



4th Global Takaful & Re-Takaful Forum 2022



Implementations and Prospects of Islamic Finance in Uzbekistan

Dusit Thani Hotel, Dubai - UAE

August 24, 2022

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

يَا أَيُّهَا الَّذِينَ آمَنُوا اتَّقُوا اللَّهَ وَذَرُوا مَا بَقِيَ مِنَ الرِّبَا
إِن كُنْتُمْ مُؤْمِنِينَ ۚ فَإِن لَّمْ تَفْعَلُوا فَأْذَنُوا بِحَرْبٍ مِّنَ
اللَّهِ وَرَسُولِهِ ۗ وَإِن تُبْتِغُوا فَالْأُكُوفُ ۚ وَأَمَّا الْكُفُورُ
فَلَا تَظْلِمُونَ وَلَا تُظْلَمُونَ (البقرة، ٢٧٨-٢٧٩)

To what Allah is calling us with these verses: In English translation

278) O believers, fear God and forego the interest that is owing, if you really believe. 279) If you do not, beware of war on the part of God and His Apostle. But if you repent, you shall keep your principal. Oppress none and no one will oppress you. (Al-Baqara, 278-279)

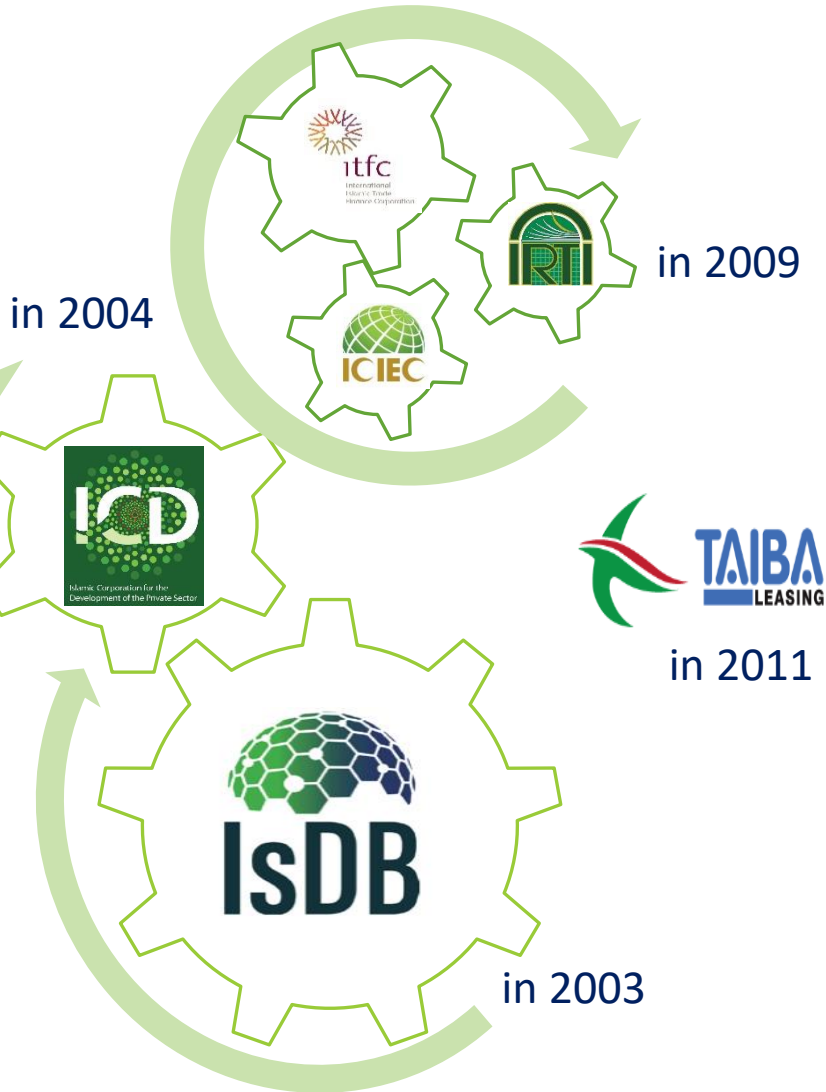
Table of Content

- **Emerging of IF in Uzbekistan**
- **Current status of IF**
- **IF implementation process**
- **Prospects of IF in Uzbekistan**



Chronology of IF Emergence in Uzbekistan

Joining IsDB group



Education & Trainings on IF offered last 3 years



Books on IF printed



Masters Degree opened



IF Businesses opened up within last 3 years

ALMULK Capital Invest Group

APEX TAKAFUL

With the Support of Al-Huda CIBE

IsBF ISLAMIC BUSINESS AND FINANCE

IMAN TRUST SHOP INVEST

SABOAM ISLAMIC BUSINESS INVESTMENT

UZARO ЎЗАРО СУФУРТА ЖАМИАТИ

ISLOM MOLIYASI

Participants in the current Uzbek Islamic finance market

IW implementing banks



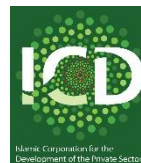
Islamic Lease offering lease companies



Takaful offering insurance companies



Interest free investment companies



ICD's Advisory Team is implementing the Islamic Windows within listed commercial banks

ISD Contribution in the Development of Uzbekistan - Portfolio

Total Approvals:
US\$ 2.66 B
for more than
100 projects & operations

IsDB – US\$ 1.826 B
ICD – US\$ 444,3 M
ITFC – US\$ 231 M
ICIEC - US\$ 151.4 M
Others – 12,9 M



150 Classrooms built or upgraded in primary/secondary institutions
26 Institutions built, upgraded or equipped
11.800 Students per year benefitted



12 Health facilities constructed/upgraded or equipped
Over 166,000 people per year benefitting from outpatient services



Over 7,800 Housing Unit built
Over 200 KM of Drinking Water Supply Network built



Over 590 KM of Irrigation canals built
Irrigation on arable land improved by over 400,000 Hectares



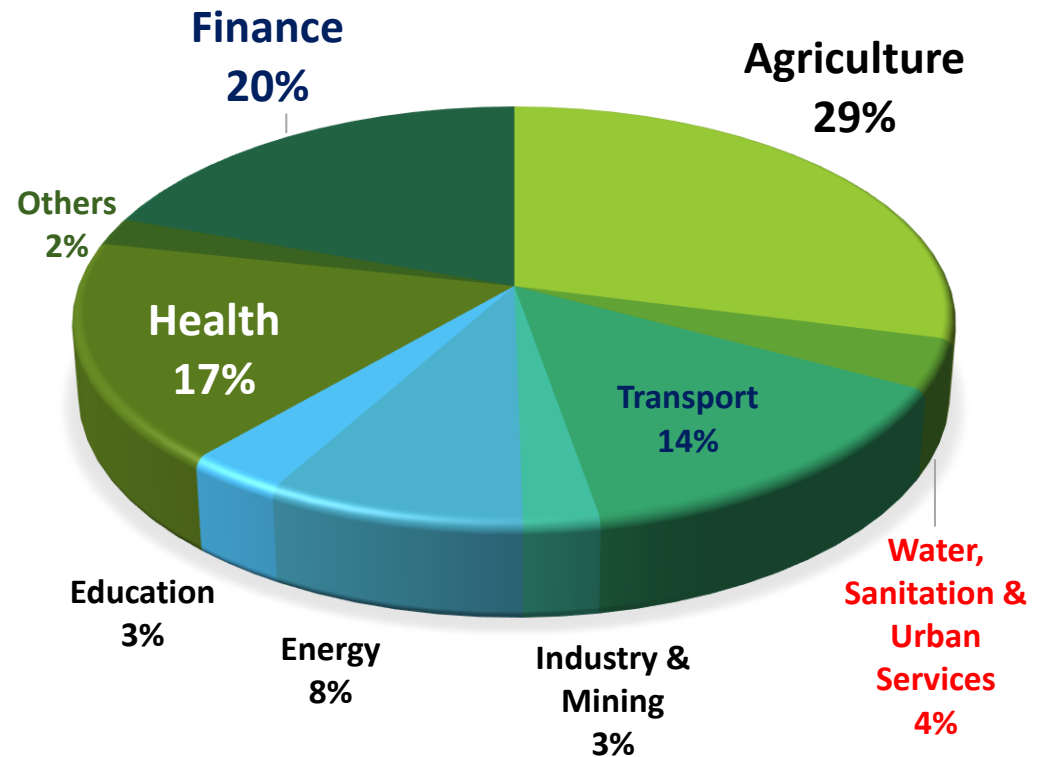
Annual capacity at airports increased by almost 200,000 passengers or tons of cargo
100 KM of International transport corridors rehabilitated



Over 720 MW (equivalent) of Energy generation capacity installed using renewable sources
Nearly a million (957,000) new households connected to electricity
Over 400Km of Transmission/Distribution lines installed, upgraded or rehabilitated

IsDB in Uzbekistan (Sectoral Approvals)

Currently, the projects for the modernization of housing and communal infrastructure, rural development, healthcare, education, water management, entrepreneurship and others are being implemented in our country together with the IDB for **a total of \$1,2 billion.**



Further Expand Cooperation with the Islamic Development Bank

On August 18, 2022 the President of the Republic of Uzbekistan Shavkat Mirziyoyev received the President of the Islamic Development Bank (IDB) as part of a state visit to Saudi Arabia Muhammad bin Sulayman Al Jassir. During the negotiations, the issues of further expansion of cooperation were discussed. A separate program has been adopted, which provides for the Bank's approval by the end of the year of financing of the most important projects and programs in the amount of **1,6 billion USD**. As noted, this will be an important step towards bringing relations with the IDB to a qualitatively new level and adopting a country cooperation program **for 2023-2026**.



Current situation with Islamic Finance in Uzbekistan: Challenges and issues



Ban on trading activities in acc. with banking legislation



Double VAT in cases of sale and purchase of assets by Islamic financial institutions



Impossibility of registration of leasing transactions by banks and leasing companies with individuals



Lack of concepts about the products of Islamic finance in the civil code



Additional tax charges for registration and re-registration of property



Inadmissibility of fees and charges for late payment



Prohibition of banks engagement in activities distinct from traditional, ie. be founders in other industries



Due to the lack of Islamic financing mechanisms, it is impossible to attract deposits on the principle of "mudharaba"



Lack of Islamic insurance (takaful) medium-sized takaful operators



Problems in tax legislation (VAT, income tax) for the issuance of "Sukuk" (bond).

Current situation with Islamic Finance in Uzbekistan: Challenges and issues

Prohibition of the attraction of deposits from outside banking institutions, which also requires a license from the Central Bank



Lack of a mechanism for buying and selling precious metals or metal



Lack of knowledge and low competence in Islamic Finance among population as well as lack of High schools preparing specialist in IBF

It is necessary to equate the conditions with the interest received from deposits in banks and income from sukuk



GAP in Shariah scholars in IF and members of Shariah Boards



President's challenge to design Legal framework for IF

“It is time to create a legal framework for the introduction of Islamic financial services in our country. Experts from the Islamic Development Bank and other international financial institutions will be involved in implementing a relevant project”

Shavkat Mirziyoyev
President of the Republic of Uzbekistan

December 29, 2020



Development of the legal framework for Islamic Finance



As a respond to the President’s challenge, with the initiation of Ministry of Investment and Foreign Trade of the Republic of Uzbekistan, a great “Project” - “The Development of Legal Framework and Regulations for Islamic Banking in the Republic of Uzbekistan” was started last year and the works are as non-stop over its processes.



Project of the Legal framework is being expected to submit for social discussion and review of Parliantment till the end of current year.

Development of the legal framework for Islamic Finance



Technical assistance grant with the amount of \$265,000 was granted by The Islamic Development Bank's to support the development of the legal framework for Islamic banking and finance in Uzbekistan.

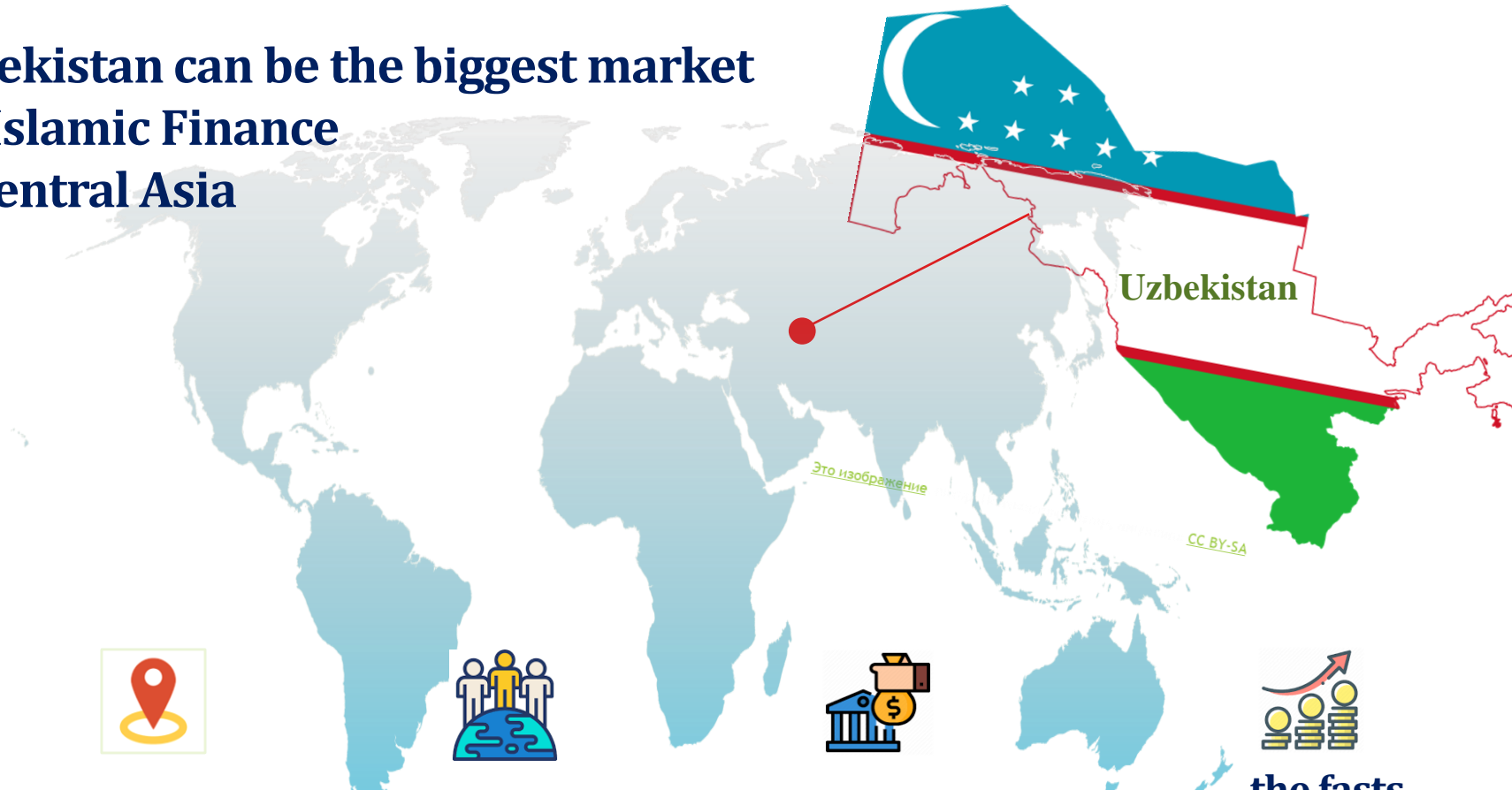


**Ministry of Investment
and Foreign Trade of the Republic of
Uzbekistan**



Prospects of Islamic Banking and Finance in Uzbekistan

Uzbekistan can be the biggest market for Islamic Finance in Central Asia



in the heart of CA



with the biggest population in CA



with stable Financial Market in CA



the fasts economically growing country in CA

Prospects of Islamic Banking and Finance in Uzbekistan



Almost half of CA population live in Uzbekistan



(in mln.)

Countries		Population number	Percent of Muslims	
Uzbekistan		34,2+	93%	
Kazakhstan		19,1+	75%	
Tajikistan		9,9+	90%	
Kyrgyzstan		6,7+	86%	
Turkmenistan		6,2+	89%	
Total		76,1+	87%	

**45 % of CA population live in Uzbekistan
of which 32 mln. are Muslims**

Uzbekistan Financial Market Environment



Benefits from implementation of IF in Uzbekistan



✓ Islamic microfinance is one of the most popular tools employed as part of a poverty reduction strategy, empowering and increasing the productivity of poor, giving social benefits to them in a sustainable, and aiding economic development.



✓ Additional capital flow from Islamic banks and Financial Institutions as well as foreign investment companies.



✓ Attraction of capital of population saving under pillows which is estimated at amounted USD 10 bln.



✓ Alternative financing products



✓ GDP Growth and improvement of Investment Climate

Benefits from implementation of IF in Uzbekistan



creation of
new job
places



growth of budget
revenues



increase in
cash flow



increased
competition



Center for Islamic
Finance in the CIS
Region



increase in risk distribution and
insurance coverage



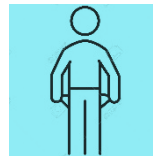
new directions in
science and education



financial literacy of the
population



reduction of the
"hidden economy"



poverty reduction



reduction of the social burden
on the state budget

**THANK YOU FOR YOUR
ATTENTION!**



AHRORJON SADULLAEV

Auditor

Audit Organization

'Grant Thornton Uzbekistan' LLC

ahrorjon.sadullaev@uz.gt.com

ahrorjon.sadullaev@gmail.com

Tel:+99 891 133-50-60

Telegram:+99 891 133-50-60

WatsApp:+99 891 133-50-60