day Kazan (or Volga) Tatars voluntarily adopted Islam. Furthermore, the Golden Horde, which occupied a vast area of Eurasia in the thirteenth century, became a Muslim state in the fourteenth, after which Muslim missionaries and merchants spread their religion among the Bashkirs and the Turkic-speaking population of Siberia⁹³. Since then and during the Imperial period, most of the Eurasian population remained Muslim. As a rule their elites were educated in religious schools, Madrasas, where the teachers were Mullahs. The religiosity of everyone in Eurasia, including Muslims, diminished during Soviet era, as the secularization of society was a basic postulate of “socialist construction”⁹⁴.

Besides Russia, historically, Turkey, Iran and China had an enormous impact on the Eurasian region in terms of religious views, language and geopolitics. They left footprints in local traditions and everyday lifestyles. These legacies and connections are a common heritage to which these regional powers appeal today. Turkey is the cradle of the common Turkic civilization shared by Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan and Russian regions like Tatarstan and Bashkortostan. Their people speak languages that are very similar to each other, all having Turkic roots. Turkey pursues its political and economic interests in Eurasia through this prism. The 7th Meeting of Ministers in charge of Economy of the Turkic Council⁹⁵ was convened on 30 November 2017 in Istanbul under the patronage of the Minister of Economy of the Republic of Turkey, Nihat Zeybekci.

He emphasized the importance of cooperation among Turkic states, especially on the modern “Silk Road”. Iran has a Shia Muslim majority, like Azerbaijan, and language similarities between Farsi and Tajik are also well-known. Modern Iran’s ties with the states in the region are also strengthening, as is shown by the growing bilateral trade turnover, joint infrastructure projects, high-level visits to each other and signing of various agreements balancing the other players in the region.

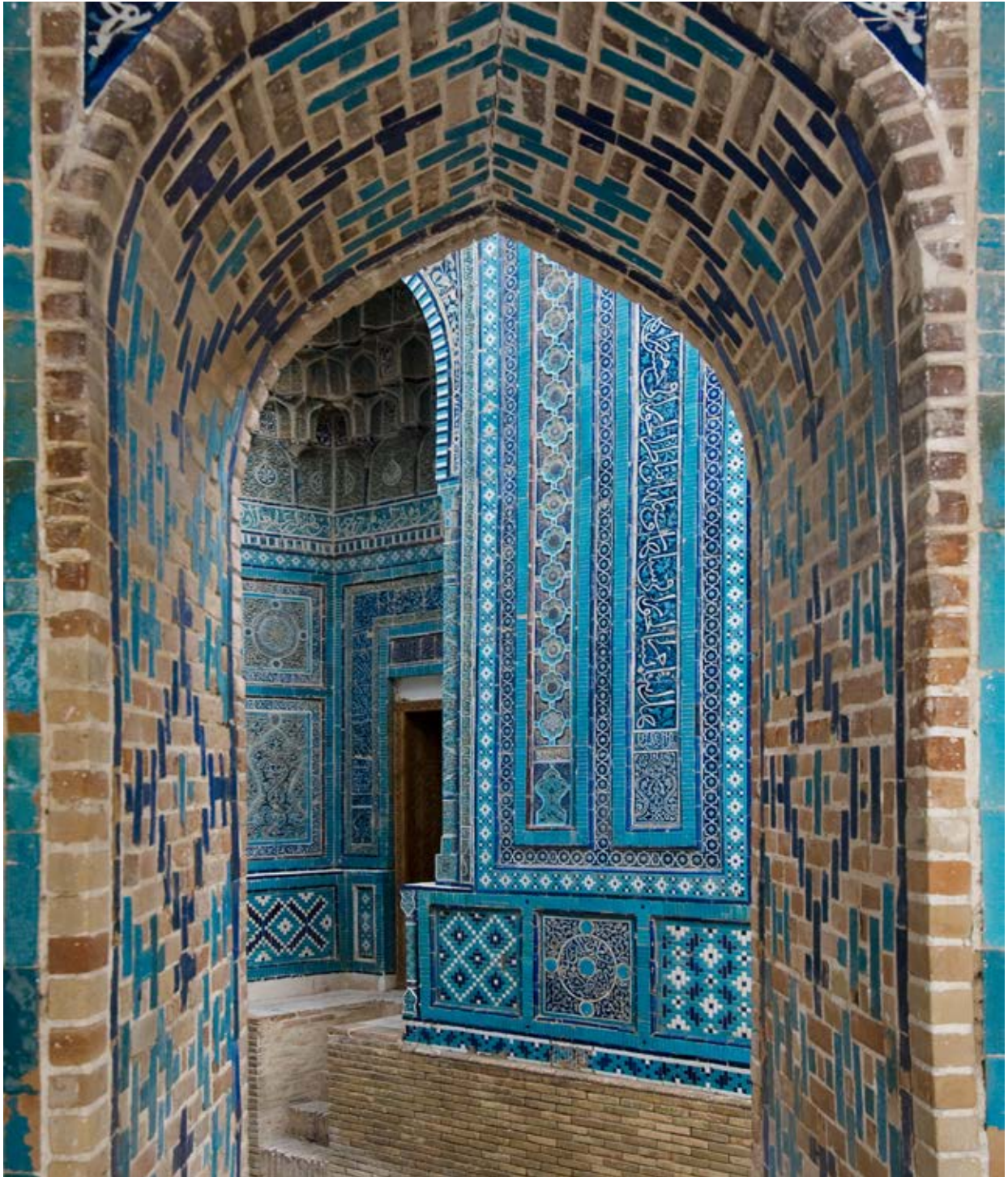
On the basis of Arab Muslim traditions, the impact of the non-Muslim nations of Eurasia including Soviet rule, and influenced by neighbours such as Turkey, China, and Iran, and the local cultural heritage, an original culture is appearing in Eurasia. It is an interesting variation on the universal Muslim culture. The cult of the holy places, as well as some other features of the cultic life of the Muslims of Eurasia, such as worshipping the spirits of dead relatives, testify to the deep pre-Islamic traditions that have survived, having been assimilated by genuine Islam over many centuries. The native Muslim peoples of Eurasia are still characterized by tribal and clanish divisions. Local Muslim women do not usually wear nikab or burqa in public, except where they historically wore the traditional robe, paranja (in Uzbekistan, Turkmenistan). Today it is enough to put on modest clothes or to cover the head when praying. Local Muslim men have ceased wearing long beards as a defining visual aspect of Islam, despite the fact that some men in original Islamic countries still do it to indicate their devotion to the faith. All of the countries in Eurasia are secular states, and Islamic parties, like any other religious parties, are banned⁹⁶.

Administratively, the spiritual affairs of Eurasian Muslim society are organized by Muslim Spiritual Administrative Boards. There is the Central Spiritual Board of Muslims of Russia, the centralized Spiritual Directorates of Muslims in every country in Central Asia, and the Spiritual Administration of Caucasian Muslims in Azerbaijan, Georgia and Armenia. The first muftiate⁹⁷ in Russia, the

Orenburg Muslim Spiritual Assembly, was established during the reign of Catherine the Great. It was headed by a supreme mufti who was in charge of the management of mosques throughout the country. He also appointed imams. With the creation of the Soviet Union, the Orenburg Muslim Spiritual Assembly was replaced with the Central Spiritual Board of Muslims⁹⁸. From the end of the World War II and until the break-up of the Soviet Union, four spiritual boards functioned independently in the area of present-day Eurasia: The Spiritual Administration of Muslims of Central Asia and Kazakhstan (Tashkent), The Spiritual Administration of Muslims of the Caucasus (Baku), The Spiritual Administration of Muslims of the Northern Caucasus (Buynaksk), and The Spiritual Administration of Muslims of the European Part of the USSR and Siberia (Ufa). Today, each of the former Soviet Republics with significant Muslim populations has its own independent Spiritual Board⁹⁹. In Tajikistan the analogue of the Spiritual Board is the Islamic Center – Council of Ulems¹⁰⁰.

Currently, there are eight All-Russian Muslim Organizations such as Central Spiritual Board of Muslims of Russia, the Union of Muftis of Russia, the Union of the Muslims of Russia, and almost 30 various regional religious, cultural, educational, and non-governmental Muslim organizations in Russia only¹⁰¹. There were 2516 mosques (in 1991, 68) in Kazakhstan in 2016, in Kyrgyzstan 2669 mosques (in 2009, 1973), in Tajikistan 3930, in Uzbekistan 2065 Muslim organizations. The largest number of imams per capita is in Tajikistan, with 1 imam for 2,210 people (3,914 imams). The lowest number being Uzbekistan, with 1 imam for 7824 people (4,100 imams). In Kazakhstan, one imam has 4,915 people (3,611 imams), in Kyrgyzstan, 1 imam per 2407 people (2500 imams)¹⁰².

Even though the spiritual community and its religious leaders promote Islamic economic initiatives such as the certification of Halal, the development of Waqfs, Zakat gathering, Haj funding, etc., most proponents of the Islamic economy are regional business leaders



Tiled background with oriental ornaments



View to Mir i Arab madrassa thru the old wooden carved door, Bukhara, Uzbekistan

interested in entering the markets of large Muslim countries and supplying the faith-based demands of Muslim consumers around the world.

5.5 Education

Islamic education in Eurasian states has a thousand-year history. Tsakhur Madrasah located in Dagestan (Russia) is the oldest university institution in Eurasian region. It opened in 1075 and in 2015 celebrated its 940th anniversary.

Miri Arab Madrasah situated in Bukhara, Uzbekistan is one of the most esteemed spiritual Islamic universities all over the world. In 1993, among other sights of Bukhara, it was named on the UNESCO World Heritage List for Uzbekistan¹⁰³. There were about 180 large and small madrasahs in Bukhara, Miri Arab was one of the largest, most well-equipped educational institutions of that time (1435-1536). It is this madrasah that gave the Muslim East the most enlightened figures of religious science, poetry, and culture. Today it continues to produce spiritual ministers¹⁰⁴. Since its inception and until closure in the early 1920s, the Miri Arab madrasah was one of the most prestigious educational institutions in Central Asia. In the 1920s-1930s, all madrasahs were closed in the USSR. In 1945, after long negotiations with government agencies, the mufti of the Central Asian Spiritual Directorate of Muslims (SADUM) Ashon Babakhan achieved the resumption of Islamic education in Central Asia, and Miri Arab was reopened in 1946. Mir-Arab was the only Muslim secondary school in the USSR in 1946-1956 and in 1961-1989. The second madrasah in the USSR – Barakhon (Barakhan) – was opened in 1956 in Tashkent, but was closed by the authorities in 1961 because of the dangerous condition of the building.

The state of religious education in the countries of the region varies. Thus, 112 Islamic educational institutions are registered in Kyrgyzstan, including one Islamic university, nine Islamic institutes, 102 madrasahs

(88 of them are active). In terms of per capita, it is one educational institution for 68,400 people. In Kazakhstan, there are 13 educational institutions: one university, one institute for advanced training, nine madrasahs (they are planned to be called “colleges”) and two centres for the preparation of reciters of the Quran (one institution for 1.36 million people). In Uzbekistan, there are 11 educational institutions: two Islamic institutes and nine madrasahs (one institution for 3.21 million people). The smallest number of religious educational institutions is in Tajikistan, where only one state Islamic institute functions for the entire population of the country, 8.65 million people¹⁰⁵.

In the revival of spiritual values in Eurasia, regional religious experts from the non-for-profit sector discuss the so-called “intellectual Islam” based on traditional religious education, in order to avoid misunderstandings about the religion and to distinguish it from extremist Islam.

For example, the Independent Analytical Center “Religion, Law and Politics” drew attention to the need for the development of intellectual Islam in Kyrgyzstan back in 2009.

As an example of regional religious institutions that serve the goal of “intellectual Islam”, we might name the Egyptian University of Islamic Culture “Nur-Mubarak”, a unique institution in Kazakhstan. It trains qualified scholars of Islam, religious scholars, teachers of the Arabic language and literature, as well as teachers of the English language. Over the years, the University has trained more than 800 graduates, including highly qualified imams, religious scholars, translators and teachers of Arabic, and produces more than a hundred specialist graduates each year¹⁰⁶.

Apart from local religious educational institutions, there are temporary programs, non-for-profit educational Islamic organizations, and subject courses dedicated to Islamic Finance or Islamic Law in Eurasia. For example, the Russian Center of Islamic Economy and Finance (RCIEF) was established in October 2008 on the basis of the Russian Islamic

Institute in conjunction with the Islamic Development Bank (Kingdom of Saudi Arabia) and the Kuala Lumpur Business School (Malaysia). Its main goals are: increasing literacy among the population of the Russian Federation and CIS countries in the field of Islamic economy and finance; providing financial institutions and enterprises with qualified personnel in the field of Islamic economics and finance; and the formation of a domestic scientific base for the Islamic economy and finance.

In 2009, the non-profit fund for the development of Islamic business and finance (IBFD Fund) was established in the wake of the first KazanSummit, or the International Islamic Business and Finance Summit. The IBFD Fund was created to encourage the development of bilateral economic and business relationships between Russia and the OIC member countries. The IBFD Fund is the main organizer of the KazanSummit, now known as International Economic Summit of Russia and the OIC. The IBFD Fund's core activities include: 1. Islamic financial solutions for businesses in Russia and CIS; 2. educational and training courses on Islamic banking and finance; 3. organizing international business events.

The MIRBIS Institute created the Middle East Educational and Scientific Center in the field of Islamic economics, and Islamic banking and finance, with the aim of contributing to the development of the Islamic financial industry in Russia.

In 2017, it was announced that the Russian Centre of Islamic Economy would start working in Tatarstan. It was to issue permits for Tatarstan enterprises to export products according to international Halal standards. Other areas would be Halal medicine, Halal tourism, Halal food, IT Halal and the Islamic economy. The founders of the Russian Center for Islamic Economy will be the government of Tatarstan and Sberbank¹⁰⁷. Recently, a new school of Islamic education, the Bulgarian Islamic Academy, was opened in Bolgar city, Tatarstan, where students will be able to study Islamic law, thought and teaching free

of charge. Tatarstan (Kazan) also hosts an annual International Winter School on Islamic Law and Islamic Economy at Kazan State University, which organises it together with the Russian Islamic Institute. The program is designed for 34 academic hours and offers students participation in any or all topics, such as an introduction to Islamic law, the formation of the economic infrastructure of the Muslim community: legal aspects, etc.

Of more recent developments is memorandum of understanding (MoU) signed between Dubai Islamic Economy Development Centre (DIEDC) and the Tatarstan Investment Development Agency (TIDA) during the 10th Russia – Islamic World Kazan Summit that ran from 10 to 12 May 2018 that was built around the theme 'Halal Lifestyle'. Under the agreement, the two parties will collaborate to attract investments, support the implementation of investment projects, participate in the formation of a favourable investment climate, and increase the investment attractiveness of the Republic of Tatarstan¹⁰⁸.

There are non-profit organizations related to Islamic finance in Kazakhstan: the Association of Legal Entities "Islamic Finance Development Association", the Islamic Center for Finance, Training and Business in Almaty, the Club for the Development and Promotion of Islamic Insurance in Kazakhstan, Center for Islamic Economics and Law of the Kazakhstan Humanitarian Law University. In January 2018, the High School of Economics of the Kazakhstan Humanitarian Law University, in collaboration with IFCA, presented a new joint certification program on Islamic finance. This additional specialization program was developed because of the increasing demand for highly qualified specialists in the sphere of Islamic finance in Kazakhstan and neighbouring countries. The curriculum of the program includes Islamic commercial law, principles and practice of Takaful (Islamic insurance), products and services of Islamic banking, main components of Islamic equity markets, and issues connected with accounting in Islamic finances.

The Bulgarian Islamic Academy

In the context of global politicization of Islam, for Russian Muslims the issue of finding their spiritual identity has become acute. Thus, the three largest Russian centralized Islamic religious organizations – the Spiritual Administration of Muslims of the Republic of Tatarstan, the Spiritual Administration of Muslims of the Russian Federation and the Central Spiritual Directorate of Muslims of Russia have decided to establish an Islamic spiritual centre of the Muslim Tatars of the Volga region, Siberia and the Urals based in the city of Bolgar in Tatarstan.

Consolidation of the efforts of Tatar religious figures will allow a deeper and more conscious orientation of Muslims to the national interests of Russian society, and also to promote the development of the highest level of domestic Islamic education. Development of the Islamic Academy at the federal level in the city of Bolgar directly corresponds to the instructions of the President of the Russian Federation, Vladimir Putin, on the results of the Council under the President of the Russian Federation on the development of inter-ethnic relations, held in Ufa on October 22, 2013, and on creating conditions for the development of a three-level system of Islamic education.

In 2015, the project for the creation of the Bulgarian Islamic Academy was supported by the President of Russia. The President of the Republic of Tatarstan, Minnikhanov, adopted Decree 2015 №UP-1066 “On the establishment of the Bulgarian Islamic Academy and the reconstruction of the Cathedral of the Kazan Icon of the Mother of God.”

The Academy officially opened in September 2017. It is supposed to conduct theological studies and organize educational courses for Muslim religious figures. The structure of the Academy provides for:

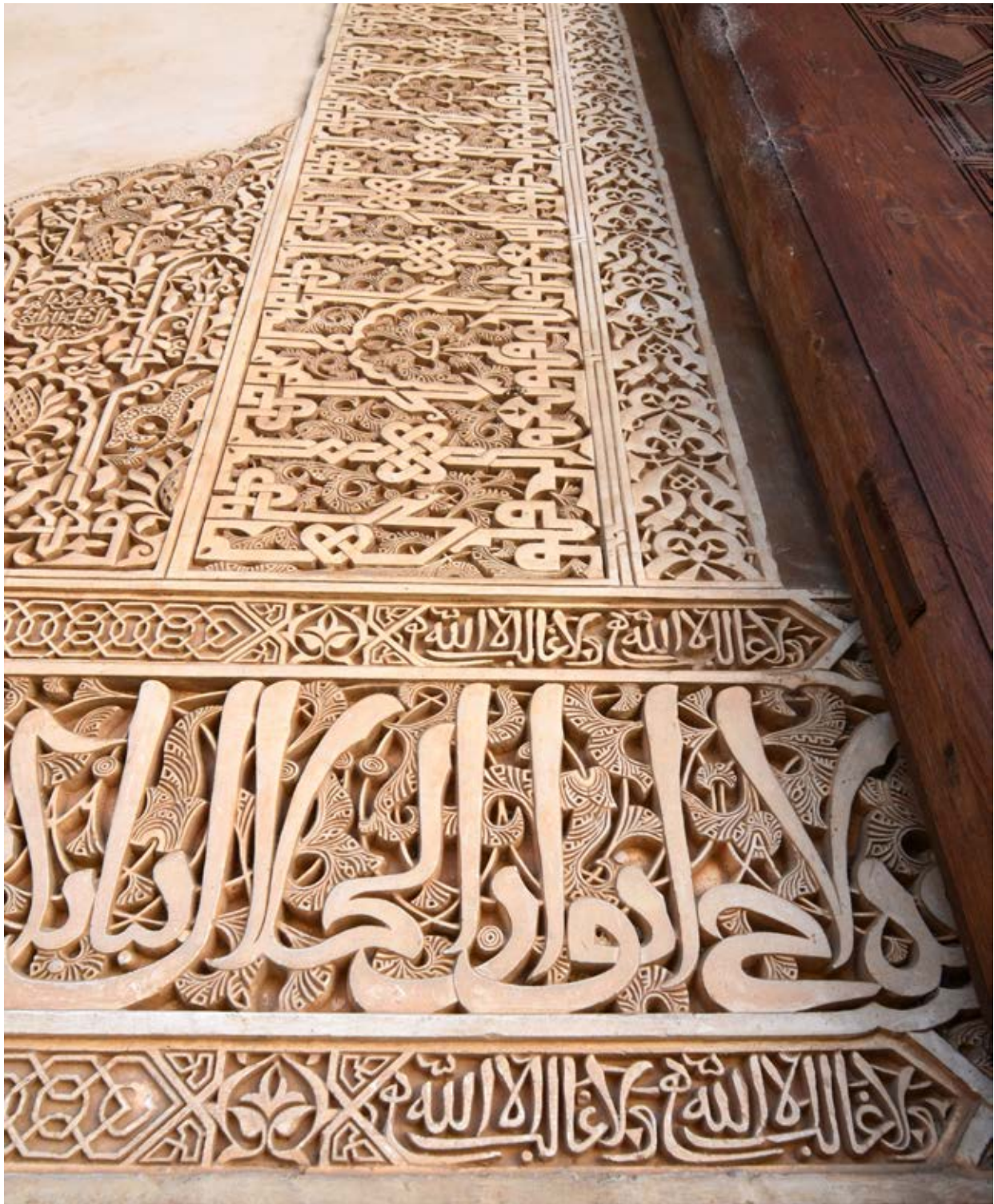
1. Bulgarian Council of Ulems (All-Russian Union of Muslim Theologians).
2. Scientific and educational centre.
3. Center for the Study of the Tatar Theological Heritage.
4. Center for Interreligious Dialogue.
5. All-Russian Library of Islam.

The Bulgarian Council of Ulems is planned as a collegial advisory body of the centralized Muslim organizations of the Russian Federation, created with a view to address theological issues. In particular, the Bulgarian Council of Ulems will prepare the answers (fatwas) on newly emerged Muslim issues from the position of Islam, explain to the Muslim community the traditional principles and positions of Islam, develop typical sermons and materials for preaching the imam-hatyb, review literature on issues of Islam and religion.

Scientific and educational activities will take place in two main directions: higher professional education and additional education. Higher vocational education (full-time and part-time forms of education) includes the training of candidates of sciences (masters) and doctors of science. To implement professional educational programs, the following departments were created:

- “Islamic economy and law”;
- “The Koran, the Sunnah and the Faith”;
- “Management and state-confessional relations”;
- “Arabic language and literature”;
- “Tatar language and literature”.

Additional education is implemented on the basis of programs prepared by these departments, and includes higher management courses for Muslim religious figures, courses of continuing education on Muslim religious figures, and courses in Arabic.



NGOs play an important role in education, increasing awareness, promoting the Islamic economy and providing networking opportunities both for B2B, B2C, and business to government and vice versa. For instance, since the end of 2016, the International Association of Islamic Business (IAIB) has been active in Russia. This non-governmental organization positions itself as an association of entrepreneurs and legal entities which aims to create a socially responsible business climate, based on the spiritual values of Islam. Its mission is to arrange business partnerships between entrepreneurs from Russia and foreign countries on the basis of Muslim ethics and the best traditions of entrepreneurship. This should help develop mutually beneficial business, strengthen interregional and international economic and spiritual ties and, ultimately, improve the welfare of Russian and foreign members of the Association.

IAIB is a platform that unites Russian businessmen and international business elites. Members of the Association can be individuals and companies, representatives of large, medium or small businesses in Russia or abroad. Members and partners of the Association are businessmen regardless of nationality, place of residence, religion. One condition is that such businessmen should not engage in activities prohibited by Islam, and should share the ethical norms of Islam. IAIB works with similar business associations of Christians and Jews, as well as cooperating with all relevant state bodies and departments. The Association pays attention to feedback from the authorities at the republican, federal and international levels. It plays an important role because social responsibility implies that the government expects business to support its socially significant projects. On the other hand, business expects the authorities to understand and support their own initiatives.

The head office of the IAIB is in Moscow. There are representative offices in Ulyanovsk, Chelyabinsk, Sverdlovsk, Samara, St. Petersburg and in Karachay-Cherkessia, the

North-West Federal District of the Russian Federation, and in Azerbaijan. The Association holds meaningful events such as forums, exhibitions, and conferences on the theme of Islamic finance, economy, and Halal products.

Islamic economic ecosystem category: Awareness

5.6 Growing awareness

When we talk about awareness, it is also about the social change that we are witnessing now in the region. Traditional Islamic beliefs, customs, and rituals are reviving. Ethnic Muslims who were secular before are now becoming more conscientious in their observances, which includes lifestyle change. They want to adhere more strictly to their religious views and to conform to all the requirements of their faith. This causes growth in demand for Islamic financial services as well as Halal food, clothing, and other things. Not all local demand can be satisfied internally, so millions of Muslim consumers from Eurasia step into the global market for Halal products.

The Eurasian Muslim population is increasing rapidly, and one would expect a growth in demand for Halal products and Islamic financial services. Producers strive to export their merchandise to new markets, including the OIC countries, and have to conform to their Halal requirements and standards. Governments undertake initiatives on attracting Islamic investment, aiming to become regional Islamic financial centres and hubs for Halal products. In the past decade, awareness about the opportunities in Islamic economy and finance in Eurasia has grown. It seems that the demand is in place, and that the work on raising awareness in the region is going on at all levels.

Local governments and entrepreneurs realize the role of awareness in growing Islamic

products' and financial services' market share. Local officials, state and business delegations of all ranks participate in international events on Islamic Economy and Finance. Delegates from Kazakhstan and Russia participated in the World Islamic Economic Forum (WIEF) in Malaysia in November 2017. The "Islamic Davos" is held on an annual basis and is the leading platform for discussing issues of economic development of the member countries of the OIC. The main topics of the 13th WIEF were financial technologies in Islamic finance, education and industrial revolution, block technologies, renewable energy, and Halal industry. A notable fact is that on June 2011 the seventh WIEF was held in Astana, Kazakhstan, with the theme "Globalising Growth – Connect, Compete, Collaborate". 2,000 delegates from 50 countries gathered to discuss a wide range of topics including globalising Islamic banking and finance.

The Global Islamic Economy Summit (GIES), is the region's premier forum on the Islamic economy. It brings together world-class experts in critical industry sectors that span geographic regions and cultural boundaries to directly address the greatest challenges and opportunities in the Islamic economy. GIES is organised by the Dubai Chamber of Commerce & Industry and Dubai Islamic Economy Development Centre, with Thomson Reuters as a strategic partner. A Kazakhstan delegation from AIFC took part in the 3rd GIES in October 2016. It is planned that the next GIES 2018 will be held on October 30th, 2018 in Dubai, UAE.

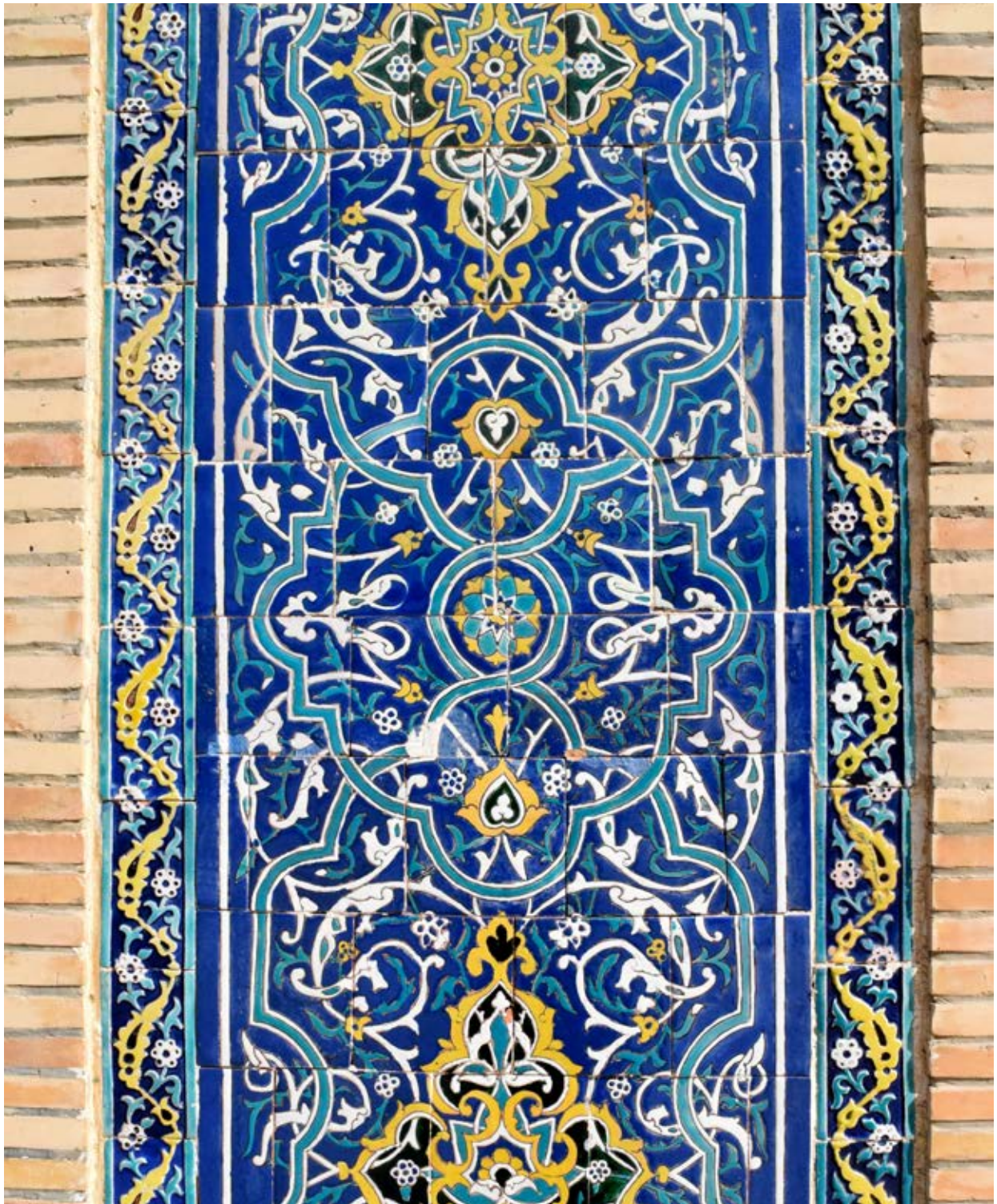
Eurasian states also host periodic and one-time domestic and international events dedicated to Halal products and Islamic finance. For instance, the Moscow Halal Expo is the largest annual event in the Halal industry in Russia, bringing together not only the meat products sector, but also other sectors of food, style, finance, tourism and medicine. The seven year history of the Moscow Halal Expo confirms its relevance and importance for the Russian Halal market and the strengthening of business relations with foreign partners,

the implementation of priority projects aimed at developing the Halal industry in Russia and spreading knowledge about the Islamic culture and religion of Islam. In 2017, companies from 40 countries joined the event as well as representatives of 23 Russian regions. For the first time, Moscow Halal Expo featured companies from USA, South Korea and Brunei. The organizer of the exhibition is the Council of Muftis of Russia.

More events in Eurasia: the 6th International united exhibition on food and processing industry, "Kazakhstan International Halal Expo'2017" and "KazFOOD'2017", was held on September 11-12, 2017, in Astana; in January-February 2018, the Turkmenistan Halal Product Expo was held, it is an important trade fair for entrepreneurs who are active in the rapidly growing Halal industry.

The largest international forum on Islamic financial services (IFN CIS & Russia Forum) dedicated to Russia and the CIS countries was held in Moscow on the 15th of March 2016. It was organized by the international financial based media company, REDmoney Group. 23 States, 45 countries across the world: ambassadors, commercial advisers, diplomatic mission attaches from Europe, Asia and Middle East and the largest foreign financial organizations from Saudi Arabia, UAE and Great Britain debated the development outlook for Islamic financial services in the Russian market and in CIS countries. The participants pointed out that Russia needs a legal framework that will allow Islamic financial services to enter the Russian market, and also to develop necessary banking infrastructure. In March of 2017, the Islamic Finance Forum IFN CIS 2017 was held in Astana, organized in conjunction with Astana International Financial Center¹⁰⁹.

Kazakhstan is recognized by international experts as the leader in terms of Islamic finance promotion and support. Since 2010, the Kazakhstan Islamic Finance Conference (KIFC) is being held annually in Astana. The KIFC is a main dialogue platform between the government of Kazakhstan and





Architectural detail of the Madrasas at the Registan, Samarkand, Uzbekistan

top managers of Islamic financial institutions devoted to discussion of the current situation, as well as the tendencies in, and prospects for, the Islamic finance and banking market¹¹⁰. The ceremony of the Global Islamic Finance Awards GIFA was held in Astana for the first time in September 2017. Representatives of 20 countries were congratulated by the Governor of the Astana International Financial Center, Kairat Kelimbetov. Additionally, Islamic Finance Week (IFW) 2017 was held in September 2017 in Astana, Kazakhstan. IFW is a platform for sharing international experience and building a constructive discussion about Islamic finance development issues in the region as well as to raise public awareness about Islamic financial trends and instruments in the world. The event was organized by Astana International Financial Center and AIFC Bureau for Continuing Professional Development (AIFC Bureau for CPD), in cooperation with Islamic Development Bank, Islamic Research and Training Institute and Islamic Finance Center at the Bahrain Institute of Banking and Finance.

The sector of Modest Fashion is also getting more visibility in Kazakhstan. The first festival of Muslim women's clothing, "Sisters' Bazaar", was held in September 2016 in Almaty (Kazakhstan). The main mission of Sisters Bazaar was the promotion of domestic brands of women's Muslim clothing, not only inside the Muslim community, but also outside it, with the aim of destroying the stereotypes about women in Islam. Not only Kazakh designers took part in the festival, but also guests from other countries: Russia, including Chechnya, Uzbekistan, Azerbaijan and Kyrgyzstan.

These countries also contribute to increasing awareness about the Islamic economy and Halal sector in the region. For the first time in Azerbaijan, in May 2010, an international food exhibition "World Food Azerbaijan" was organized by Iteca Caspian LLC and ITE Group Plc (UK). It was supported by the National Confederation of Entrepreneurs' (Employers') Organizations of the Republic of Azerbaijan and included Halal Food

Azerbaijan in the exhibition to win Muslim customers' trust. The inclusion of Halal food in the exhibition was a clear attempt to bring together manufacturers of Halal products from Azerbaijan and other countries¹¹¹.

The Ministry of Economy of Kyrgyzstan organized an international conference on standardization and certification of Halal production in October 2015. Experts were invited from the Eurasian Economic Union for Halal Standardization and Certification (EUHSC) which is based in Moscow, to share their experience with local businesses and authorities. Experts from the Halal industry in Belarus, Russia and Kazakhstan attended the conference. Some important issues, such as the establishment of a common Halal standard for Eurasian Economic Community countries, Halal industry trends in the contemporary business world, and the development of the Halal industry in Kyrgyzstan, were discussed by the experts and participants from different market angles.

5.7 Spread of Internet and IT technologies

It is very exciting to learn how centuries-old Islamic values interact with the modern digital world. The Internet and mobile dimensions contain a lot of Islamic content. According to Thomson Reuters "Digital Islamic Economy 2015" report, more than 2,000 Islamic lifestyle services were detected across websites and mobile platforms worldwide, and their number is increasing exponentially. The reason is in the natural desire of Muslim consumers to satisfy their spiritual needs digitally. For instance, *Muslim Pro* is needed to increase Muslims' religious lifestyle productivity, and *Musallah* assists Muslims to find a place to pray in any city. Scan Halal enables Muslims to make better informed Halal dietary choices, while *Zabiha Halal* helps with Halal food ratings and review. *Halal Gems* showcases the best Halal cuisine and Halal restaurants globally. *Modanisa* and *Sefamerve* facilitates the purchase of modest clothing.

CrescentRating and *HalalBooking* offer Muslim family friendly travel services. *Alchemiya's* on-line subscription channel streams content on global Muslim culture¹¹².

It goes without saying that these initiatives for Muslims are only possible in the digital economy. The main consumers of these websites and mobile apps are the young urban population that is already highly networked and connected via the Internet and social media¹¹³.

Eurasia has a large population of such people. On average, 62.6% of the total population (144.6 million people) live in the cities, with the highest urbanization level in Russia (74.1%) and Armenia (62.6%). Almost all countries in the region have more than half of their population living in cities, except Tajikistan, Kyrgyzstan, and Uzbekistan. See 9.13 Urban population of Eurasian states (% of total).

The positive sign is that the countries lagging behind in terms of urban population proportion have higher growth rates for their urban population (over 2% annually), outstripping their neighbours in this regard. See 9.14 Urban population growth in Eurasian states (annual %).

Based on UN data, it is noted that the majority of the Eurasian population (58.3% of total) is younger than 39. It means that in Russia and Kyrgyzstan more than half the population, in Uzbekistan, Turkmenistan, Kazakhstan, and Azerbaijan two-thirds of the population, and in Tajikistan four-fifths are millennials. See 9.15 Number of young population of age 0-39 (millennials) in Eurasia.

Almost all populations have constant access to electricity, with minor exceptions in some rural areas of Tajikistan and Kyrgyzstan. The literacy rate of the adult population (aged 15 and above) in the region is more than 99% which means there are no obstacles for local people to learn basic technical skills for using the Internet or a mobile phone. See 9.16 Individuals using the Internet in Eurasian states (% of population).

The broadband penetration rate is very high in almost in all countries in the region

except Tajikistan and Turkmenistan. On average, in Eurasia, about 51.5% of people use the Internet, which is higher than the world's average of 43%, but still less than in Europe (78%). Cellular phone use is also high, which means that almost everybody in the Eurasian region has a mobile phone, though rural parts of Uzbekistan are an exception. However, the quality of telecommunication services is still mediocre. See 9.17 Mobile phone users in Eurasian states (per 100 people).

Governments in Eurasia are committed to developing the digital economy and have adopted state-level strategic documents and policies on digitalization. There are the following programs in the Eurasian countries dedicated to fostering the digital and ICT sector: "Concept Paper on the Initial Strategy of the Formation of Innovation Economy in Armenia" 2011; "Azerbaijan – 2020", which includes ICT development program; "IT Strategic Plan 2020" in Georgia; "Digital Kazakhstan – 2020"; "Digital Kyrgyzstan 2020-2025"; "National development strategy of Tajikistan 2030" with ICT as catalyst of sustainable development; "ICT Infrastructure Development Program 2015-2019"; and "E-Government Development Program 2013–2020" in Uzbekistan.

That is why there is a favourable environment for the development of the digital Islamic economy in the Eurasian region. Local Muslim communities can benefit from the current situation and make maximum use of modern technologies to take the local Islamic economy to the next level.

There are already several positive stories concerning Muslim digital content in Eurasia, most of them coming from Russia and Kazakhstan. For instance, the website *Takafol.ru* claims to be the first Russian-language Internet resource dedicated to the Islamic economy and Islamic finance (since 2005) and it offers the only Russian-speaking zakat calculator in the country. To name a few other Islamic websites: *islam-today.ru*, *islam.kz*, *kuran.kz*, *kazislam.kz*, *halalguide.me*, and mobile applications *Sajda*, *HalalGuide*, *Quran.kz*, *UmmaFood*, *HalalGid.ru*.

E-commerce for Halal goods and modest clothing is also actively developing. There are internet shops for Muslim goods and clothing for women in Russia such as *islamicstore.ru*, *maidenly.ru*, *yaseen-hijab.ru*, *shop.islamtv.ru*, *barakat.kz*, *risalat.ru*, *irada.su*, *sabrstore.com*, *sahara-fashion.com*, *халыль-продукт.рф*, *hijab-amani.ru*, “Musulmanka” (“Muslim woman”). They usually sell Muslim clothing and Halal food, as well as Islamic attributes, accessories and health products¹¹⁴. Online

store Halal.kz and supermarket “Aidos”, located in Almaty, claims to sell only Halal goods, which means no alcohol or tobacco products, no packaging of goods with vulgar designs, nor products containing pork¹¹⁵. Salsabil.kz offers perfumery, oils, clothes, accessories, teas, etc. (goods from more than 20 countries). There are also Muslim matchmaking websites such as *nikah.su*, *mydiaspora.mobi*, *lovenikah.com*, and *muslimanikah.com*. There is an online Muslim journal in Kyrgyzstan – *ummamaq.kg*.



Hazret Sultan Mosque in Astana. Kazakhstan

Sajda

Sajda is a user-friendly Muslim app developed in Kazakhstan that has 400,000 active users around the world and entered the list of the most popular apps in Kazakhstan. It was one of the first applications from Kazakhstan in the Appstore.

The first version of *Sajda*, *Sajde KZ*, was developed in 2012 by Almas Adilbek jointly with Zhanbolat Raimbekov. The two partners met in 2008, four years before they developed *Sajde KZ*, when Zhanbolat suggested to Almas that they work together on another project, *kuran.kz*. Almas bought and registered this domain while studying IT at university. In 2008, Almas worked in the CrystalSpring company, one of the first companies in Kazakhstan specializing in Internet banking and mobile app development. At that time Zhanbolat was employed at the Nazarbayev University in the field of web technologies.

They started to work together and as a result, in early 2011, on a flash platform they launched the web app, *birge.kuran.kz*, which enables collective reading the Quran. Zhanbolat added a subpage, *namaz.kuran.kz*, to the site, showing the exact time of the prayer in an unpretentious table. Although it was inconvenient to go into the browser and search, they often went there because few other sites for quick viewing of the exact time of Namaz existed, and *namaz.kuran.kz* was displayed high up in Google search.

In 2012, the mobile app development market in Kazakhstan was new. Few people were making apps. Adilbek and Zhanbolat had experience and decided to create a simple application for themselves, with a table, small settings, and a concise interface, based firstly only on iOS. They sketched out the design, added two languages by default, Russian and English, and launched.

After two years they looked at the statistics and realized that the application had been opened by 750 users, which was a good indicator at that time. Six months later, Zhanbolat made a version for Android. In 2014, they conducted a small rebranding and changed the name *Sajde KZ* to *Sajda*, that is, changed the name from the Kazakh “*sajde*” to the original Arabic “*sajda*”, as written in the Quran. “*Sajda*” from Arabic is translated as “earthly bow”. Muslims believe that it is in an earthly state that a person is closest to his Creator. The rebranding was undertaken because the application was beginning to gain popularity outside Kazakhstan. They made a new design, added background pictures and the Uzbek language, as well as the opportunity to make a donation. That was the second version of *Sajda*.

Later *Sajda* was improved with participation of one more team member, Herman Ilin, who joined the team in 2015. When it comes to *Sajda*’s future aspirations, Herman says: “In the long term, we want to organize a platform on *Sajda*, which will contain the products of Halal industry. People often face this problem of whether the products are truly Halal. In the index, for example, products, institutions, offers from individual entrepreneurs will be written. Implementing new features, we will adhere to simplicity; we promise that the main page will remain simple and concise”.

To date, the prayer time schedule has had 1.4 million downloads in iOS and Android. It is now available in six languages, including Russian. The *Sajda* project, which is available free of charge for its users, is being expanded thanks to additional investment from sponsors, and contributions from crowdsourcing and donations¹¹⁶.

HalalGuide

Launched in 2012, the *HalalGuide* application was the first and unique guide to the Halal service market in Russia and the CIS. This currently includes 30,353 outlets in 120 countries. The application shows the nearest mosques and prayer rooms, places where Halal products are sold and where you can listen to MIRadio, a continuously broadcasting tool for spiritual growth which is a Muslim partnership project. The service allows you to participate in the bonus program, Halalskidka. ru (application HalalBonus), to accumulate points and spend them with more than 2000 program partners.

HalalGuide is part of HalalGroup, a technology company that develops simple and powerful solutions for improving the lives of Muslims around the world. HalalGroup also includes the following projects: HalalEda, HalalWork, HalalShop, HalalBank, and numerous other useful resources¹⁷.

HalalGuide was created in 2010 by a group of young Russian Muslim entrepreneurs, headed by Ayrat Kassimov from Perm, who came together to put into action a vision they shared.

The idea of the Muslim guidebook came to Ayrat Kassimov in his student years. "I'm a practicing Muslim, I wanted to buy Halal products and thought about a special mobile application", said Kassimov. The founders of the Russian online project Muslim Guide ("yellow pages" for Muslims) liked Kassimov's idea. Ayrat and his two friends began developing a mobile application, but after a few months the Muslim Guide was closed and Kassimov decided to develop the project under a new brand. They put on the map mosques and charitable foundations. The objects of trade and services—Halal restaurants, shops, hotels, travel bureaus—are checked for compliance with the requirements of Islam. They ask the owner about the origin of the goods on sale and the features of the services they offer and only after that consider listing them on the database. Initially, until 2014, the project was developed as a hobby by Kassimov and a handful of Muslim volunteers. Everything changed in December 2014, when, Kassimov applied to the business incubator of the Kazan IT Park. Their start-up was selected and given work-space, as well as training sessions, and meetings with investors and influential people in the region. In January 2015, LLC Halal Group was registered. It hired site administrators, designers and developers, and began to expand.

Today they have built upon the dream of providing an accessible search engine based on Muslim-related categories and presented in the form of a website and phone app. HalalGuide is growing in Russia, Central Asia, eastern Europe and now expanding into western Europe and America.

In the near future, Kassimov plans to attract \$760,000 of investment, which is what he estimates will be needed to establish direct representation in Germany, the United States, France and Malaysia.

6. Recommendations

In the previous chapters, we described the demand and the potential for successful initiatives in the Islamic economic eco-system in the Eurasian region. In some countries, the Islamic economy found solid ground, while in others there is a long way to go. The question remains: what else do governments need to do to push forward the development of the Islamic Economy in order to benefit from its potential?

Institutions

A strong political will and enough financial commitment are needed to develop the Islamic economy. It is a peculiarity that, in Eurasia, initiatives come mostly from government. They have already recognized Halal industry and Islamic finance as reliable engines of growth. Thus, governments adjust their legislative frameworks, introducing relevant standards, in order to promote various projects and initiatives. A notable example of a leader who gave impetus to Islamic finance development is the president of Kazakhstan, Nursultan Nazarbayev. The award in the category, “The Global Leader in Islamic Finance”, was given to him for great achievements in the development and promotion of the Islamic financial market at a regional and international level in 2014 within the framework of the 10th World Islamic Economic Forum.

On the other hand, as illustrated by its GIEI score, Russia could do much better and be up with the top performers in the Islamic finance sector in Eurasia, given its high awareness score and possession of several working Islamic financial institutions. Russia’s mediocre performance is explained by its zero score in the governance category because of the absence of any federal-level regulations for Islamic finance, lack of Sharia scholars, etc. Challenges in the legislative field, such as

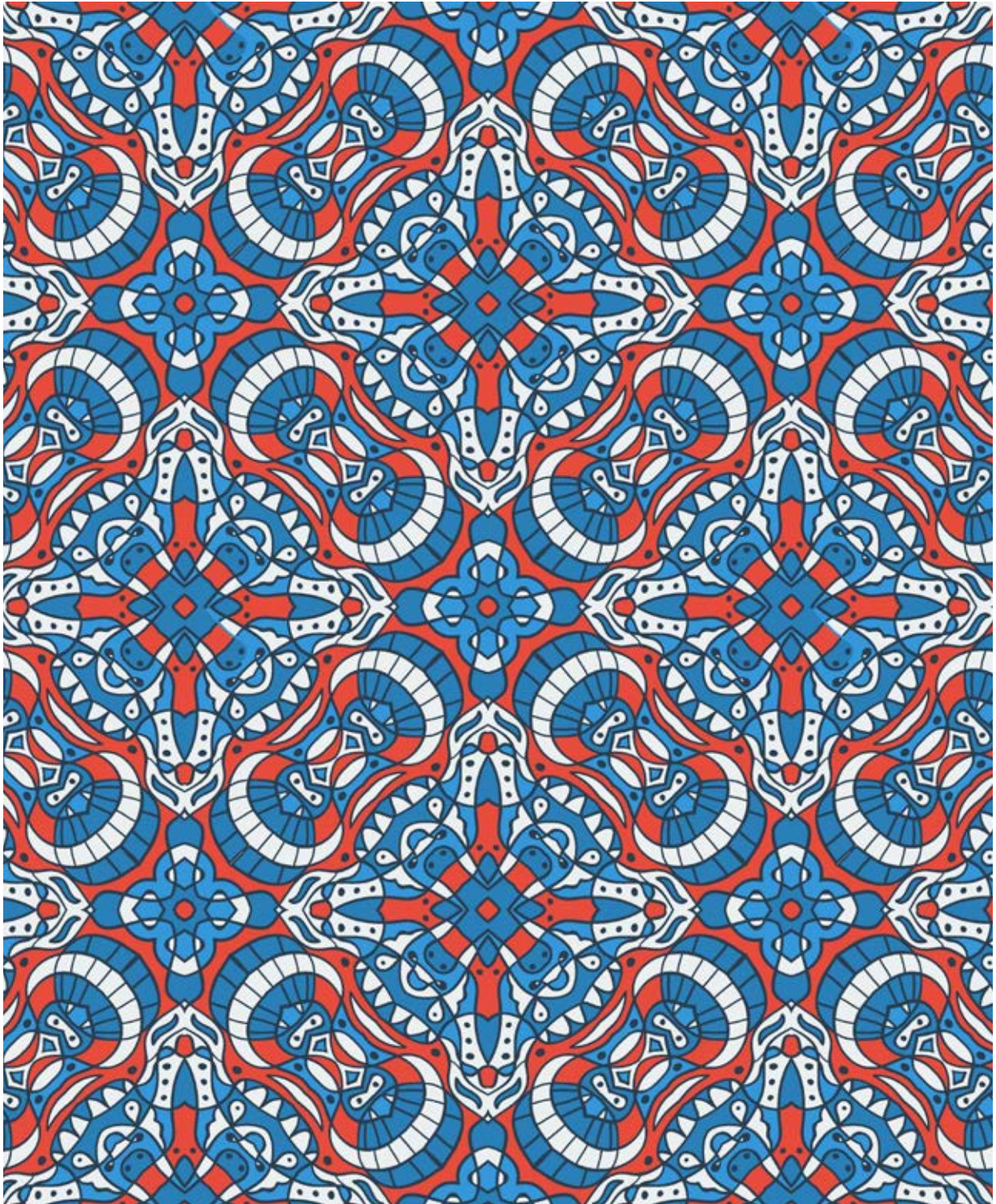
regulatory inconsistencies, also remain a key issue.

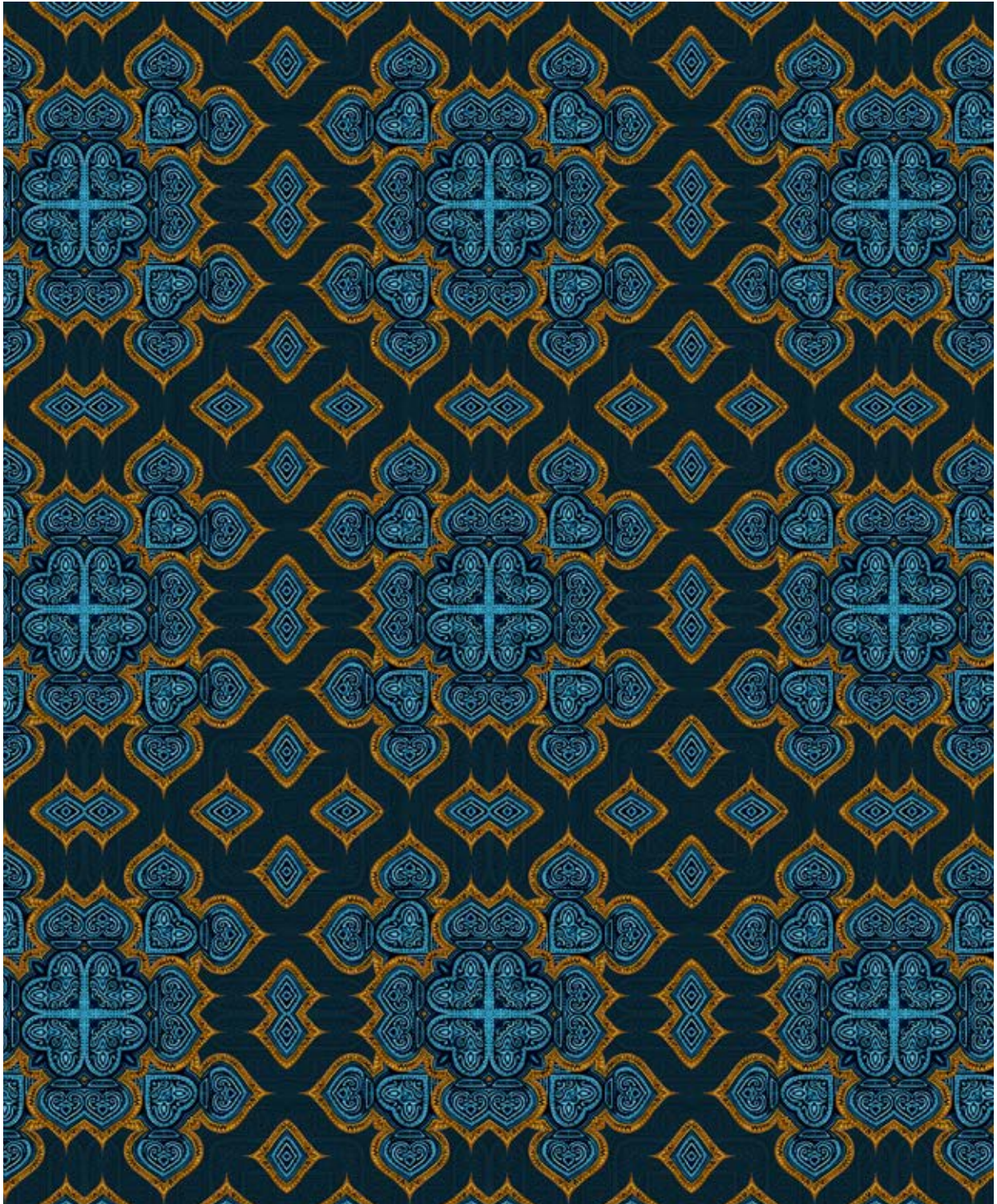
There is a need for amending legislation in Eurasian states to grant access to Islamic financial institutions. Also, the lack of harmonized technical and contractual standardization continues to hinder the growth of the Islamic finance industry. Thus, the work amending national regulations should continue into the financial, insurance and tax spheres, as well as in standardization and certification.

In the Halal industry, a lack of generally accepted Halal standards of certification and accreditation rules and institutions among OIC countries and elsewhere aggravates the problem. However, positive developments, such as the establishment of IHAF, will soon change the environment. There is also a misuse of Halal marks in Eurasian states by firms that do not comply with necessary Halal standards. Consequently, in some countries there is a need for regulations banning the use of Halal labels without certification.

To further support the infant Halal industry, as a temporary measure, subsidies and other support for Halal producers might be considered in some countries. For instance, as part of the project “Export of agricultural products”, the Russian government plans to draft a decree which will provide for the possibility of granting Russian companies subsidies from the federal budget to compensate for part of the costs associated with certification and homologation of products in foreign markets. Support will extend to certification under the Halal standard. However, it should be noted that for the countries which are members of WTO such measures would be a violation of the “level playing-field”, and as such strictly prohibited by the regulations of this organization.

In terms of the institutional category of the Islamic economic ecosystem, as





experience of some successful countries shows, international cooperation with IDB and other institutions such as Dubai Center for the Islamic Economy Development is crucial. The Eurasian region is already on the radar of the Islamic world. For instance, Islamic multilateral institutions and countries in the Arab and Muslim world play an active role providing technical and financial assistance to Eurasian states. In fact, it is thanks to Kazakhstan's cooperation with the IDB group that the country was able to grow its Islamic finance. For example, the first law was developed with the help of a technical assistance grant, as was the creation of the first leasing company now operating in Almaty. The same is true for the attraction of almost \$ 1.6 billion of investment since 2000, in accordance with Islamic law, in the field of transport and communications, energy, agriculture and health, and SMEs, amongst other things. IDB has helped Kyrgyzstan and Azerbaijan in their efforts to develop both the Islamic finance infrastructure and Halal certification. The efforts of IDB are also evident in Tajikistan, Uzbekistan, and Tatarstan.

The positive factor is that currently there is a general trend for Islamic financial institutions to go global. They discuss their internationalization strategies openly. At a CIBAFI-IDB Roundtable Meeting, held in Bahrain in 2015, the participants, who were senior Islamic finance practitioners and international industry experts from over 15 countries, stated that despite the undoubted progress of Islamic finance, there are still few Islamic financial institutions that have the scale to operate and compete at a global level. Even at a regional level, there are not many big Islamic financial institutions that have a significant presence outside their home country. The need to internationalize Islamic financial institutions is recognized by all those in the industry. The challenges lie in many areas: disparities in the level of Islamic finance development, a complex regulatory landscape that mixes both Islamic and conventional finance, a lack of standard financial products and contracts,

and differing Sharia interpretations. In addition, there is also the challenge of defining internationalization strategies that will meet the extraordinarily diverse needs of those, both Muslim and non-Muslim, who seek to engage with Islamic finance, while also generating income and profits for the Islamic financial institutions themselves so that they will be able to maintain and grow sustainable businesses.

What are the interests of Islamic institutions and countries in the Eurasian region? First of all, there is a demand for Islamic financial products and liquidity at a time when diversification programs and industrialization is on the agenda. Secondly, most of the regional enterprises are concentrated in the sphere of extraction or primary processing of raw materials. These industries are least at risk, and even in crisis years have a certain margin of strength due to the widespread demand for mineral resources. To become a partner of such an enterprise could be a successful investment for an Islamic bank, and one which does not contradict the canons of the Sharia. Thirdly, the introduction of financial institutions represents a serious bid to strengthen those institutions' presence and influence in this geopolitically important region.

It is a favourable time for Eurasian states to reach out and receive assistance from the Islamic world in terms of technology, capacity-building and advisory support in Islamic economy and finance.

Human capital

The inclusiveness of Muslim migrants and their capacity-building is a major aspect of human capital. Developing the Islamic economy in Russia could be a solution to the current issue of migrant inclusion into the Russian society, allowing them to integrate smoothly while still practicing their religion and Halal lifestyle. According to a Russian researcher of the Islamic economy, R. Bekkin, the Waqf Institute can prove its effectiveness in helping migrants from Muslim countries adapt to life

in Russia. For example, according to some reports, from 500,000 to 1 million Tajik citizens temporarily reside and work in Russia. Most of them do not know Russian well (66% of migrants to Russia either do not know Russian at all or speak it only at intermediate level); do not know the basics of Russian statehood, the basic laws, etc. Migrants to Russia are predominantly young people, 18-29 years old (74%), and 30-38 years old (26%). Labour migrants from the former Central Asian republics are actively involved in small and medium-sized businesses. Increasing their educational level will certainly help to increase the efficiency of their businesses. In order to help Muslims from other countries adapt to Russian conditions, it will be necessary to create a non-governmental educational centre, based on Waqf assets, in which migrants can learn Russian, the basics of Russian legislation, and perhaps even get a new profession. From the funds of a similar Waqf, endowment of scholarships and libraries for Muslim students is also possible. Assistance to Muslim migrants and students does not have to mean the provision of money, and it can sometimes achieve cost reductions for small and medium-sized entrepreneurs and students. Information and advisory services financed by Waqf may be invaluable in this regard.

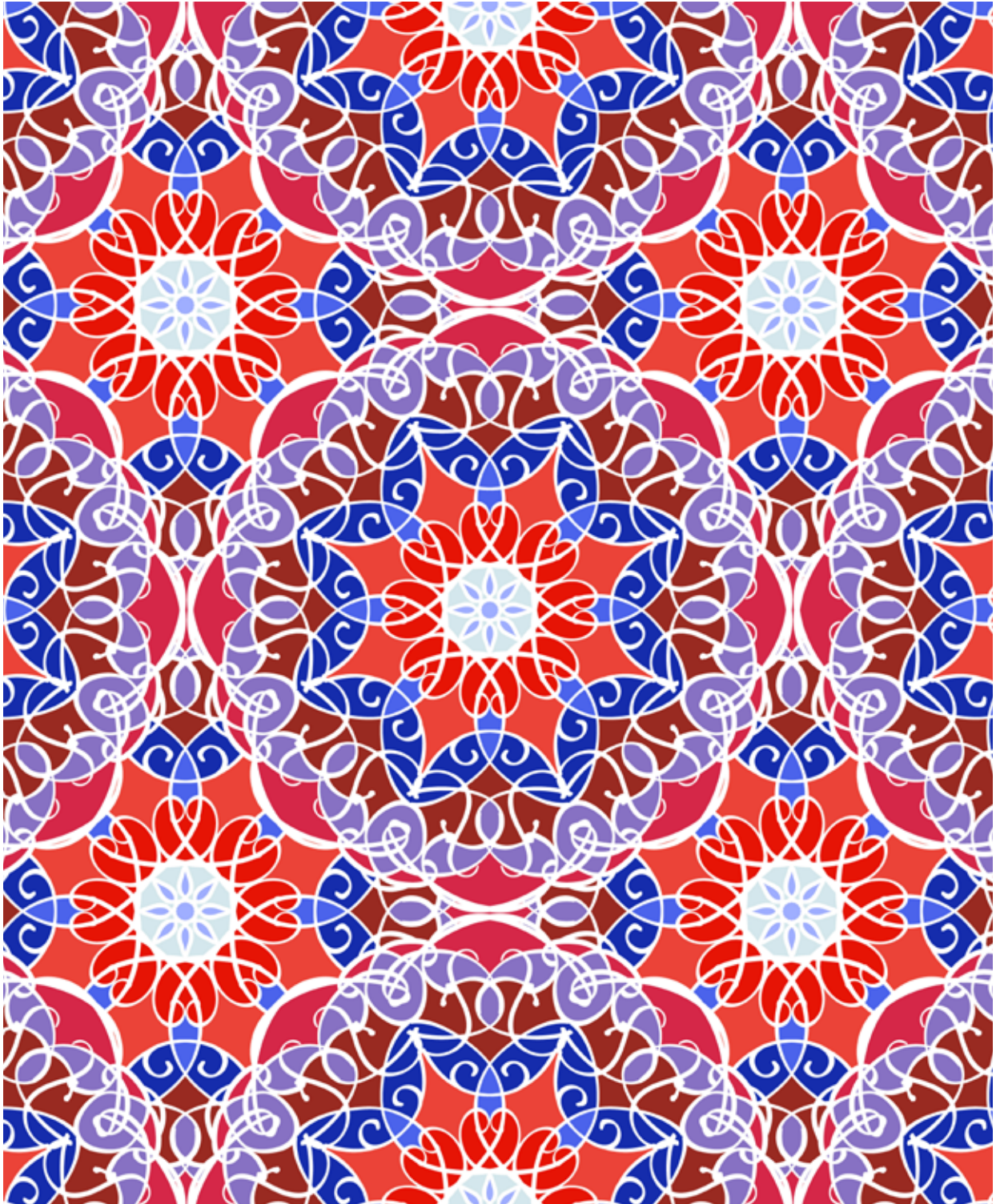
Preparing specialists at governmental level (professional courses) has been another successful initiative in some Eurasian countries that the can be replicated by others. Shortage of qualified human capital, specifically educated in the sphere of Islamic finance and Halal industry, Sharia-compliance, absence of such specialists in Eurasia, is among the most frequently mentioned and the gravest problems in Eurasia. In Kazakhstan, the AIFC Bureau for Continuing Professional Development is responsible for human capital development. It plans to retrain over 2000 specialists in the financial industry and, ultimately, create a critical mass of professionals for an AIFC eco-system and beyond. In addition, the Bureau is responsible for the investment and financial literacy programs related to AIFC's

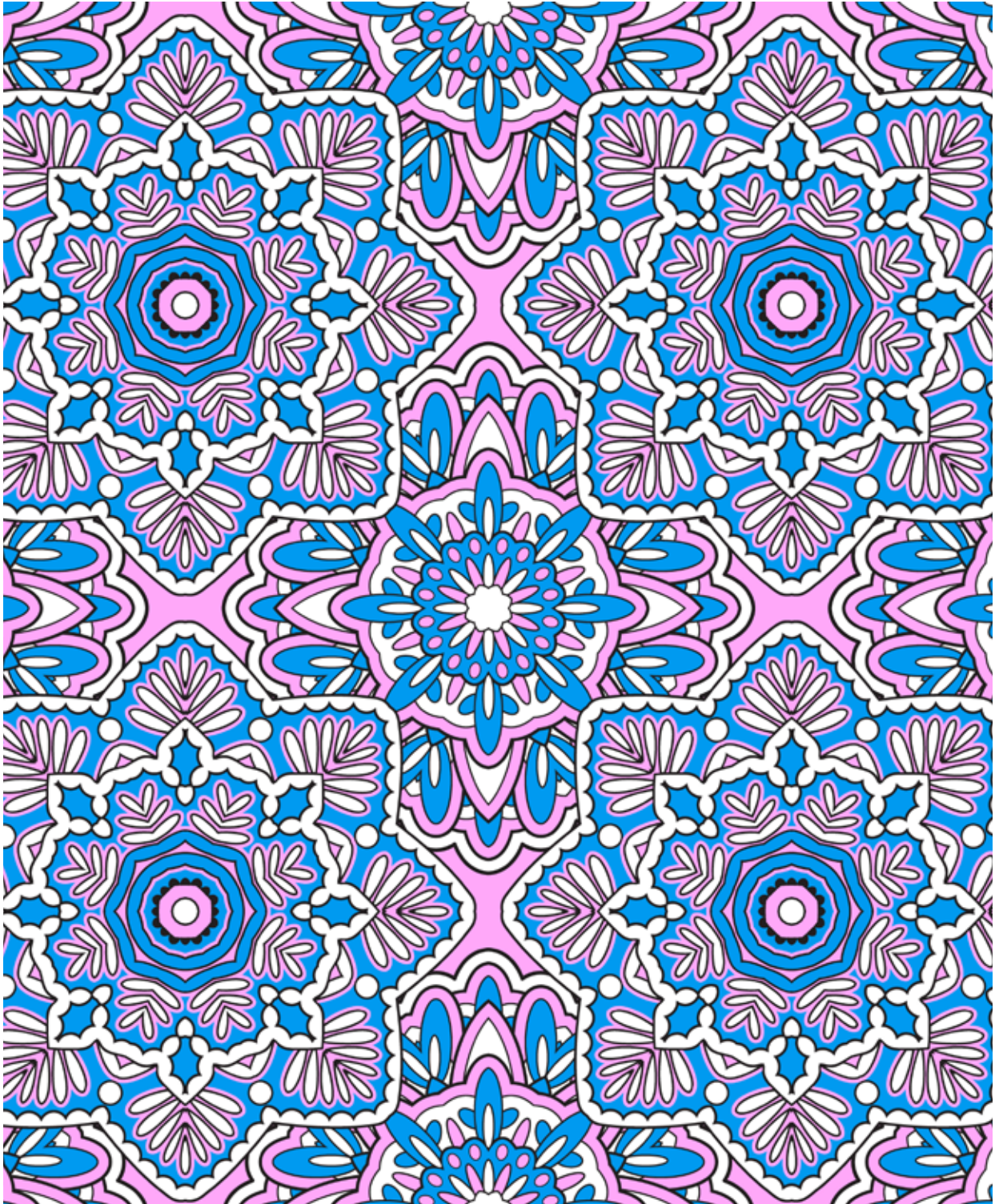
core pillars, including Islamic Finance, Fintech, Capital Markets, Green Finance, as well as Asset and Wealth Management.

Awareness

Raising awareness, increasing the amount of available information and advocacy, and opening educational and information centres are amongst the necessary measures for sustainable development of Islamic economic ecosystem in Eurasia. In terms of Islamic finance, there is a low awareness of Islamic products and services and their benefits among the people of Eurasia. The low penetration levels of Islamic finance outside its traditional markets can be attributed to the lack of public awareness and the narrow recognition of Islamic financial products and services. For instance, according to IDB's Kazakhstan Country Report, in 2015, 71% of surveyed Kazakhs say they had never heard of Islamic banking. Among survey respondents, 41% did not understand the differences between conventional and Islamic banking but were open to finding out more. Another 39% said that they did not need to know any more.

The level of spirituality of the population in the country is insufficient, the degree of confidence of economic entities in Islamic finance is low, and the newly formed Islamic financial institutions cannot compete successfully with traditional financial structures in the initial period. In the opinion of local researchers, when introducing an Islamic model of financing in Kazakhstan, it will be necessary to ensure a systematic approach. As an example, Islamic banks are instructed by law to explain to customers the specifics of banking operations carried out in compliance with the principles of Islamic finance. If they are violated, a bank's licence may be revoked. In order to monitor a bank's compliance with the principles of Islamic finance, a Sharia council must be established. Legally, it is called a Council on Islamic Financing Principles. It is a body appointed by the general meeting of shareholders of the bank on the





recommendation of the board of directors, or the board of directors as decided by the general meeting of shareholders. Islamic banks should provide clients with transparency regarding the funds they use. Thus, at the request of the client, an Islamic bank is required to submit a report on the use of money on an investment deposit.

Addressing Islamophobia through increasing awareness and promoting a correct understanding of traditional Islam will help to de-politicize Islam. Islamophobia is mainly connected with the threat of the spread of Islamic extremism and terrorism. The increase in terrorist activities in the region has provoked public debate and concern. Islam has been politicized in Tajikistan in a more distinct way than in other Eurasian countries. For instance, Tajikistan's struggle against alleged Islamist groups, the competition of current government with the Islamic Renaissance Party, and the attempt to attract the big powers' attention has fed a discourse that warns of an imminent Islamist threat¹¹⁸. The Islamic Renaissance Party of Tajikistan was the only legal Islamist party in Central Asia, but has been a banned Islamist organization since 2015. It is included in the List of Terrorist, Extremist and Separatist Organizations of the Regional Anti-Terrorist Structure of the Shanghai Cooperation Organization.

The fear of the Islamist threat is also strong in other Central Asian states. A phenomenon called the “discourse on danger” largely determines the relationship between state and Islam in Central Asia. The imminent threat of religious radicalism encourages the formation of political alliances. It is employed both in the direction of cooperation with the West within its “war against terror”, and in respect of Russia and in China who “fight against extremism”. The threat previously associated with Taliban regime in Afghanistan, and now with ISIS's activities, unites local governments and big powers in security-preserving organizations such as the Shanghai Cooperation Organization and the Collective Security Treaty Organization. Islamic discourse is also

widely used to silence critics of the regime, accusing them of the fact that their opposition activities are linked to the agenda of terrorists. Only Turkmenistan officially denies the existence of any Islamist danger¹¹⁹. Azerbaijan is also willing to preserve its status as a secular state, and shuns everything connected with the notion “Islamic”.

As a result, the term “Islamic” is still sometimes perceived negatively in Eurasian countries. Sharia law is often associated with extremist groups who impose ruthless interpretations of the religious teachings of Islam on unwilling populations. Yet Sharia law, which derives from the Quran, can also be applied to other dimensions of everyday life, enabling people to conduct their economic activity in a more sustainable way and to enjoy higher quality and less risky products and services.



7. Conclusion

The global Islamic economy is a rapidly growing \$2 trillion market which includes all sectors, starting from basics such as food to more sophisticated products like financial services tailored strictly in accordance with Islam. The major trendsetters in this market are the increasing number of Muslim millennials (almost two-thirds of all Muslims today) who have access to the Internet and mobile technologies, and who want all aspects of their daily lives to conform to their religious views. Technology and online networking platforms enable conventional Islamic economy sectors to go digital, outreach to larger audiences and accelerate the pace of the growth – “Islamisation” – in world markets.

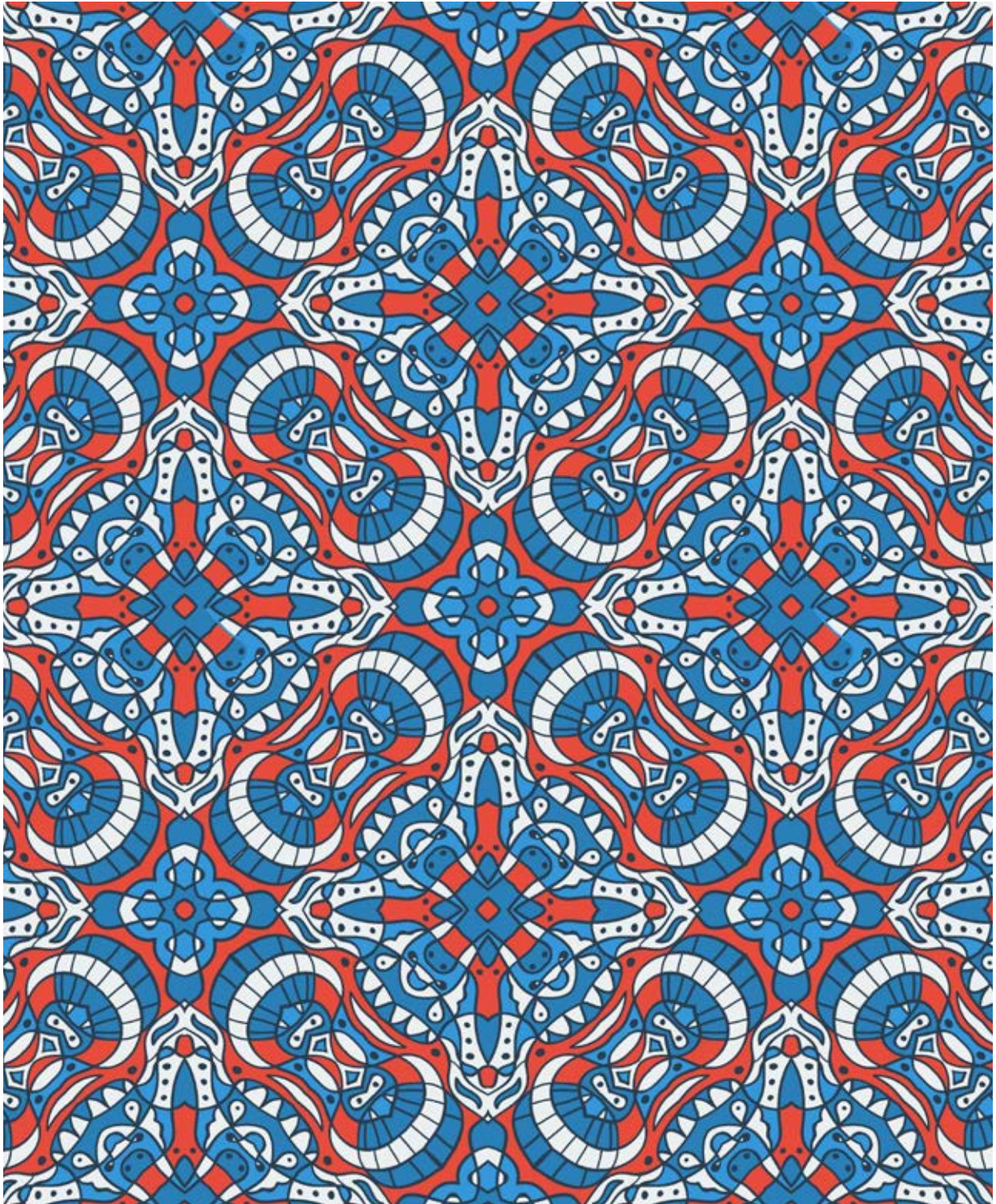
Consequently, the Islamic term “Halal”, which means “permitted”, is now applicable to all parts of the everyday life of a Muslim, and so has led to the concept of a “Halal lifestyle”. Halal is perceived to be a standard of clean, healthy, safe, environmentally friendly, organic food, and other goods, and ethical, fair, quality services. Muslims around the world strive to adhere to the requirements of their faith and choose Halal consumer products and services. People with other religious views also support universally-shared values and make more responsible choices when they shop and consume. So, the demand for Halal products and services grows, causing the market for Halal to grow exponentially.

Multinationals such as Nestle realized the size of the demand for Halal products in the 1980s. They quickly understood the benefits associated with Halal certification, and adjusted their business strategies accordingly. Corporations introduced Halal products lines, increased the number of their Halal certified production facilities, ensured observation of Halal requirements through the

whole value-chain of production, transportation, retail and catering, and started investing heavily in Halal markets worldwide. The large established players have an advantage over new entrants in Halal market because as a rule they have fine-tuned their processes and put safety procedures in place, and so have to do less to comply with Halal requirements. Yet, the vast opportunities caused by existing gaps between producers and consumers of Halal through the whole value-chain is attracting more firms to seek their own niche.

Active changes coming from the commercial sector and demand from consumers is pushing governments to amend and improve the Islamic economic ecosystems in their countries. Some, such as the UAE and Malaysia, aspire to become world centres of the Islamic economy, Islamic finance, and Halal certification, and have adopted corresponding policies and programs. Capital from rich Muslim states also searches Islam-compliant channels and projects, and ways to reach out to new clients for partnership banking consumers. Thus, the process of streaming finance from Islamic states is mutually beneficial and has a healing effect on conventional economic systems as the Islamic finance has proved to be more resilient in financial crises.

The Eurasian region, with its large Muslim population, is on the crest of a new wave in the global Islamic economy. There is a higher degree of interest in this topic on the part of local stakeholders and positive developments in all spheres. Halal standards and certification of Halal on a country level are being introduced throughout Eurasia. The volume of Halal export continue to increase. Merit to the IDB and commitment from the political elites in the region, the Islamic finance sector is maturing. Every day more





SMEs become fully-fledged players in the international Halal market.

In particular, we note the successes of Azerbaijan in Halal certification, Kazakhstan's continuous measures to improve its domestic Islamic finance sector, and the fruitful efforts of Kyrgyzstan to develop Halal tourism, Modest Fashion and Pharmaceuticals and Cosmetics.

Nevertheless, there is much room for growth and improvement. Among the stiffest challenges is the problem of political bias and Islamophobia. By tackling this with potential clients, and increasing the number of specialists in this field, we hope that countries such as Russia and Tajikistan will be able to utilise their potential in the Islamic economy, which would help the rest of Eurasia to improve.

It is worth saying that all of these vulnerable fields are actually the play-ground for entrepreneurs striving to grasp the opportunities in such spheres as consulting associated with Islamic finance, the certification of Halal, education in Islamic economics, finance, and Sharia law, etc. We believe that while governments have the instruments to create the necessary framework, entrepreneurs are the major driving force for making the desired changes. They will also be the beneficiaries of a more developed Islamic economy ecosystem in Eurasia.

The evolution of the Islamic economy ecosystem in Eurasia seems to flow naturally, given the number of Muslims in the region. Other factors are the interregional dynamics and the attention around capital-intensive Belt and Road infrastructural projects. There are also numerous events on the theme of the Islamic economy and finance and Halal produce, new educational and not-for-profit programs and activities promoting Islamic values and knowledge in the region, and the spread of IT and the Internet generally, which is accelerating the development of the Islamic economy in the region. There is strong political support for, and a commitment from international Islamic institutions

to help create all the necessary conditions for business entities willing to work in an Islamic economy environment. Taking into account the pace of growth of the Islamic economy in Eurasia already and the small number of quality market participants, it is obvious that this is the right time to enter this "blue ocean".



8. A short dictionary of Islamic economic terms¹²⁰

Ata: Simply refers to a donation or a grant.

Awqaf: This is plural of the word Waqf (see below). It refers to property that has been transferred to a charity or a trust on a voluntary and permanent basis. The purpose is to allow rights of usufruct to other people.

Bayt ul Mal: The Islamic state treasury.

Fiqh: This refers to Muslim jurisprudence. In addition to issues like the five pillars of Islam, it covers family law, inheritance and commerce, to name just a few areas. Fiqh is based primarily on the Quran and Sunnah.

Gharar: This means the uncertainty and ambiguity in transactions which comes from events whose happening or otherwise is subject to chance and as a result is unknowable to the parties to a transaction at the time of the contract.

Gharim: A person who is in debt and cannot pay the debt from his wealth.

Halal: That which is allowed according to Islamic law.

Haram: That which is against Islamic law.

Hima: This refers to public land which is reserved for the use of a person or a group, and excludes other members of society.

Al-Hisbah: This is a system of state inspection to ensure fair practice in markets. The term is also used in a more general sense to include checking minor crimes on streets.

Ijarah: This is a contract involving hiring or leasing through which the services of a person or a legal entity or organization is rented out or leased against a mutually agreed fee (the rent or leasing fee). This contract is somewhat like a leasing and instalment loan, or a hire-purchase agreement. It can eventually lead to the ownership of buildings.

Iktinaz: This refers to hoarding wealth without fulfilling one's legal obligations with it.

Infaj: This refers to spending in Allah's way, especially to assist the poor and needy.

Iqta: This is when the state gives individuals ownership or usufruct rights over state land.

Ifqar: This means lending any animal for riding or carrying a load, free of cost.

Irtifaq: This means giving concessions that relate to real estate (i.e. giving the right to place a beam on a neighbour's wall).

Istisna: means asking someone to construct, build or manufacture an asset. In Islamic finance, istisna' is generally a long-term contract whereby a party undertakes to manufacture, build or construct assets, with an obligation from the manufacturer or producer to deliver them to the customer upon completion. In practice, the key advantage of an istisna' contract is that it can provide flexibility to the customer, where payments can be made in instalments linked to project completion, at delivery or after project completion. In contrast to istisna', for salam contract the payment has to be made in full, in advance¹²¹.

Joalah: This is an agreement which involves hiring optional services—for instance: someone offering a reward or compensation to any person who performs a given service, such as a father offering a reward for finding his missing son or indicating where he is. In this contract, the person who does the designated job becomes entitled to receive the promised compensation. In contrast to Ijarah, in

which a given person does a designated job, in Joalah, anyone can do the job even though he does not have the means to do it. But once he does it, he is entitled to the compensation offered.

Kharaj: This is tax on land.

Khums: This refers to a levy of 20 percent which is imposed on some kinds of wealth (i.e. mines and wealth buried in land that has no owner).

Manihah: This is a productive asset given to a needy person for a certain period of time. The person uses it freely and enjoys its usufruct.

Maun: This means lending items of ordinary use (i.e. domestic utensils) free of cost.

Mudarabah (also called Qirad): This is a profit and loss sharing contract. In it, one party provides capital and the other manages the enterprise. If there is loss, the provider of capital bears the financial loss while the worker loses his labour. If there is profit, both parties share it in proportions agreed upon at the time of the contract.

Muhaqalah: This refers to the sale of wheat while it is still growing. It also refers to the sale of unharvested crops. This kind of sale contract is not allowed in Islam.

Mukhabarah: This is a share-cropping contract whereby the land owner reserves the crop of a certain area for himself. The share-cropping contract of this nature is not permitted in Islam.

Murabaha: One of the most controversial type of transaction, it is a contract of sale in which payment is made some time after delivery of the goods transacted. Used as the basis of modern Islamic banking since the amount charged for deferred payment is in excess of the current market price (usually by an amount approximately equivalent to the prevailing rate of interest).

Musharakah: This simply refers to a partnership. This is like a joint-venture agreement which stipulates the conditions of a partnership. For this joint-venture to be in line with Islamic law, both parties must participate in profits and losses, not just in profits. This technique can be used for short-term financing.

Muzara'ah: This is a contract involving share-cropping.

Nisab: This refers to the minimum amount of property liable to Zakat payment.

Qard Hasan: This literally means a goodly loan. In Islamic economics, it refers to a loan without any return.

Riba: This means interest. More specifically, it refers to any pre-agreed excess paid or received over and above the principal in a loan contract.

Riba Nasia: This refers to interest in debt. Nasia means a delay given to the debtor. You will find this kind of Riba in all credit transactions in which a loan is advanced to a person on a payment of interest over and above the principal for the time of the debt.

Riba al-Fadl: This refers to interest in barter. This indicates the excess charged in the exchange of commodities of the same kind (for instance, wheat for wheat, barley for barley, etc.). Barter transactions were common during Prophet Muhammad's time (peace and blessings be upon him), and he did not restrict the application of Riba only to the credit transaction of cash, but to all types of barter.

Rikaz: This is ancient wealth found buried in land whose owner is unknown,

Sadaqah: This means anything which is given, or help offered, to others to seek Allah's Pleasure. It also refers to a good act. If it involves spending income, this must have been earned in an Islamically permissible way.

Sadaqah al-Fitr: This is an Islamic levy paid in the month of Ramadan.

Takaful: This is a scheme of mutual support which offers insurance to people against the dangers of falling into unexpected and dire need.

Ushr: This refers to the ten percent (in some cases five percent) of agricultural produce payable by a Muslim as a part of his religious obligation, like Zakat (see below) mainly for the benefit of the poor and the needy.

Waqf: This means assets which have been entrusted to an individual or an organization for a specified charitable purpose.

Wasiyyah: This is the Arabic word for a will. Under Islamic law, a person cannot bequeath over one-third of his total inheritance, nor can he make a bequest in favour of any of his heirs in addition to his or her share which is fixed by Islamic law.

Zakat: This refers to a compulsory levy on each Muslim who has wealth which equal to or more than a minimum called Nisab (see above). It is one of the five pillars of Islam. There are eight categories of those who receive Zakah, including the poor and needy.

Wadiah account¹²²: This refers to demand deposits based on a storage contract under which the bank can dispose of the funds entrusted to it and make a profit from their placement. At its discretion, the bank pays customers a material reward in the form of a gift (hiba).

Sukuk – is an Islamic financial certificate, similar to a bond in Western finance, that complies with Sharia, i.e. Islamic religious, law. Since the traditional Western interest-paying bond structure is not permissible, the issuer of a sukuk sells an investor group a certificate, and then uses the proceeds to purchase an asset, of which the investor group has partial ownership. The issuer must also make a contractual promise to buy back the bond at a future date at par value¹²³.

Tabarru' Contract: A non-compensatory contract (aqd) in which a property is donated by one party to another without consideration. The donor transfers ownership of the property to the donee free of any commitment or obligation. Among the key tabarru' contracts are: Waqf (endowment), Kafalah (particularly personal kafalah), Loan (qard al-hasan), Hawalah (assignment of debt), Hibah (gift)¹²⁴.

Wakala: is the agency contract which is used widely in Islamic Finance. The applications range from brokerage services in permissible activities, like certain stocks, as well as being an agent in a Murabaha transaction. The client who wants to be financed acts as agent for the bank in acquiring the asset, which is then sold to him in instalments. Agents can be compensated for their assignment with a fixed, variable or performance-based model, which is frequently used to influence pay-outs and cash flows in financial engineering¹²⁵.

Sharia: Islamic law as revealed in the Quran and through the example of Prophet Muhammad. A Sharia-compliant product meets the requirements of Islamic law.

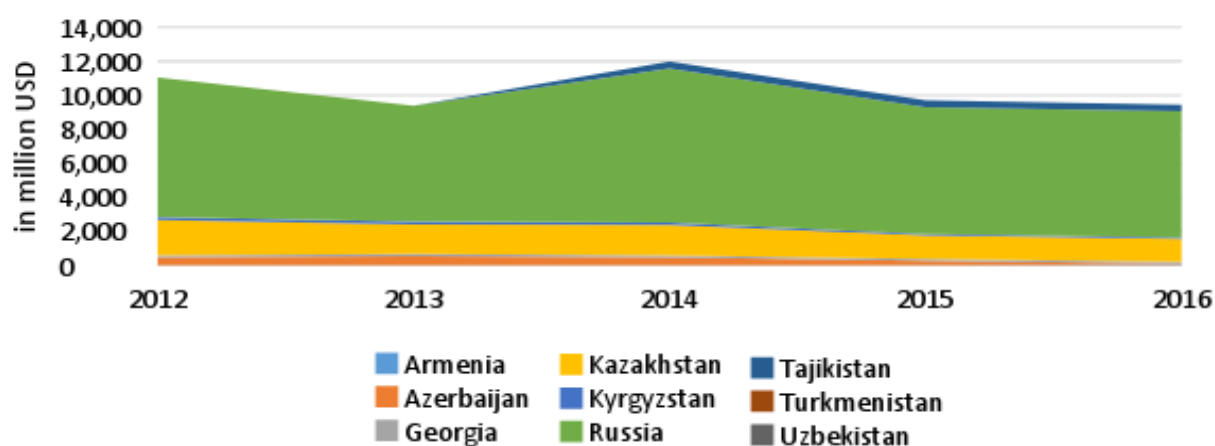
Sharia Board is the committee of Islamic scholars available to an Islamic financial institution for guidance and supervision in the development of Sharia compliant products.

9. Appendices: Tables and Graphs

9.1 GIEI rankings for Eurasian countries in 2017							
	Sector score						
	GIEI	Islamic Finance	Halal Food	Halal Travel	Modest Fashion	Halal Media & Recreation	Halal Pharmaceuticals & Cosmetics
Global	22.43	17.97	28.31	20.34	17.17	21.65	26.01
Azerbaijan	20.37	6.56	40.27	37.50	6.05	30.77	32.73
Kazakhstan	15.51	10.78	21.17	10.67	9.30	28.41	21.03
Kyrgyzstan	11.41	4.85	19.16	29.07	7.26	12.11	19.79
Russia	10.71	0.78	19.68	19.90	19.65	33.58	20.90
Tajikistan	7.86	3.59	13.45	1.55	10.64	7.77	19.98
Uzbekistan	1.02	0.16	0.08	1.25	0.89	17.26	0.04
Turkmenistan	0.33	0.08	0.00	0.00	0.09	5.99	0.00
Benchmark countries' performance							
Saudi Arabia	67.27	84.15	47.36	43.17	14.88	32.94	46.93
Iran	38.29	42.90	35.28	20.27	12.25	23.58	26.48
Turkey	22.43	22.66	33.82	72.37	37.11	25.47	31.66

Source: Thomson Reuters and DinarStandard

9.2 Export of food from Eurasian region to OIC



Source: ITC Trade Map available at <https://www.trademap.org/Index.aspx>

9.3 Cumulative amount of food and beverage exports of Eurasian countries to OIC and to the world, 2001-2016

	Country exports to OIC, \$ thousand	Country exports to the world, \$ thousand	Country exports to OIC /Country export to the world, %	Country exports to OIC/OIC imports from the world, %
Armenia	68 316	2 614 690	2.6%	0.00%
Azerbaijan	2 182 637	7 472 095	29.2%	0.12%
Georgia	1 073 328	5 580 664	19.2%	0.06%
Kazakhstan	9 716 312	24 490 021	39.7%	0.55%
Kyrgyzstan	1 346 431	1 918 487	70.2%	0.08%
Russia	67 452 939	133 257 433	50.6%	3.81%
Tajikistan*	1 185 872	1 451 774	81.7%	0.07%
Turkmenistan	–	357 414	n/a	0.00%
Uzbekistan	–	7 134 859	n/a	n/a
Total	83 025 835	184 277 437	45.1%	4.69%

Source: ITC Trade Map available at <https://www.trademap.org/Index.aspx>

9.4 Halal Food Sector Score, part of GIEI 2017. (Georgia and Armenia are not included into GIEI ranking)

	Sector score	Meat exports to OIC, \$ millions	Governance score	Awareness score	Social score	GIE ranking
Global	28.31	12 846.48	46.58	8.42	43.84	
Malaysia	89.00	15.00	100.00	194.00	58.00	1.00
Azerbaijan	40.27	0.02	100.00	0.00	61.00	
Kazakhstan	21.17	5.80	33.33	4.14	45.81	
Russia	19.68	68.54	33.00	4.00	37.00	
Kyrgyzstan	19.16	1.94	0.00	4.08	71.88	
Tajikistan	13.45	0.00	0.00	0.00	53.80	
Uzbekistan	0.08	1.27	0.00	0.00	0.00	
Turkmenistan	0.00	0.00	0.00	0.00	0.00	
Benchmark countries' performance						
Saudi Arabia	47.36	226.30	25.68	100.00	10.31	53.45
Iran	35.28	24.74	3.19	66.67	6.73	64.51
Turkey	33.82	322.66	27.34	66.67	6.22	35.06

Source: Thomson Reuters and DinarStandard available at <http://www.zawya.com/giei/#>

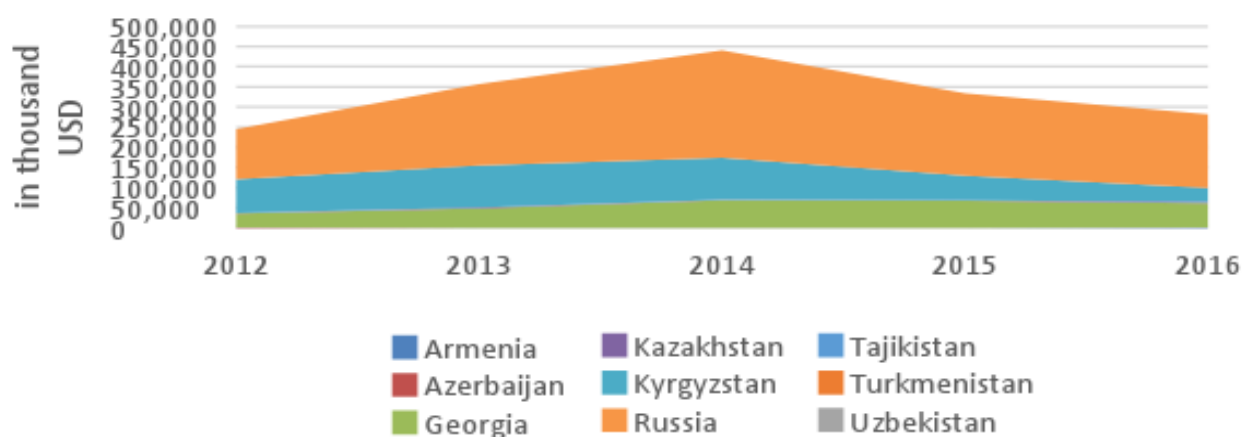
9.5 Halal Food sector score breakdown by country and by metric category, 2017. (Georgia and Armenia are not included into GIEI ranking)

	Global	RF	KZ	KG	UZ	TK	TJ	AZ	SA	IR	TU
I. Supply drivers relative to country size (Meat/Live Animal exports to OIC countries)											
Export to OIC, \$ thousand	12 846 482	68 535	5 795	1 940	1 268	0	2	22	226 230	24 738	322 662
II. Governance (Halal regulations and certification requirements)											
Halal Regulations	NA	NA	NA	NA	NA	NA	NA	1	1	1	1
Certification required for imports	NA	NA	NA	NA	NA	NA*	NA	1	1	NA	NA
Certification available for local producers	NA	1	1	NA	NA	NA	NA	1	1	1	1
III. Awareness (number of related news articles and events)											
Number of News Articles	516	6	3	2	NA	NA	NA	NA	9	9	6
Number of Events	41	1	NA	NA	NA	NA	NA	NA	1	NA	1
IV. Social (food pricing index)											
Food Pricing Index	0.93	0.69	0.85	1.33	NA	NA	1.00	1.13	0.99	1.20	0.65

* According to our data, Turkmenistan has an obligatory certification required for imports.

Source: Thomson Reuters and DinarStandard available at <http://www.zawya.com/giei/#>

9.6 Export of clothing from Eurasian region to the OIC



Source: ITC Trade Map available at <https://www.trademap.org/Index.aspx>

9.7 Cumulative amount of clothing exports of Eurasian countries to the OIC and to the world, 2001–2016

	Country exports to OIC	Country exports to the world	Country exports to OIC /country export to the world %	Country exports to OIC/OIC imports from the world %
Armenia	2 403	506 093	0.5%	0.00%
Azerbaijan	2 721	25 646	10.6%	0.00%
Georgia	387 830	514 847	75.3%	0.15%
Kazakhstan	10 513	536 378	2.0%	0.00%
Kyrgyzstan	422 447	1 167 649	36.2%	0.16%
Russia	1 259 936	4 130 585	30.5%	0.48%
Tajikistan*	510	47 276	1.1%	0.00%
Turkmenistan	–	581 862		
Uzbekistan	–	1 706 984		
Total	2 086 360	9 217 320	22.6%	0.79%

* Data for 2014-2016 only

Source: ITC Trade Map available at <https://www.trademap.org/Index.aspx>

See 9.8 Modest Fashion Sector Score, part of GIEI 2017

	Sector score	Clothing exports to OIC (millions)	Financial score	Awareness score	Social score	GIE ranking
Global		41 185.43				
UAE	63.00	1 242.78	64.00	93.00	32.00	2.00
Russia	19.65	108.00	2.00	5.51	51.43	
Tajikistan*	10.64	157.29	16.89	0.00	15.04	
Kazakhstan	9.30	3.76	0.00	0.00	27.63	
Kyrgyzstan	7.26	30.15	3.31	0.00	18.47	
Azerbaijan	6.05	0.02	0.00	0.00	18.14	
Uzbekistan	0.89	33.760	2.67	0.00	0.00	
Turkmenistan	0.09	2.780	0.00	0.00	0.00	
Benchmark countries' performance						
Saudi Arabia	14.88	66.96	2.37	3.59	38.70	
Iran	12.25	7.07	2.82	12.02	21.90	
Turkey	37.11	2.65	70.16	13.11	28.06	

Source: Thomson Reuters and DinarStandard available at <http://www.zawya.com/giei/#>

9.9 Modest Fashion sector score breakdown by country and by metric categories, 2017 (Georgia and Armenia are not included into GIEI ranking)

	Global	RF	KZ	KG	UZ	TK	TJ	AZ	SA	IR	TU
I. Financial											
Clothing Export to OIC, \$ millions	41 185.43	108	3.76	30.15	33.76	2.78	157.29	0.02	66 955	70071.04	2 654 680
II. Awareness											
Number of News Articles	117	3	NA	NA	NA	NA	NA	NA	2	3	4
Number of Events	25	1	NA	NA	NA	NA	NA	NA	NA	1	2
III. Social											
Clothing Pricing Index	1.24	0.65	0.74	0.91	NA	NA	0.74	0.90	1.28	0.45	0.76
Labour Fairness Index	1.26	3.00	1.00	NA	NA	NA	NA	NA	1	1	1

Source: Thomson Reuters and DinarStandard available at <http://www.zawya.com/giei/#>

9.10 Islamic Finance Sector Score, part of GIEI 2017 (Georgia and Armenia are not included into GIEI ranking)

	Sector score	Financial Score	Governance score	Awareness score	Social score	GIE ranking
Malaysia	146.00	280.00	111.00	341.00	41.00	1.00
Kazakhstan	10.78	2.73	35.21	4.78	0.00	
Azerbaijan	6.56	3.00	10.00	3.00	10.00	
Kyrgyzstan	4.85	2.56	14.94	1.71	0.00	
Tajikistan	3.59	1.08	12.50	0.80	0.00	
Russia	0.78	0.56	0.00	2.57	0.00	
Uzbekistan	0.16	0.00	0.00	0.00	0.00	
Turkmenistan	0.08	0.00	0.00	0.00	0.00	
Benchmark countries' performance						
Saudi Arabia	84.15	102.48	36.13	49.35	148.65	
Iran	42.90	120.36	27.41	13.77	10.07	
Turkey	22.66	8.13	27.07	16.78	38.64	

Source: Thomson Reuters and DinarStandard available at <http://www.zawya.com/giei/#>

9.11 Islamic Finance sector score breakdown by country and by metric category, 2017.
(Georgia and Armenia are not included into GIEI ranking)

	Global	RF	KZ	KG	UZ	TK	TJ	AZ	SA	IR	TU
I. Financial (e.g. size of Islamic Finance assets and number of Islamic Finance institutions)											
IFI Assets (US\$ Mn)	1 765 831	NA	127	37	NA	NA	NA	21	472 654	545 377	49 572
Number of IFIs	1 407	6	7	5	1	0	2	6	129	140	16
Value of Outstanding Sukuk (US\$ Mn)	344 769	NA	56	NA	NA	NA	NA	NA	52 545	1 136	11 339
Number of Outstanding Sukuk	2 438	NA	1	NA	NA	NA	NA	NA	71	23	39
Value of Islamic Funds (US\$ Mn)	91 233	NA	NA	NA	NA	NA	NA	NA	20 600	37 737	19
Number of Islamic Funds	1 394				NA	NA	NA	NA	218	170	5
II. Governance (e.g. regulations for Islamic Finance and disclosure index score)											
Regulations for Islamic Finance	NA	NA	4	3	NA	NA	3	NA	2	5	2
Centralized Sharia Board	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Number of Sharia Scholars	1 075	NA	3	1	NA	NA	NA	NA	86	NA	7
Disclosure Index Score	24.82	NA	36	4	NA	NA	NA	21	29.02	13.50	36.75
III. Awareness (e.g. number of related news articles, Islamic Finance education institutions, research papers, and events)											
Number of IF Education Institutions	683	3	3	NA	NA	NA	NA	1	26	12	11
Number of News Articles	21 964	85	36	26	6	6	15	23	1 301	170	433
Number of Research Papers	2 581	18	5	1	NA	NA	NA	3	102	35	47
Number of IF Events	417	1	NA	NA	NA	NA	NA	NA	12	2	11
IV. Social (e.g. value of Zakat and charity and CSR disclosure index score)											
Value of Zakat and Charity (US\$ Mn)	682	NA	0	NA	NA	NA	NA	NA	362	NA	3
CSR Disclosure Index Score	2.47	NA	NA	NA	NA	NA	NA	1	2.12	1	3.75

Source: Thomson Reuters and DinarStandard available at <http://www.zawya.com/giei/#>

9.12 Muslim populations in Eurasia			
Country	Total Population, thousand	Muslim, %	Muslim, thousand
Azerbaijan	9 762.27	98.40%	9 606.07
Armenia	2 924.82	0.01%	0.29
Georgia	3 719.30	10.50%	390.53
Kazakhstan	17 797.03	56.40%	10 037.52
Kyrgyzstan	6 082.70	88.80%	5 401.44
Russia	144 342.40	11.70%	16 888.06
Tajikistan	8 734.95	99.00%	8 647.60
Turkmenistan	5 662.54	93.30%	5 283.15
Uzbekistan	31 848.20	96.50%	30 733.51
Total	230 874.21		86 988.18

Sources: World bank, The Guardian, data for 2016

9.13 Urban population of Eurasian states (% of total)					
Country	2012	2013	2014	2015	2016
Armenia	63.2	63.0	62.8	62.7	62.6
Azerbaijan	53.9	54.1	54.4	54.6	54.9
Georgia	53.2	53.3	53.5	53.6	53.8
Kazakhstan	53.5	53.4	53.3	53.2	53.2
Kyrgyzstan	35.4	35.5	35.6	35.7	35.9
Russia	73.8	73.9	73.9	74.0	74.1
Tajikistan	26.6	26.6	26.7	26.8	26.9
Turkmenistan	49.0	49.4	49.7	50.0	50.4
Uzbekistan	36.2	36.2	36.3	36.4	36.5

Source: World Bank, Databank

9.14 Urban population growth in Eurasian states (annual %)

Country	2012	2013	2014	2015	2016
Armenia	-0.1	0.1	0.2	0.1	0.1
Azerbaijan	1.8	1.7	1.7	1.7	1.7
Georgia	-1.0	-1.0	-1.0	0.1	0.4
Kazakhstan	1.2	1.3	1.3	1.4	1.4
Kyrgyzstan	1.8	2.2	2.3	2.4	2.5
Russia	0.2	0.3	0.3	0.3	0.3
Tajikistan	2.4	2.5	2.5	2.5	2.6
Turkmenistan	2.4	2.5	2.5	2.5	2.4
Uzbekistan	1.5	1.7	1.9	2.0	2.1

Source: World Bank, Databank

9.15 Number of people aged 0-39 (millennials) in Eurasia

Country	Total Population, thousand	Young population (0-39), thousand	Young population, %
Azerbaijan	9 762.27	6 329.80	64.8%
Armenia	2 924.82	1 699.38	58.1%
Georgia	3 719.30	2 047.57	55.1%
Kazakhstan	17 797.03	11 941.00	67.1%
Kyrgyzstan	6 082.70	4 391.67	72.2%
Russia	144 342.40	74 178.75	51.4%
Tajikistan	8 734.95	6 902.19	79.0%
Turkmenistan	5 662.54	4 183.48	73.9%
Uzbekistan	31 848.20	22 889.48	71.9%
Total	230 874.21	134 563.33	58.3%

Sources: UN

9.16 Individuals using the Internet in Eurasian states (% of population)

Country	2012	2013	2014	2015	2016
Armenia	37.5	41.9	54.6	59.1	62
Azerbaijan	54.2	73	75.0	77	78.2
Georgia	36.9	43.3	44	47.5	50.0
Kazakhstan	53.3	63	66	72.9	76.8
Kyrgyzstan	19.8	23	28.3	30.2	34.5
Russia	63.8	67.9	70.5	73.4	76.4
Tajikistan	14.5	16	17.4	18.9	20.4
Turkmenistan	7.1	9.6	12.2	14.9	17.9
Uzbekistan	23.6	26.8	35.5	42.8	46.7

Source: World Bank, Databank

9.17 Mobile phone users in Eurasian states (per 100 people)

Country	2012	2013	2014	2015	2016
Armenia	111.9	112.4	115.9	115.8	114.7
Azerbaijan	108.7	107.6	110.9	111.2	106.2
Georgia	107.8	115.0	124.9	128.9	129.0
Kazakhstan	185.8	184.6	172.1	156.8	149.9
Kyrgyzstan	124.1	121.4	134.4	132.7	131.3
Russia	145.3	152.8	155.1	159.9	163.2
Tajikistan	81.5	91.8	95.1	98.5	106.6
Turkmenistan	114.0	116.8	135.7	145.9	157.6
Uzbekistan	71.0	74.3	73.7	73.3	77.3

Source: World Bank, Databank

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