BUSINESS BEYOND BORDERS: FORGING PARTNERSHIP WITH THE MUSLIM WORLD

A World Islamic Economic Forum
Special Commemorative Publication 2008

The 4th World Islamic Economic Forum
State of Kuwait, 29 April - 1 May 2008

المنتدى الإقتصادي الإسلامي الدولي الرابع
دولة الكويت، ٢٩ ابريل - ١ مايو ٢٠٠٨

WIEF
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Published by WIEF Foundation

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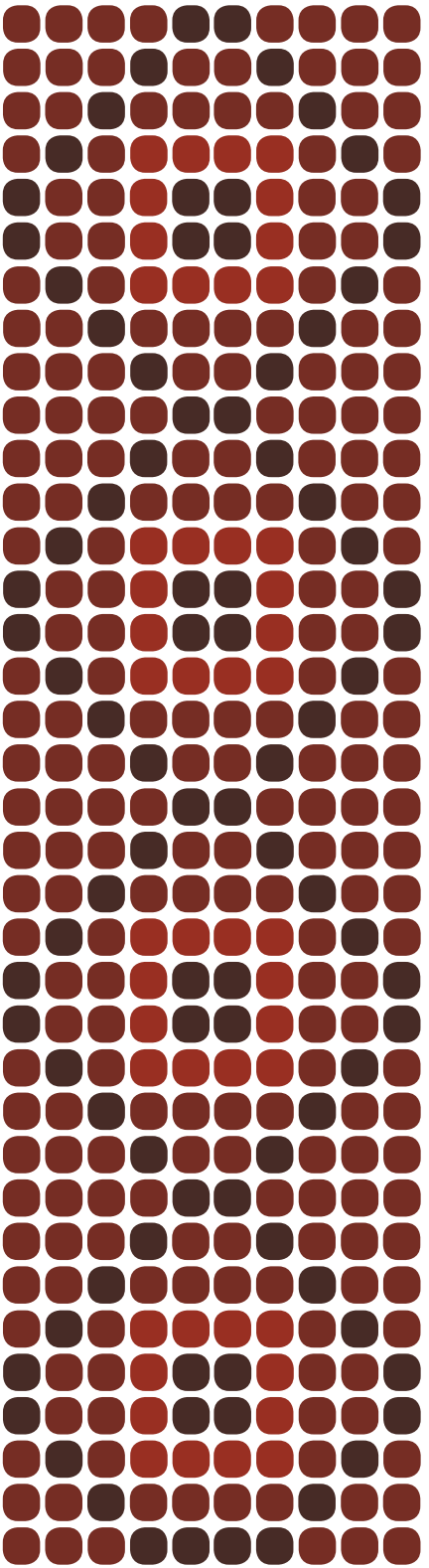
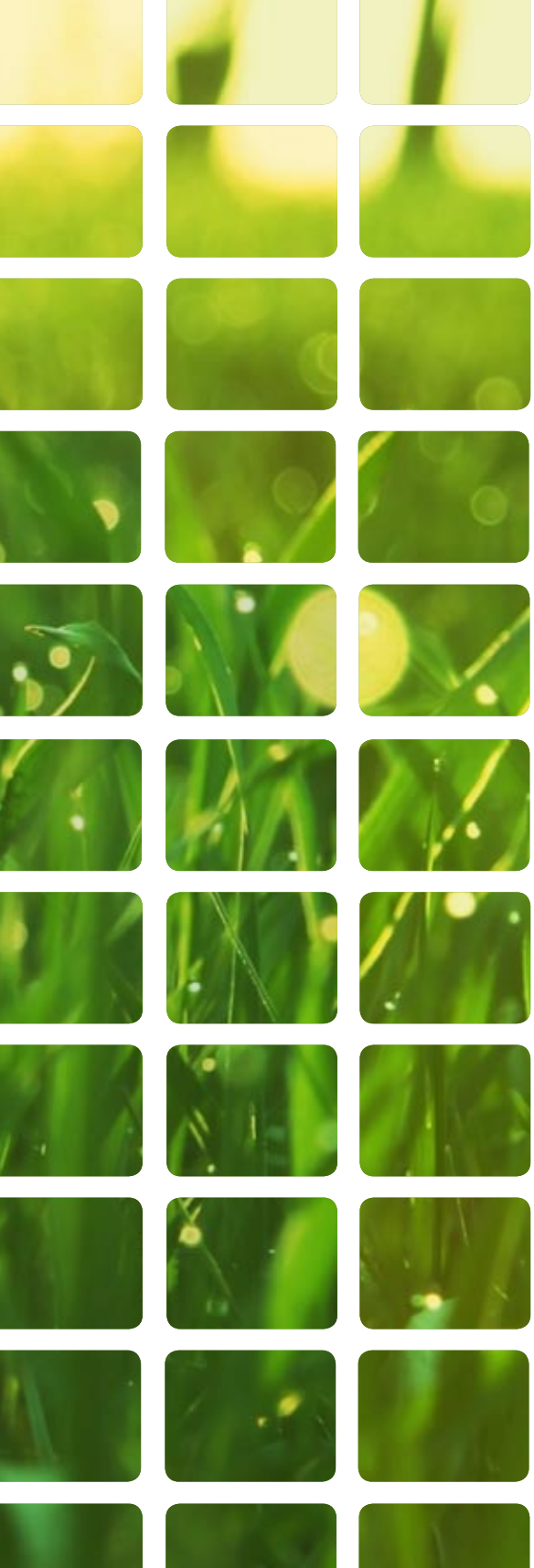




CHAIRMAN'S FOREWORD:

- Chairman of the WIEF Foundation

SPECIAL MESSAGES:

- Prime Minister of Malaysia
- Prime Minister of the State of Kuwait
- The King of the Hashemite Kingdom of Jordan
- Deputy Prime Minister & Minister of State for Cabinet Affairs of Kuwait
- Prime Minister Counsel and Deputy President of High Committee for 4th World Islamic Economic Forum
- President of Kuwaiti Chamber of Commerce and Industry

Chairman of the WIEF Foundation

It is with great pleasure that I am addressing the World Islamic Economic Forum for the fourth time here in Kuwait. I am duly proud that the Forum has reached the Middle East after three years hovering around Southern Asia. This means a lot, not only to the already successful World Islamic Economic Forum which has done a remarkable job to get business sectors of the Muslim world much closer together, but to global business relationships as a whole especially since we are about to witness the mobilisation of Middle East resources into promising projects elsewhere in the Muslim world. These are really momentous times in the history of globalisation.

This publication is a perfect reflection of this prevailing mood, acknowledging, on the one hand, that it is high time for the world to recognise the Muslim world as true partners of global development and recognising the vast business and investment opportunities for the non-Muslim world on the other. Hence, “Business Beyond Borders: Forging Partnership with the Muslim World” is not merely a title, but a mission statement. A statement that the Muslim world has arrived and it is time that the world seriously engages it.

I applaud once again the very hard work put up by all at the World Islamic Economic Forum Foundation, and the hospitality of the government of the State of Kuwait in making this 4th World Islamic Economic Form an astounding success. I look forward to seeing the Forum grow to its pinnacle in the near future. I am very confident.

Yours sincerely

Tun Musa Hitam
Chairman
WIEF Foundation

Prime Minister of Malaysia

As Patron of the World Islamic Economic Foundation, it is most gratifying to witness, after a mere four years of operations, that the World Islamic Economic Forum has grown from strength to strength as a bastion of economic cooperation for Muslim countries in particular, and the world as a whole. It is also a great pleasure to acknowledge, for the first time in the history of the Muslim world, that a global entity is dedicating itself towards promoting economic development and cooperation in a particular region, this time being the Middle East.

This book captures the thrust of the World Islamic Forum as a body dedicated to showcasing the Muslim world as a lucrative and burgeoning market which is worth investing in and good to do business with. It conveys the message, as well, that the Muslim world can be true partners for development. I believe this book encapsulates these positive vibes and that it will provide inspiration for new ideas and innovations to emerge from this Forum.

This 4th World Islamic Economic Forum, which convenes in the Middle East for the first time, shall focus on developing greater collaboration between the Middle East and other parts of the Muslim world on one hand, and with the rest of the world on the other. I am very confident that the Middle East holds great potentials not only for people in the region but also for the rest of the world.

I would like to commend the World Islamic Economic Forum Foundation for its perseverance and industry in making this a great success. I would also like to thank the Government of the State of Kuwait for agreeing to host this important event and for its generous hospitality and goodwill. Let us move together towards a better future.

Abdullah Haji Ahmad Badawi
Prime Minister
Government of Malaysia

Emir of Kuwait
Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah

Crown Prince of Kuwait,
Sheikh Nawaf Al-Ahmad Al-Jaber Al-Ahmad

Prime Minister, State of Kuwait
Sheikh Nasser Mohammad Al-Ahmad Al-Sabah

Prime Minister of the State of Kuwait

I have the Honor and the pleasure, on behalf of His Highness Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah. “May God Protect Him” The Emir of State of Kuwait, and on my behalf, and the people of State of Kuwait, to welcome you, Brothers, and Friends, in the occasion of the 4th World Islamic Economic Forum held in State of Kuwait from 29th of April to 1st of May 2008.

Since we were together in Kuala Lumpur, during the 3rd WIEF event, we were looking ahead for this precious opportunity, to express our truthful feeling for you, our great concern for continuous communication, and opening new horizons for successful cooperation, which will lead “God Willing” with all prospects and interests, not only to our people and countries, but also to all the World. This World, whom we are dealing with, to profit the experience and to get in cooperation, to reach the highest tasks to spread justice, Peace and stability all around the world.

Welcome our Dear Guests, we don’t have intention to say goodbye, but to meet again.

Greetings of God... with gratitude and appreciation.

Sheikh Nasser Mohammad Al-Ahmad Al-Sabah
Prime Minister
State of Kuwait

The King of the Hashemite Kingdom of Jordan

On behalf of the Hashemite Kingdom of Jordan, I am honoured to extend my best wishes to the Fourth World Islamic Economic Forum. May I congratulate and commend the Forum's distinguished participants, and the WIEF Foundation itself for organizing this important gathering.

Today, Muslims across the world – whether from the Arab World, Asia, the Subcontinent, Europe, Africa, the Americas, or any other land – have a vital role to play in shaping the global economy. We can and must bring our expertise, our values, and our unity to the tasks ahead: strengthening our institutions of cooperation; advancing economic ties and trade among our countries; promoting moderation, co-existence and justice; empowering our youth and giving them the opportunities they need; and ensuring that the world's Muslim community can achieve its rightful position in global economic achievement and prosperity.

Islam guides all of us to benefit from and contribute to the achievements of the 21st century. For us, economic enterprise is not simply a means to a livelihood, but a path of service to humanity – building a world of opportunity, peace, and prosperity.

At the Fourth World Islamic Economic Forum, top Muslim leaders from the private sector, civil society, academia, government, and other institutions, will come together to identify and analyse the path ahead, and help create practical, effective mechanisms to achieve our goals.

Your work can help us meet the hopes and aspirations of people around the world. I wish you the greatest success.

Abdullah II Ibn Al Hussein
The King of the Hashemite Kingdom of Jordan

Deputy Prime Minister & Minister of State for Cabinet Affairs of Kuwait

Pursuant to achieve directions of His Highness the Emir of State of Kuwait "May God Protect Him". To organize the 4th World Islamic Economic Forum in State of Kuwait, I have been honored by the Council of Ministers to supervise the Organizing Committee to this important event.

Regarding this international occasion, from my position, on behalf of my Colleagues members of the High Committee and my behalf, I have the honor to invite you to attend the 4th WIEF which will be held during the period of: (29th of April and May the 1st 2008) and to attend events prior to official opening ceremony, will be organized on April 28th 2008.

Program of the Forum is enriched with subjects of development and progress in Islamic Countries to move forward.

The need to open dialogue and listen to other opinions, which will contribute in the confrontation of challenges, presenting of experience, suggesting of solutions, assist in choosing right means and ideal decisions towards tasks and goals.

Days has proved that the approach of State of Kuwait in the development aspect was perceived and recognized, where methods of openness were chosen and applied; as a dealing way to exchange and a concept to consider relying on the belief in Islamic Shareeat, regulations and methods were determined, will serve life needs and necessity for people and individuals.

Also The Hope is great to continue the process of progress and development in the State of Kuwait and increasing much more links and interchange with brothers among World Islamic Countries to establish a new phase of exchange with sincerity and openness among countries of the world.

This is our target which we are looking to reach during this forum in the State of Kuwait, for better future towards new horizons with more confidence, stability and transparency.

Welcome to Kuwait, Dear Brothers and Friends, on the land of peace and Friendship.

Faisal Mohammad Al-Hajji Bukhadhour
Deputy Prime Minister &
Minister of State for Cabinet Affairs of Kuwait

Prime Minister Counsel and Deputy President of High Committee for 4th World Islamic Economic Forum

With the greatest lead, wide support and strategic vision of His Highness The Emir of State of Kuwait Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah "May God Protect Him", assigned his Highness Sheikh Nasser Mohammad Al-Ahmad Al-Sabah during his contribution in the 3rd World Islamic Economic Forum, held in Kuala Lumpur in May 2007, to offer the invitation to organize the 4th Forum in the State Of Kuwait.

First of all, I would like to present the esteemed consideration of the State of Kuwait to all Participants and Guests to accept this invitation, and to the World Islamic Economic Forum Foundation in Malaysia, for their efforts and cooperation, to get this Brotherhood Forum succeeded, and to achieve the ambitions of Islamic Countries in their multilateral relationships and adherence ties, and their continual global commitments.

World of today has a frequent progress with vast and speedily steps. And only efficient initiatives and strong regional block will take place, because there is a need to cooperate and exchange knowledge, also confronting challenges and difficulties is essential to get benefits for all.

Islamic World, with its economic capability, human resources, opportunities, and their truthful desire to build up bridges of cooperation with all Countries of the World: east, west, north and south, still enhance to get the utmost advantage and benefit, from worldwide experience, technology handing over, and profiting from the new civilization which controlling the world.

This great global event held in the State of Kuwait proves from a part the truthful trend of the Economic relationship of Kuwait with other Islamic Countries, and reflects the carefulness to reinforce, strengthen and clarify its essential role while dealing, in general, with all countries of the World and, particularly with Islamic Countries.

Wishing you pleasant stay in Kuwait, your second country, may God leads us to get what we all are looking for, as wellbeing, progress, and growth.

Also I would like to thank the WIEF Foundation and its team in Malaysia, especially the positive and efficient role, of:

- Mr. Dato' Seri Abdullah Ahmad Badawi, is the Patron of the Foundation, and Prime Minister of Malaysia.

- Mr. Tun Musa Hitam, Chairman of the WIEF Foundation.

- Mr. Dato' Nazir Razak, Chairman of WIEF Young Leaders Network.

- Mr. Dato' Dr. Micheal Yeoh, C.E.O. of the WIEF Foundation.

- Mrs. Dato' Dr. Nouraessah Mohammad, Chairperson of the WIEF Businesswomen Network.

We thank them for their, truthful and unique effort, to organize the 4th Forum round in the State of Kuwait. Wishing to all the full success.

Greetings of God…… with gratitude and appreciation Peace on you, mercy of God, and blesses.

Sheikh Dr. Salem El-Jabber Al-Ahmad Al-Sabah
Prime Minister Counsel & Deputy President of High Committee for 4th World Islamic Economic Forum

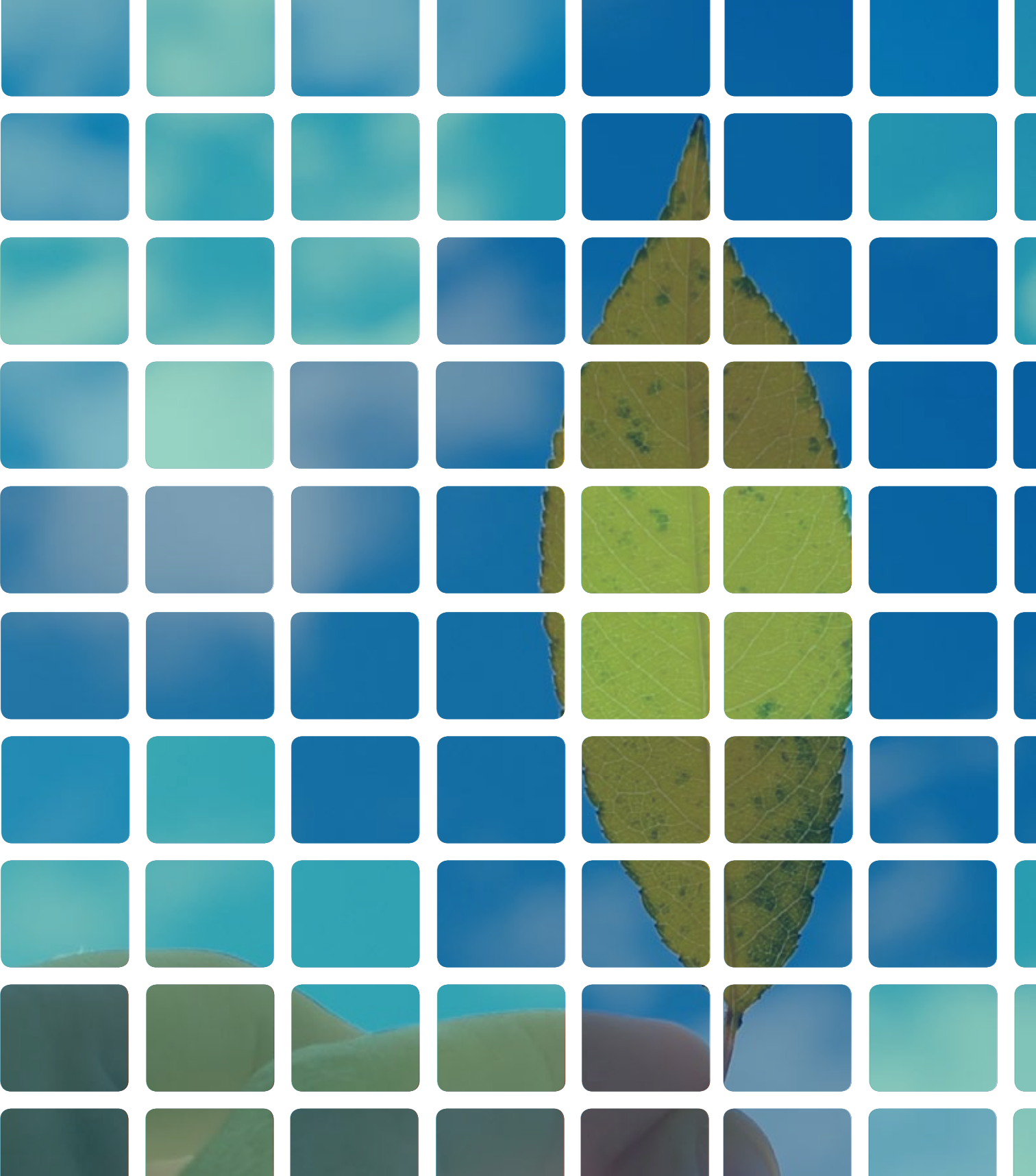
President of Kuwaiti Chamber of Commerce and Industry

The State of Kuwait is honored to host and organize the 4th World Islamic Economic Forum under the auspices of H.H. the Amir of Kuwait Sheikh Sabah Al-Ahmad Al-Jabir Al-Sabah. The event, which bears the theme “Islamic Countries: Partners in the Global Development” asserts Kuwait’s support of all and every effort in reinforcing Islamic Cooperation.

The three previous forums brought together government leaders, heads of industry, regional experts, professionals and corporate personalities. It is our conviction that the Forum should be the platform for a synergistic interaction between Islamic countries. It should explore and identify new and innovative means of strengthening cooperation between our countries; and take the lead in reinventing ourselves in this increasingly competitive globalized world.

Moreover, the Forum should engage in dialogues and trading of ideas, not only with Muslims but also with non-Muslims entrepreneurs. In this context, the private sector can take the advantage of the Forum to voice concerns and put forth proposals, as well as cementing inter-Islamic cooperation and capitalizing on interaction with the other.

Ali Mohamed Thunayan El-Ghanem
President of Kuwaiti Chamber of Commerce and Industry



Introduction

Fazil Irwan Mohd Som
Director of Media, Research & Communications,
WIEF Foundation

Fazil Irwan Mohd Som
Director of Media, Research & Communications, WIEF Foundation

Business Beyond Borders: Forging Partnership with the Muslim world

Introduction

If there is one single phrase that can encapsulate the overarching message of this book, and certainly of the theme of the 4th World Islamic Economic Forum in general, that would be that the Muslim world has arrived. The Muslim world has arrived on the doorstep of the world community, as true players of global development. The next question is, how do we qualify that? How do we ascertain that the Muslim world has become significant stakeholders in the global development process?

There are 2 compelling reasons. The first is the high pools of liquidity in various parts of the Muslim world that are attracting global attention. These funds are ever rigorously searching for more lucrative and sustainable investment homes. A plethora of corporations from various regions all vie to get a chunk of these funds worth more than a trillion US dollars. While these funds continue to find its way into the conventional markets of the West, recent market turbulence shows a change in this trend in favour of the emerging markets in the East, with a particular focus on the developing economies of the Muslim world situated mostly in parts of South and Southeast Asia. Coupled with the rise in oil prices, this would induce huge changes in the global economic landscape. Therefore the challenge is how this can be sustained and increased in periods to come.

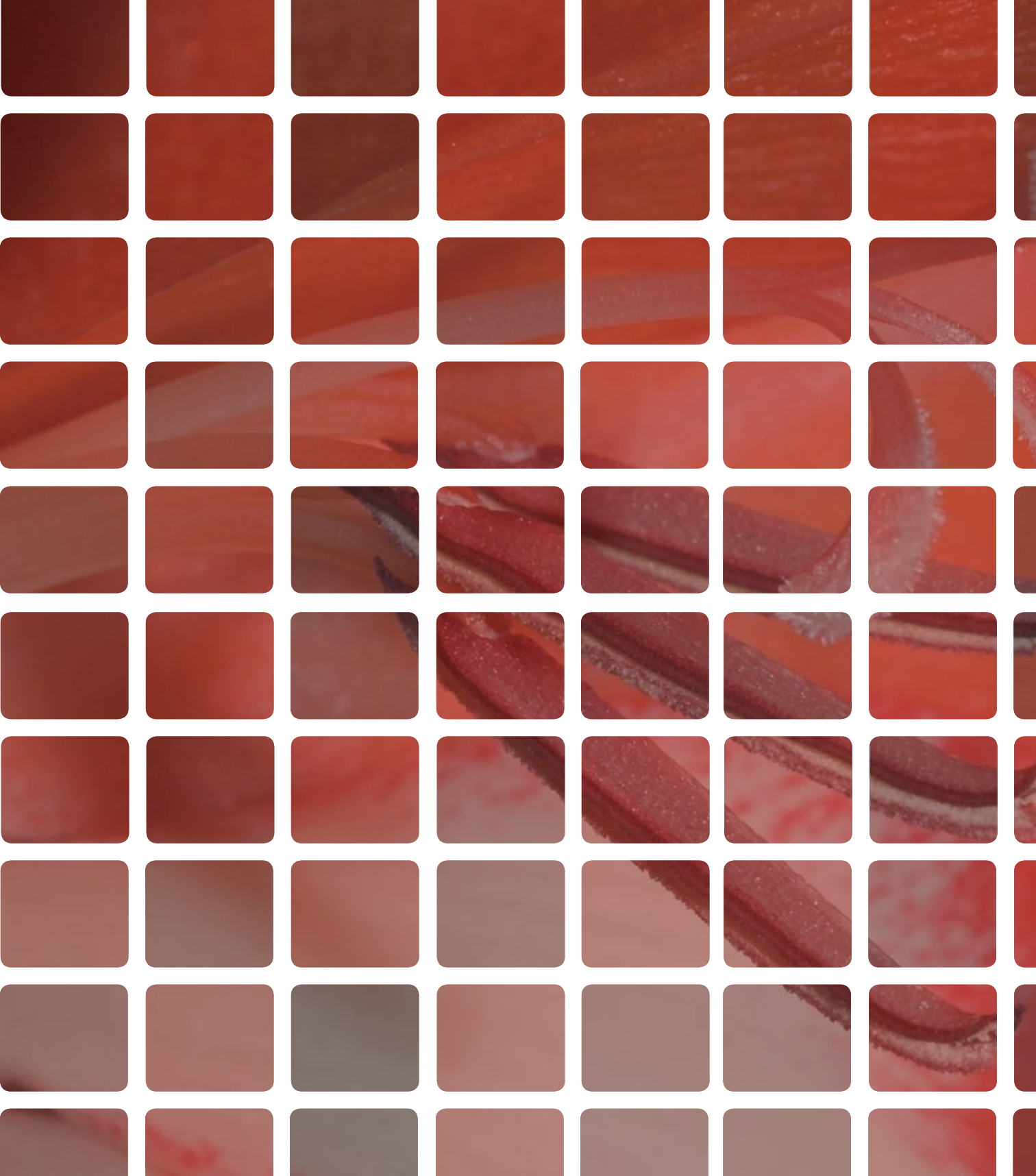
The second is the increasing significance of Islamic finance. At present, Islamic finance is now more than just a niche market. It is steadily becoming an integral part of the conventional system. With countries like Singapore, Hong Kong, Australia and the United Kingdom (to name a few) jumping on the bandwagon, and a growing number of international banks establishing Islamic windows to cater not only for the huge Muslim market of 1.3 billion people but also for a steadily growing number of non-Muslim consumers, the future of Islamic finance can only become brighter. In Malaysia, for example, more than 60% of consumers of shari'a compliant products are non-Muslims, which goes to show the universal appeal of these products and services beyond the parameters of religion.

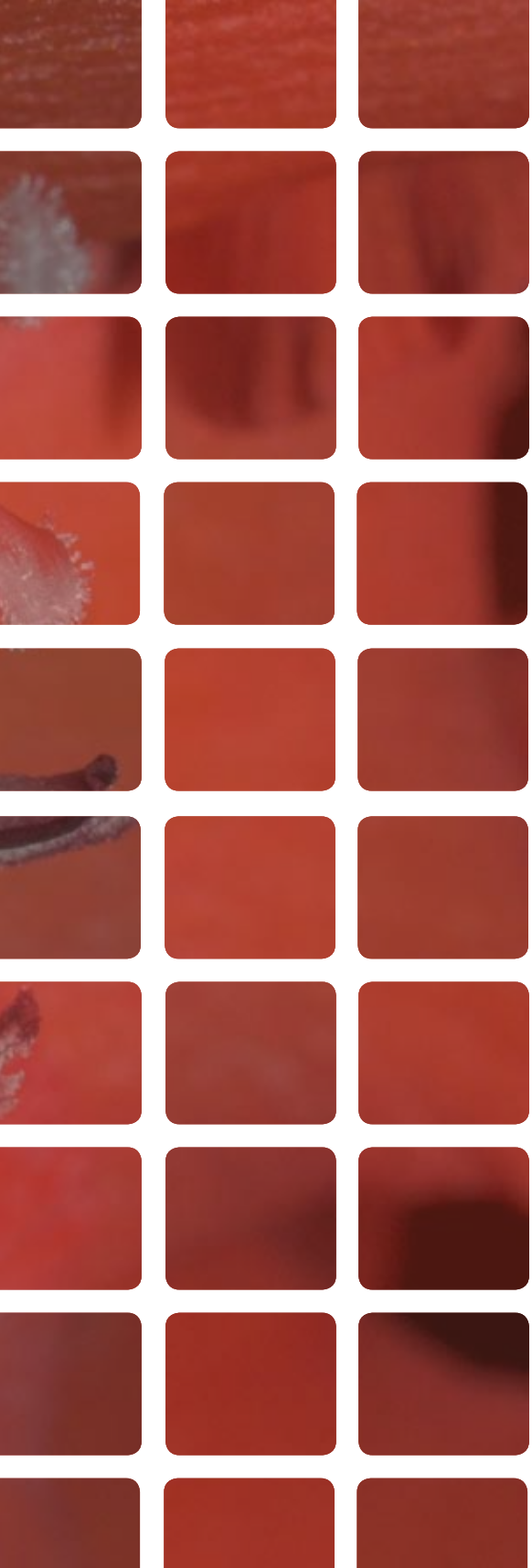
These sorts of intricate financial linkages between the Muslim and non-Muslim world have political and social benefits too. By increasing the integration and interdependence between Muslims and non-Muslims, the idea of a "clash of civilizations" - an argument that receives way too much attention in conventional media and academia – is becoming obsolete. Economic connectivity and the integration of the global marketplace are proof that barriers are being broken. Malaysia, for example, being a dominant player in Islamic finance, and accounting for 30% of the global share, seeks to act as a bridge between the Muslim world and the West through this channel.

This book, despite not focusing on these issues per se, seeks to capture this positive and constructive spirit through its plethora of diverse articles. As you may notice, some articles have little relevance to the overarching arguments mooted above, but are nonetheless reflective of the positive and confident overtones that build upon the idea that the Muslim world have indeed become true players of global development. The first chapter offers 2 interesting perspectives on development strategies, putting forward the idea of 'compete and collaborate' and giving particular attention to the state-owned sector. The second chapter preempts the future strategies that the Muslim world should embark upon, taking into account diverse perspectives from such diverse avenues of development as Islamic finance, the energy sector and human capital development. The third chapter takes us into a lighter note in the realm of education with a thought piece on the protracted debate of education and training, as well as a proposal to develop young Muslim leaders into global citizens, befitting true players of global development.

I hope this book, with its light and easy read, becomes a mood setter for the ensuing discussions at the 4th World Islamic Economic Forum in Kuwait. I wish all the participants the very best in identifying promising business collaborations and hope that this fourth meeting, which is the first ever in the Middle East, becomes a watershed event for intra-Muslim trade on the one hand, and between the Muslim and non-Muslim world on the other.

Fazil Irwan Mohd Som
Director of Media, Research and Communications, WIEF Foundation
"Building Bridges Through Business"





Chapter One

PLAYERS OF GLOBAL DEVELOPMENT: RETHINKING STRATEGIES FOR THE NATION

- Global CEO Survey: Compete & Collaborate
  PricewaterhouseCoopers

- Bridging The Income Gap Between Nations By Unlocking The Potential Of The State Owned Sector
  Ian C Buchanan
  Senior Adviser, Booz Allen Hamilton

PricewaterhouseCoopers

11th Annual Global CEO Survey

Compete & Collaborate
What is success in a connected world?*

PricewaterhouseCoopers' 11th Annual Global CEO Survey examines how CEOs perceive the business environment in which they are operating, and how an increasingly connected world affects the way their companies function and achieve success.

In today's increasingly connected world, CEOs the world over are revisiting the way in which companies work, grow, deal with risk and ultimately achieve business success. How does a more connected world help companies assess global risks and provide new opportunities for reducing them?

Many risks undoubtedly spread further and faster in a highly connected world – yet in the longer term, CEOs believe connectivity will bring greater prosperity and understanding. In fact, globalisation and technology advances have already eliminated many of the barriers to the movement of ideas, capital, labour, products and services.

PricewaterhouseCoopers' 11th Annual Global CEO Survey, entitled 'Compete & Collaborate', shows evidence of increasing collaboration as a source of business success - from the pursuit of talent and technological innovation to organisational dynamics and regulatory harmonisation.

In examining the dynamics of cause and effect in the connected world, the survey was divided into two sections:

- **The business environment**
  Includes business confidence; mergers & acquisitions; global risks; and climate change
- **The impact on business models**
  Includes people and change; collaborative business networks; and regulation

The findings indicate that establishing business networks is now a primary response to today's environment – and that CEOs believe the benefits of doing this clearly outweigh the costs.

Telling the story

The business environment

Q: How are CEOs feeling at the moment? Are they confident about growth prospects?

Q: What are CEOs worrying about?

Q: Will the trend of large mergers and acquisitions continue?

Q: What are CEOs telling you about climate change?

Q: Does this mean CEOs are no longer bothered about over regulation?

The impact on business models

On collaborative business networks...

Collaborative networks are adding a new dimension to business. Companies collaborate to create more value faster and more effectively than they could on their own. It's a matter of opportunity.

On people & change...

CEOs are learning they need to manage change through people; enabling employees to drive change, and making them the owners and creators – not the targets – of change.

On regulations...

Businesses can help improve the regulatory environment by taking on a more proactive and holistic view of the policy-making process.

Key findings

Near-term outlook
Cautious in industrialised nations, optimistic in emerging markets

Key business risk
Economic slowdown

Future business models
Collaborative business networks

Global integration
Governments to play a more prominent role

Climate change
Collaboration within business community is critical

Key success factor
People

The business environment

Business confidence has dropped in developed countries but soared in emerging countries

For the first time since we started our survey, we are seeing a clear split between established and emerging economies. While in the developed countries the possibility of recession looms and the credit crunch is denting confidence, the emerging markets of Asia Pacific, Latin America and Central & Eastern Europe feel, for the foreseeable future at least, that revenue growth will continue. Concerns about the world's major economies in the current atmosphere, the possibility of recession, along with availability of talent, headed the list of CEOs' concerns. Over-regulation, although no longer at the top of the list, still worries CEOs. They feel that there are a number of areas where governments and regulators could make significant improvements – particularly labour laws, tax regimes and to a lesser extent, education.

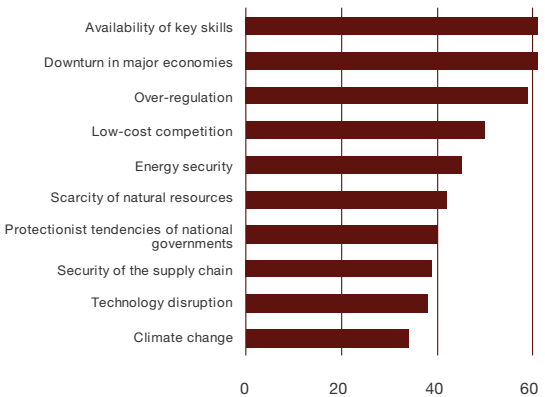
Asia takes the lead on M&A and climate change

A reflection of Asian CEOs' higher levels of business confidence is that interest in cross-border mergers & acquisitions (M&A) is highest in Asia, where Asian companies have increasingly become the acquirers rather than the acquired. The enlargement of the European Union accounts for the large M&A activity in Western and Eastern Europe which are the next highest target locations for M&As, surpassing North America.

Asian CEOs are also leading the way in supporting government action on global warming. CEOs worldwide endorse the fact that climate change is an area where they need to work together – with each other, governments and NGOs – to find solutions. One message from CEOs on climate change is that they are looking for governments to drive the agenda by setting a clear framework for what needs to be done. This is a call for more regulation – something you don't hear very often from CEOs.

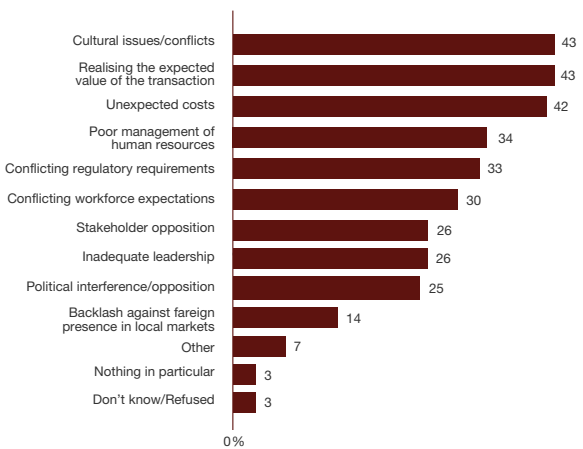
Many CEOs are already anticipating a global shift in the balance of power

Large-company CEOs and those based in Asia-Pacific express greater concern about potential threats



Source: PricewaterhouseCoopers' 11th Annual Global CEO Survey

CEOs worry about realising the expected value of M&As and their unexpected costs, as much as they worry about cultural issues and conflicts



Source: PricewaterhouseCoopers' 11th Annual Global CEO Survey

The impact on business models

Collaborative network: an emerging business model

More than half of the CEOs who participated in our survey believe that business networks will become a defining organisational principle and are the core of the corporate armoury for managing risks and exploiting opportunities, although actual implementation is still lagging behind these expectations.

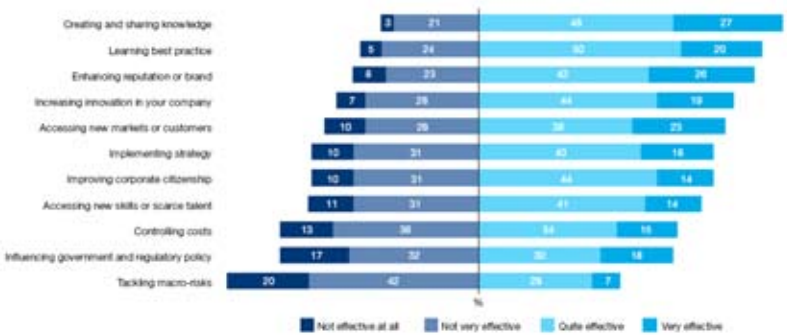
Asia Pacific CEOs are particularly convinced about the value of collaborative networks. Asian companies which typically provide goods and services that are eventually sold by other companies are more inclined to see networks as a defining organisational principle. On the other hand, CEOs of US and UK companies see the development of business networks as a secondary activity. While they are seen to be valuable, business networks play a supporting role to the primary goal of serving customers who, as owners of consumer-facing brands and intellectual property, sit at the end of the value chain.

But what differentiates these new collaborative networks from companies' existing business relationships and alliances? The main difference is that most companies currently collaborate on an opportunistic basis to achieve a specific objective, such as reaching a new market or launching a new product. In contrast, a business network is a group of participants who come together in an open community of equals to conduct transactions – the transmission of products, services, information or money – with one another to produce capabilities and outcomes that advance a set of shared business goals. They may be companies, individuals, loosely defined groups or other entities; they may simultaneously collaborate and compete with other participants in the same network; and they may participate in more than one network.

Although collaboration is believed to be most effective for sharing knowledge and learning best practices, collaborative business networks involve risks – and the level of risk varies according to the extent to which intellectual property is involved, the degree of control over the outputs and sheer complexity of the networks, among other factors.

Collaborative networks have gained global currency but most companies have not developed a systematic method of capitalising on them

Reasons to collaborate: sharing knowledge leads the way



Source: PricewaterhouseCoopers'11th Annual Global CEO Survey

The key ingredient: people

Irrespective of the business models they adopt in response to ongoing global change, the war for talent remains a key concern among CEOs, ranking second only to a potential economic downturn as the biggest threat to business growth. The main sources of competitive advantage cited by CEOs include talent, customer service and the ability to change – all issues directly involving people.

CEOs the world over also embrace change and continue to believe that people are a key factor in achieving success, but grapple with two major challenges – difficulties in finding people with the right combination of technical and commercial skills; and shortcomings in middle and senior management, and organisational barriers, when it comes to managing change. Leaders and all-round performers prove hardest to find, while organisational structures get in the way of collaborative people.

The way forward: connect and succeed

A connected world means that the competition to win each customer's share of wallet has never been hotter.

A connected world means that companies now operate with glass walls. For example, the need to manage intangible risks, such as reputation, is already changing the business model today.

However, a connected world also means that we increasingly sink or swim together. Just look at how quickly the contagion of the credit crunch spread around the world.

The task for the CEOs of the world's largest companies and political leaders of all persuasions is to understand the vital role they can jointly play in shaping the future of this world.

Three areas where collaboration is particularly essential:

- **Management of global risk**
  The shift in the world's economic axis may well be accompanied by periods of significant volatility. As consumers in developing countries become more affluent, the pressure on resources and impact on the environment will also increase. For instance, effective public-private collaboration at the highest level could make a major difference in both the short and long term on the issues of climate change.

- **Market regulation**
  With the recent fallout of the credit crunch, regulators in key markets are collaborating in an effort to manage the situation with support from some large financial institutions. This suggests that new collaborative mechanisms may be the best way of maintaining market stability.

- **Innovation**
  Innovation requires that CEOs choose the right business combinations, network models and partners. They also must use their talent more effectively, for it is people who produce new ideas, discoveries and inventions; people who devise and implement new processes and systems; people who make change happen.

Collaboration within companies, among companies and between the public and private sectors is essential. The challenges are simply too huge and the opportunities too great to go it alone.

The next decade could prove to be an extraordinary era for business and society – a period in which companies and governments work together to produce an environment capable of supporting wealth creation and social cohesion around the globe. The world is connected as it has never been before, and the power of collaboration is beginning to emerge.

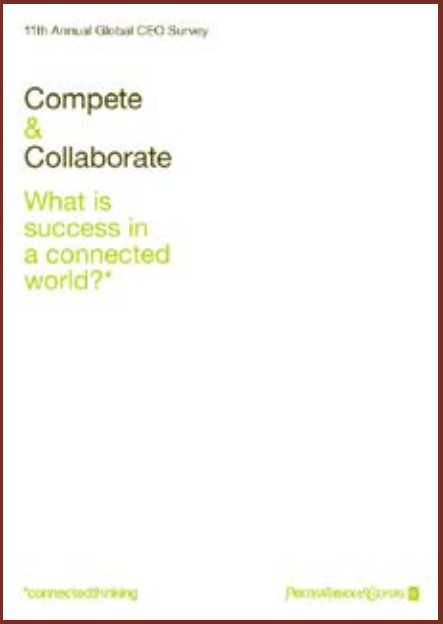
Recipe for effective collaboration

In our view, there are a few basic principles that can help businesses, governments and regulators collaborate effectively on regulation. These include:

- Taking a strategic, long-term view of the regulatory framework within which business operates;
- Creating an effective dialogue between the regulator and those regulated to ensure, at an early stage in the policy and law-making process, that the objectives of the legislator/regulator can be translated into practice, and unintended consequences can be reduced or completely avoided;
- Recognising that the languages of business and regulation can be very different – and making the effort to understand those differences;
- Allocating time and resources to collaborate on the co-design of regulations; and
- Investing in the development of the personal relationships and mutual trust that are necessary to achieve shared objectives.

Biography

PricewaterhouseCoopers



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This article is adapted from PricewaterhouseCoopers' 11th Annual Global CEO Survey. The survey provides a timely and insightful picture of the current attitudes, perceptions and expectations of major business leaders around the world. The theme of this year's survey, "how to succeed in a connected world", explores the way CEOs seek to balance the risks and opportunities of competing and collaborating in the face of enormous uncertainty and change. The findings indicate that establishing business networks is now a primary response to today's environment - and that CEOs believe the benefits of doing this clearly outweigh the costs. The survey was conducted in 50 countries during the last quarter of 2007 and 1,150 CEOs were interviewed.

Ian C Buchanan
Senior Adviser, Booz Allen Hamilton

Bridging the income gap between nations by unlocking the potential of the state owned sector

Introduction

While as a non Muslim I do not pretend to have any deep insight into the specifically Islamic principles underpinning economic and business strategies, I do have 36 years experience advising both public and private sector leaders throughout Asia, including the three SE Asian members of OIC – Malaysia, Indonesia and Brunei. I have also been a Director of a Malaysian Bank with an active Islamic finance and insurance business and, as a member of the International Advisory Panel of WIEF, have worked with international Islamic Government and business leaders.

I have drawn on these 36 years of experience in Asia to prepare my earlier papers for the WIEF on accelerating economic development, and closing the income gaps between the OIC and the rest of the world – and within the OIC itself. In this paper I will build further on not only the general lessons of Asia's so called 'Miracle', and subsequent 'Crisis', but will also share specific experiences on how selected Asian Government's unlocked billions of dollars of shareholder value from state-owned enterprises.

Synopsis of Key Messages from the First Three Forums

Let me begin with a brief synopsis of the key messages in the papers written for the first three Forums:

1. 'Realising Economic Possibilities in the Emerging Islamic Markets' – Kuala Lumpur, October 2005
2. 'Muslim Business in a Globalised Environment' – Islamabad, November 2006
3. 'Closing the Income Gap between Nations' – Kuala Lumpur, May 2007

Economic Development is Consistent with Islamic Principles

The Muslim Tawhid stresses the responsibility of leaders for not only the spiritual, but also the material, well-being of the Ummah – so economic development is not only consistent with Islam but is an obligation of OIC leaders.

The emphasis of the Tawhid on both economic and spiritual development may provide an opportunity for OIC to pioneer a more balanced approach to development which would be consistent not only with Islamic principles but also with the imperative of global sustainability

The Global – and OIC – Income Gap is Large and Growing

We live in a world of 6.5Bn people where just over 1Bn live in 'Developed' – i.e. relatively wealthy – economies and the remaining 5Bn+ in the poorer 'Less Developed' and 'Transition' economies. The majority of the approximately 1.3Bn+ Muslims in the 57 OIC Nations live in the Developing and Transition economies.

Half of our world's population is under 24 years old, and a quarter are under 14. Over the next 25 years total population is expected to increase by 38% – to 9Bn people – with 97% of this increase, over 2.4Bn, being added in the poorest – Less Developed and Transitional – economies. This would imply the OIC population will grow to approximately 1.8Bn.

Today the 1Bn+ people in the developed countries produce around 80% of the world's GDP and the remaining 5Bn+ produce just 20%. The OIC's 1.3Bn people produce just over 5% of global income – i.e. 20% of the world average, therefore, in the absence of improved growth prospects the OIC faces rapid growth in a young, poor – and potentially hungry population – an explosive challenge for the OIC political leadership

The OIC faces large External and Internal Income Gaps

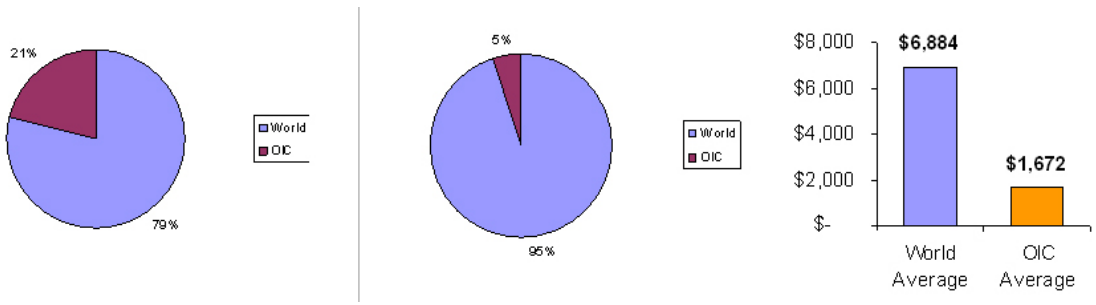
Despite containing 10 of the 11 members of OPEC amongst its membership, the per capita income of the 1.3Bn+ Muslims living in the OIC is characterized by massive economic inequality along three dimensions:

- Between the OIC and the rest of the world;
- Between the 57 nations of the OIC;
- Within the OIC countries themselves.

In 2005 the 57 OIC nations accounted for around 21% of global population but just over 5% of global GDP and the average OIC GDP per capita in real US$ was just $1,672 – 24% of the global average of $6,884[1]. (Figure 1)

[1] *Population data based on World Bank staff estimates from various sources including census reports, United Nations' Population and Vital Statistics report, country statistical offices and Demographic and Health Surveys from national sources and Macro International. GDP data are in current $US and derived from World Bank National Accounts data and OECD National Accounts data.*

Figure 1 - Global vs. OIC populations and incomes



Source: World Bank, OECD

While there is a significant gap between the OIC and global average incomes, this is dwarfed by the gap within the OIC itself where, at its most extreme, the 1.3M people in the poorest OIC nation, Guinea-Bissau, earn just $167 pa – less than 50cents per day and just over 0.5% of the wealthiest OIC Nation, OPEC member Qatar, where the average per capita income is $29,800, i.e. $82 per day. This is further compounded by large gaps within OIC nations – creating a triple income gap for the OIC.

The OIC's Triple Income Gap can be reduced by Embracing Globalization

Dismantling barriers to accelerated economic integration will require that OIC Governments resist the temptation to try and protect current jobs – or to artificially create new jobs in low-productivity public sectors.

The challenge for the OIC Governments and business communities is not to protect their countries from Globalization but to focus on how to unlock its power for job – and wealth – creation while simultaneously strengthening their national cultural and religious heritage. Developing Asian nations – including OIC members Indonesia and Malaysia – are sound models to study. Much of the region grew rapidly post World War 2 by embracing globalization, principally by encouraging Foreign Direct Investment (FDI).

FDI is now the largest single component of capital transfers to emerging markets – and substantially larger, and higher impact, than Development Aid. FDI brings with it not only capital but also accompanying technology transfer, market access, modern management skills, and staff training: on the latter, it is not widely known that in the richest countries Corporations now spend more than Governments on education.

Kick-Starting the Development Process Must Begin with Top-Down Leadership

A key lesson from high growth Asia was that sustained development requires a top down commitment from the highest levels of national political Leadership to engage the populace and give them a voice in the development of their own national 'Vision' – a shared view of a better future for them and their children – and to give them a role in making it happen.

While this engagement process, and the resulting shared Vision, are important they are not by themselves sufficient. There must also be an aligned Strategy – a set of agreed actions on how to reach this aspirational Vision, and decisions about what Government and Business will – and will not – do going forward.

Finally there must be a 'Blueprint', a Plan which codifies – and communicates – the Vision and establishes accountability for the agreed actions needed for effective execution. This will require institutional strengthening, consistent leadership and effective communications.

Let me briefly summarize each of these in more detail:

1. Leadership and Vision: 2300 years ago, Aristotle, a Greek Philosopher whose works were preserved by Islamic leaders through Europe's Dark Ages, argued that the purpose of Leadership was to 'serve the needs of the citizenry' – not just those of the ruler and an inside elite. Therefore 'virtuous rulers' must have a clear view of the community's needs and goals. Thus the starting point for business and political leaders must be an articulation of the needs and goals of the community they serve, expressed in a Vision and a plan to achieve it. Examples from Asia include the original aspiration by then feudal and agrarian Japan in the 1860's – expressed as either "Iron is the Nation" or 'Strong economy, strong army'! More recent examples include Singapore's 1986 National Economic Plan; Malaysia's 'Vision 2020'; and "Vision Korea" in 1997.
2. Strategy and Planning: While Leadership commitment and a Vision are necessary they are not sufficient. The strategy defines how the Vision will be realized – decisions about what each country, and region, will – and will not – do. The strategy – and the plans which embody the strategy – are especially important because part of Asia's success has been consistency of policy over many decades, witness South Korea and the other three Asian 'NIE's. Following their brief – and unsuccessful – experiments with protectionism, each elected open-ness to global trade and investment, in what became the labour intensive export oriented strategies which powered the Asian 'Miracle' growth. All have held the course for over three decades and have established strong institutions which are aligned to their core strategies. This has been crucial to their success – and the demonstration effect has gradually led other nations in the region to emulate them.

3. Execution, Engagement and Communication: Leadership commitment, Vision, Strategies and Plans are all important – but without effective execution which engages the people in making it happen, which in turn requires effective communications – there will be only frustration. Making this happen requires:

    - Enduring – and Professional – Institutions, both at the National Level – be it Japan's MITI, Singapore's EDB, or Malaysia's MDC, MIDA and NEAC – and at the regional level, e.g. ASEAN's Jakarta based Secretariat.

    - Because the plans may not show results within the cycle of a single government it is important to engage the people in the planning process so they understand the rationale, and the Vision. Korea did this well during the Asian Crisis in 1997 in the preparation of 'Vision Korea' – which was serialized and distributed with national newspapers and turned into a best selling book!

    - Because the Vision and Plans may cover a long period – many decades – the engagement process must include translating long term targets into shorter term 'Milestones' – and reporting on these openly and honestly to the people: what has been achieved, what not; what is being done to close gaps; what are the next milestones? This builds trust.

Unleashing the Economic Potential of the OIC: The Secretary General's Call for Action

The challenge for both political and business leaders in the OIC Nations is how to close the 5X gap in economic productivity between the world's OIC-based Muslims and the global average in a way which is consistent with core Islamic principles.

Asia's newly industrializing economies grew, and closed their productivity – and income – gaps by encouraging inbound Foreign Direct Investment to accelerate integration with a rapidly growing global economy.

The theme of global integration as a means of accelerating economic growth was taken further in WIEF #3 in Islamabad by OIC Secretary General, HE Professor Ekmeleddin Ihsanoglu, in his presentation on "Unleashing the Economic Potential" of the OIC.

Professor Ekmeleddin summarized the many efforts by the OIC to forge economic cooperation since 1969 – and their disappointing results, including the still relatively low % of intra OIC trade in the total external trade of the OIC Nations. While praising the efforts of the OIC Standing Committee for Commercial and Economic Cooperation (COMCEC), Professor Ekmeleddin proposed that intra OIC investment was no longer sufficient and must be augmented by inward Foreign Direct Investment (FDI) from non OIC Nations. As the High Performing Asian Economies demonstrated during the Asian "Miracle" years FDI brings with it more than just $, it brings "Smart $", i.e. capital combined with both product and process technology, management skills, brands – and channels – to access major global markets.

As Malaysia and Indonesia both discovered in the mid 1980's, their shift away from protectionist, import substituting, to more globally integrated, labour-intensive export-oriented industrialization policies led to dramatic increases in FDI – with some countries in SE Asia achieving more inward investment from East Asia in 1985 and 1986 than the cumulative total of the past 25 years! With this influx of "Smart $" came new and more competitive production facilities, better quality jobs, worker training – and market access. This then contributed to rapid growth of higher value-added exports, GDP – and disposable personal and family incomes – i.e. directly contributing to closing the income gap.

Professor Ekmeleddin concludes his thoughtful paper by referring to the 3rd Extraordinary Islamic Summit in December 2005, which embraced a 10 Year "Program of Action". To support this he issued his own "Call to Action" – to the Forum members, to the private sector within OIC and to the Muslim diaspora worldwide. He called for the Ummah to engage their own Governments in "smart" public-private partnerships. These should be focused on enhancing the trade and investment flows, not only intra OIC but between the OIC nations and the rest of the world, in order to create a business-friendly policy environment which would increase the OIC's share of the global flow of FDI, of 'Smart $' which would reduce income inequality.

While Professor Ekmeluddin's call is important, the political leadership of the OIC should not blindly follow the foreign-investment driven, export-oriented industrialization of developing Asia in isolation from changes in the global environment, especially changing trends in FDI flows. Specifically, while FDI into China is continuing to grow rapidly as a result of both a large and growing domestic market and a low productivity-adjusted cost of labour, global FDI has fallen from a peak of US$1.5Tn in 2000 to a low of $639Bn in 2003 before recovering to $974Bn in 2005 – the latest data available from the World Bank. This decline in FDI suggests that even in Asia the, now orthodox, model of FDI-driven growth must be augmented by strategies to unlock the value of domestic – mostly State Owned – Enterprises (SoE's) in 'protected' industries.

Unlocking the Value of the State Sector: SoE Reform

Throughout Asia and the developing world, including the OIC Nations, in the regulatory ecosystem between the region's public and private sectors has emerged a range of State-Owned Enterprises (SoE's) – also known as 'Government-Linked' Companies (GLC's) or, in Indonesia, 'Badan Usaha Milik Negara' (BUMN).

These enterprises take on a variety of forms, ranging from ownership by 'strategic' Government Investment Holding Companies ('Sovereign Funds'), such as Temasek in Singapore and Khazanah in Malaysia, to special purpose holding companies set up to hold shares on behalf of indigenous groups – e.g. Malaysia's Permodalan Nasional Bhd (PNB) – and a variety of Ministry-owned Companies – e.g. the "MoF Inc's". In September 2001 Indonesia took a bold step towards rationalising their own complex 'ecosystem' by establishing a dedicated Ministry of State Owned Enterprises (MSoE) which has gradually taken over the shareholdings in Indonesia's BUMN from the Ministry of Finance and a variety of other Departments.

SoE's were historically established for a range of reasons and rationales – including management of Natural Monopolies, Capital Market Failures, Externalities and Social Equity. While a recent (June 2007) UN Review of SoEs argues that there is still 'no clear theoretical case either for or against SoEs'[2] many have clearly become breeding grounds of 'KKN' (*the Indonesian acronym for Collusion, Corruption and Nepotism) – the 'piggy banks' for political parties in many developing market democracies.

There is a substantial economic literature on the rationale for, and role of, SoE's - and widespread recognition of the need to find alternatives to full privatization as a means of unlocking value. Former Indonesian SoE Minister, and WIEF IAP Member, Tanri Abeng's Book – 'Indonesia Inc' – contributes to the literature on this area by describing in detail the institutional and policy context of SoE reform. However there is a gap: little has been written on what in practice Government and SoE leaders can do to develop and implement value creating reforms of individual enterprises.

Studies in both Indonesia and Malaysia have shown that unlocking the full value of SoE's can be worth in excess of $100Bn to individual Governments in terms of enhanced investment value. However, potentially even more important to overall growth is the effect that improved SoE performance can have on the wider economy in three ways:

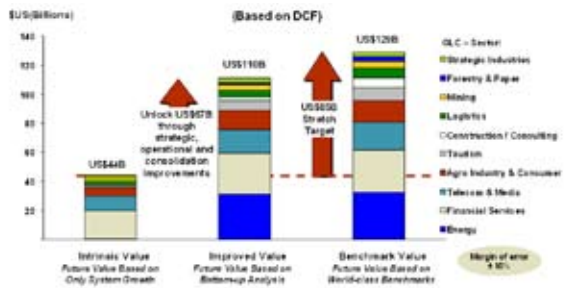
- As a more competitive supplier of inputs – e.g. the State Power and Telco Utilities
- As a buyer – e.g. State Export Marketing Companies
- …And perhaps most important, by providing a 'demonstration effect' which sets an example to other sectors.

[2] *UN Department for Economic and Social Affairs: National Development Strategy Policy Notes, by Dr Ha-Joon Chang, Cambridge University, England*

For example, Indonesia and Malaysia between them have approximately 200 SoEs which account for a significant proportion (around 35% in Malaysia) of Stock Market capitalization. Both countries have taken an active, top down approach to SoE reform focused on unlocking shareholder value, but each with a distinctive strategy.

Indonesia opted to achieve reform by setting top-down 'stretch' targets for value creation – and setting up a new Ministry of State Owned Enterprises to ensure a single point of accountability for achieving these targets. Once established the new Ministry used a team of international consulting firms to support the Minister in a review of opportunities to unlock value from Indonesia's 159 SoE's ('BUMN'). This resulted in a Report, published by the Ministry in 1999, which identified around US$85Bn in value upside. The results of this Report were presented in front of approximately 300 of the BUMN leaders in September 1999.

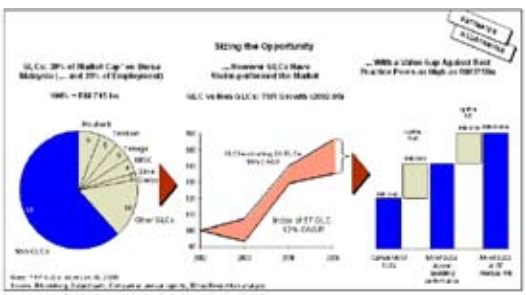
Figure 2 – Potential Value of Indonesian State-Owned Enterprises – Estimated 2006 Value



Malaysia decided against establishing a new State Enterprise Ministry, but in 2004 newly elected PM Badawi followed the same principles of setting stretch targets – and clear accountability – but in a different way. The PM and the 2nd Minister of Finance in May 2004 launched the concept of Key Performance Indicators (KPIs) linked to Shareholder Value Creation, and created accountability at the level of the SoE CEOs by linking their compensation packages to achieving those KPI's!

Estimates of the SoE value gap in Malaysia are remarkably similar to that in Indonesia – approximately US$100Bn.

Figure 3 – GLCs are important to the Malaysian economy but under-perform the market and best practice peers by as much as US$100Bn



However, rather than create a new Ministry, Malaysia simultaneously restructured the Ministry of Finance subsidiary, Khazanah Holdings, into a Strategic Investment Company modelled on Singapore's Temasek.

Thailand, which prior to the Thaksin Administration had a more laissez-faire Government, and in parallel a more informally structured SoE sector, has taken a more ad hoc approach. Beginning in 1986, in a discussion between then PM Prem and a visiting delegation from the Pacific Basin Economic Council (PBEC), the Prime Minister committed to "cut the red tape, but this time not lengthwise"! While this may have been a statement of intent, reform did not become a reality until 1995 with the launch of an ambitious 'Re engineering of Government' aimed at Ministries and a parallel Privatization program aimed at SoE's, such as Thai Airways.

However, no matter how large the prize, or how grandiose the Vision, as anyone who has worked with the region's SoEs will have learned, making change – any form of change – is hard. As a practitioner it is not uncommon at the beginning of the reform process to hear "Nothing, repeat nothing, can be changed around here …" – i.e. don't waste your time, you're bound to fail! Hence the importance of sharing lessons from those SoE transformations which have created sustainable change – and value.

Principles of Successful SoE Transformation:

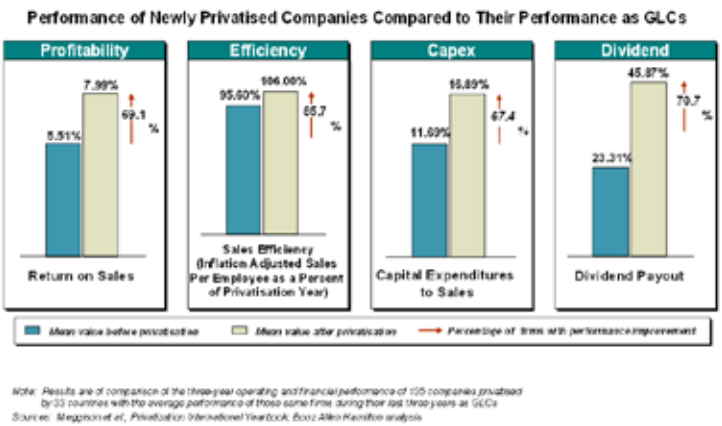
The keys to successful SoE transformation parallel those for the broader economy: Leaders who create a top down Vision; a Strategy and 'Roadmap' to achieve the Vision; and effective execution. Without all three of these, there are many whose 'rice-bowls' will be threatened by SoE reform, who will seek to block change. The two main arguments which will most likely be deployed are a loss of income to the Government, a loss of jobs – or a threat to a 'National Champion'. Let me explore all three of these and then end with a framework for SoE reform.

Threat to Government Income and to Jobs:

Contrary to conventional wisdom, well executed reform and privatization of government linked companies will improve not only financial performance and shareholder value – but also employment.

As the following figure illustrates, the weight of evidence is that rather than reducing the income to Government privatization of SoEs is an effective method of creating value, both by way of improved profitability and imputed shareholder value, but also by means of enhanced capital investment and dividend payments.

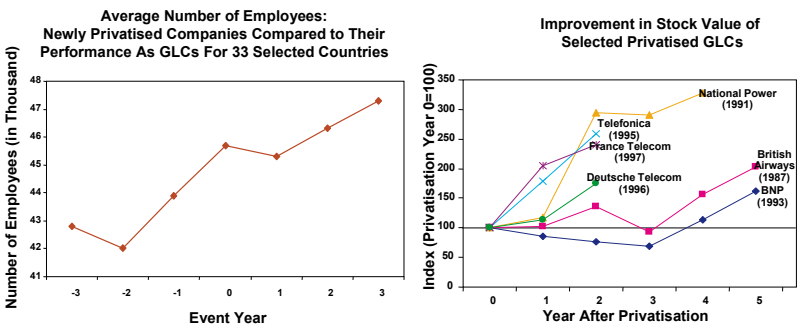
Figure 4 – Evidence suggests that – effectively executed – SoE reform leads to improved Profitability, Efficiency, Capex and Dividend payout…



Note: Results are of comparison of the three-year operating and financial performance of 135 companies privatised by 33 countries with the average performance of those same firms during their last three years as GLCs
Sources: Meggison et al., Privatization International Yearbook; Booz Allen Hamilton analysis

The common fear that privatization will lead to unemployment is also not supported by the data. As the figure below shows, other than a short period immediately after privatization – when there may be a temporary reduction in employment – thereafter head count grows, not as a subsidized 'employment creation' program but as the SoE begins to compete more effectively and gain share against domestic and international competition.

Figure 5 – … as well as growth in employment and shareholder value



Note: Results are of comparison of the three-year operating and financial performance of 135 companies privatised by 33 countries with the average performance of those same firms during their last three years as GLCs
Sources: Meggison et al., Privatization International Yearbook; Booz Allen Hamilton analysis

Note: Index is obtained by dividing the stock value for a given year by the value at the end of the first year of privatisation; Index reflects gross appreciation in stock value, excluding inflation/deflation effect
Sources: Privatization International 1999; National Power Annual Report 1996; BNP Web Site 1999; British Airways 1999; France Telecom Web Site 1999; Telefonica Wed Site 1999; Booz Allen Hamilton analysis

Threat to a 'National Champion' - Example: Telco Sector:

In my paper delivered at the first WIEF in 2005 in KL – 'Leveraging ICT and Science for Economic Development' – I demonstrated in some detail how government leaders can accelerate the development of critical sectors, such as Information, Communications and Telecommunications, by a carefully managed process of de-regulation and liberalization designed to overcome resistance from vested interests. Vested interests – which typically include 'regulated monopolies' such as a National Telco, have in many developing regions become mechanisms for the creation and protection of 'monopoly rents' in which returns generated because of limited competition are – informally – shared with ruling political elites by means of 'black' – i.e. undeclared – contributions to individuals or party treasuries. To preserve these monopoly rents competition is limited and high prices are passed on to both businesses and consumers. When this occurs in such critical areas of the economy as telecommunications, not only do consumers suffer directly – typically by both high prices and poor service – but the combination of the high prices and lack of technological innovation also reduce the international competitiveness of other sectors and therefore stifle growth of the economy as a whole.

As the cost of mobile phone services drops it is not only consumers and big business which benefits, but also small and medium - and rural - enterprises who have been unable to obtain fixed line telephones, and who hitherto were unable to afford mobiles. The improved domestic and international communications enables access to information on everything from fertilizer and crop prices to weather reports. It also helps connect small businesses to their customers and markets, with even the smallest company now able to take advantage of e.g. eBay to access international buyers. As the productivity of the overall economy is unlocked and household incomes begin to grow, investment in new productive assets increases, the tax base expands – and investment in infrastructure and education – improves, leading to the virtuous cycle of sustained economic growth.

A Framework for SoE Reform

Once the National strategy for SoE reform is established – be it a new Ministry (of SoEs), or new performance targets linking CEO compensation to value creation, the next steps are to prioritize the firms to be privatized – and to create the right regulatory environment: privatizing a monopoly still results in a monopoly!

While it ultimately suffered from some delays in implementation in the flurry of Government changes post the Suharto regime, the Indonesian approach of seeking international help to identify the upside value potential of all SoE's, and to define the enabling requirements to unlock this value, is an effective one and is described in detail in Bpk Tanri's book, Indonesia Inc[3].

Once the reform process, and privatization master plans which define sequencing, are underway at the national level it is important to move quickly to select a small number of SoEs to undertake value creating reforms as a symbol, a demonstration effect, that change is possible. In Indonesia for example one of the early reform targets was the national telco, Telkom Indonesia, and its cellular subsidiary, Telkomsel.

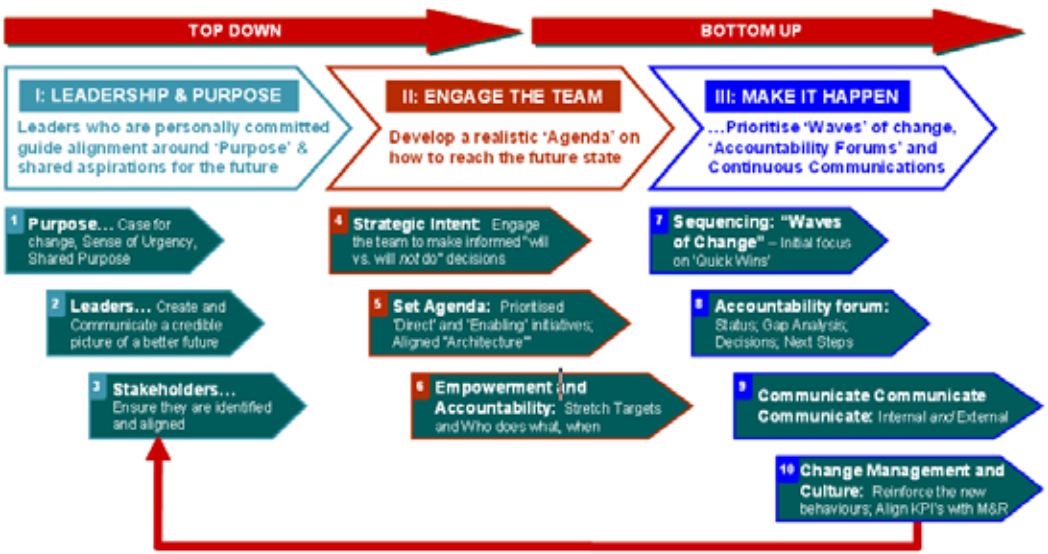
The experience gained with these, very successful, transformations has been captured in a Case Study prepared by Stanford Business School[4] which is used not only at Stanford but also by the Ministry of State Owned Enterprise and independent non-profit leadership institutes such as Indonesia's Executive Centre for Global Leadership to share best practice with other SoE CEO's.

A key lesson from not only Telkom/Telkomsel, but also from a large number of other SoE reform programs across developing Asia, is that sustainable change and performance improvement is possible, but takes time – and a combination of clear Top-Down commitment and Bottom-Up engagement – see Figure 6.

[3] *Indonesia, Inc. Privatising State-Owned Enterprises - Bpk Tanri Abeng, 2001, Published by Times Academic Press*

[4] *Telkomsel: Transforming An Emerging-Market State Enterprise, Stanford Graduate School of Business – 31 March 2003*

Figure 6 – Three Phase / Ten Step Top Down / Bottom Up Framework



Sustained SoE Transformation: Top Down and Bottom Up

Our – extensive – experience with SoE transformation suggests that a structured, Top Down/Bottom Up, Three Phase and Ten Step process provides a valuable 'architecture' for the process of individual SoE reform.

Phase 1:
Top Down – Leadership and Purpose

A key starting point is to answer the question – 'Why change?' – in a way which establishes a new, overarching 'Purpose' for the existence of the SoE, identifies a small but committed group of change leaders – and makes a case for change to all key stakeholders.

Starting with a sense of purpose is important: While the 'Case for Change' must have a rigorous analytical component, which may for example demonstrate that 'business-as-usual' is unsustainable, to motivate all employees to embrace change also requires a higher order sense of 'Purpose' which goes beyond just profitability. (See for example international best seller, 'Purpose', by Nikos Mourkogiannis[5]).

To illustrate – in the case of a SE Asian National Airline, the Nation's Flag Carrier, which had plummeted from #1 to #14 in customer service and was in a rapidly deteriorating financial condition - the key was to appeal to national pride, and to the role of employees as 'Ambassador's'. World class Customer Service then became a way of expressing that national pride. This, combined with a clear definition of the airline's role within the domestic market as a major contributor to national integration and 'Nation Building', led to a rapid turnaround and within three years the Airline was winning awards for on-time performance and was well on the way to regaining its #1 customer service position.

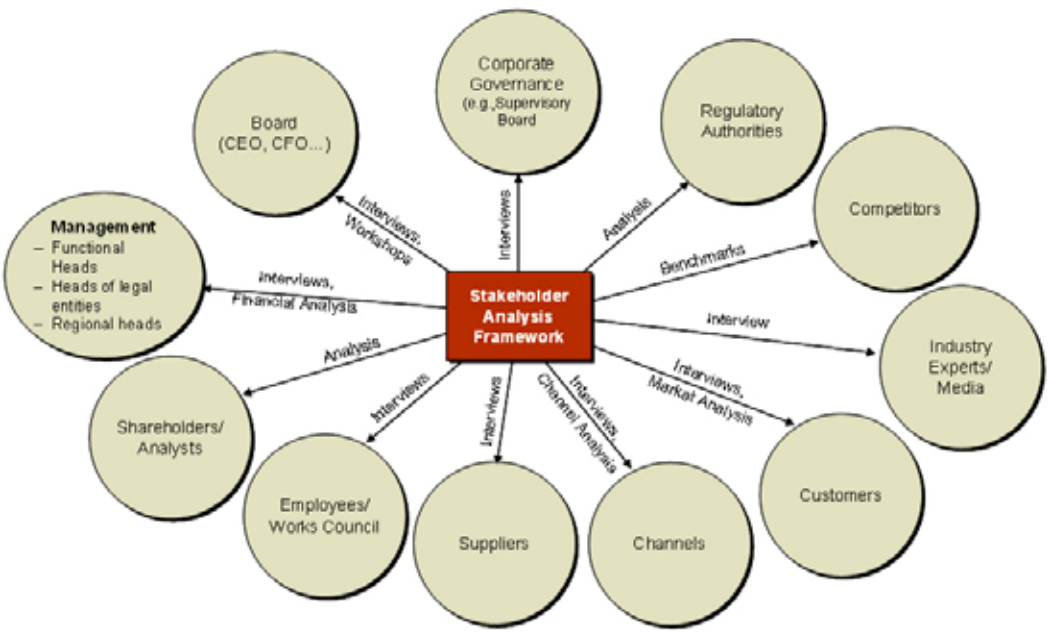
A clear and motivating sense of Purpose will also attract leaders to the change program. These leaders then need to begin building a constituency for change among all key stakeholders if the change is to succeed – and be sustained.

So who are the 'Stakeholders'? How are they identified? And what is required to ensure they are committed to the transformation and value creation process?

As Figure 7 shows stakeholders are both inside and also external to the SoE.

[5]*Purpose. The Starting Point of Great Companies - Nikos Mourkogiannis, 2006, Published by Palgrave MacMillan*

Figure 7 – Stakeholder input is key to aligning expectations



One of the main challenges in many SoE transformations is the large number of 'invisible' stakeholders who do not appear on Organisation Charts. These may include senior Government or Party officials seeking to raise 'black' – i.e. undeclared – funds for the Party (and often themselves and their families). In extreme cases these 'invisible' stakeholders may have supported (or even 'auctioned') the CEO or Director positions in return for an informal agreement that a % of eg procurement budgets would be paid to them, or that procurements would be routed to pre-agreed suppliers. While tangible evidence of this type of behaviour can be hard to gather, inferences can be drawn from inflated balance sheet values of assets – apparent in the accounts of several SE Asian State Owned Steel Mills and Telcos – or in excessive, expensive complexity of eg fleet and engine types in several of the region's National Airlines.

Over recent years hard evidence of hidden stakeholder influence and corruption from the most senior levels of Government has emerged from videotapes recorded in the 1990's by Peruvian President Alberto Fujimori's powerful Secret Police Chief, Vladimiro Montesinos Torres and inadvertently released after the Government fell in 2000. These tapes – of which only a few of the reported 30,000 which Montesinos claims he recorded (See: "How to Subvert Democracy: Montesinos in Peru" – Professor John McMillan and Pablo Zoido, Graduate School of Business, Stanford University) have so far come to light provide rare hard evidence of a web of corruption in dealings between Government, corporations and SoE's. Based on the detailed records of payments made this Stanford study was even able to establish the 'Bribe Price' of different officials – finding that in Peru the bribe price of Media leaders was as much as 100 times that of a Judge or a Politician!

SoE Change Leaders seeking to escape this web of corruption in order to lead sustainable transformations must therefore invest substantial time up-front to analyse – and 'Map' - key stakeholders, their inter-relationship with each other – and with the SoE Board and Management. From this analysis it is possible to understand the broader objectives of the stakeholders in order to develop a combination of threat – 'if you continue taking bribes we will leak information to Anti Corruption Agencies or the Press' – and promise – 'if you stop stealing we will ensure you retain your position and will share the credit for this contribution to the Nation'.

While I do not wish to under-state the difficulty of this process, which has been likened to a complex chess game, without it sustainable SoE reform will remain a wish and a promise rather than a reality. Ignoring this issue is like ignoring the proverbial elephant in the room when embarking on sustainable SoE reform!

Phase 2:
Top Down/Bottom Up-Engage the Team/ Create the Transformation Plan

Once there is a clear sense of purpose, the change leaders are in place, the stakeholder mapping is complete – and a clear 'Case for Change' has been developed it is crucial to 'engage' the team who must support the change program. This must initially be done top down by engaging all the direct reports to the change leaders. This 'engagement' process is a combination of analysis and education – 'Here are the Facts' – and emotion – appealing to a higher purpose. This is achieved by a combination of one on one and small group meetings leading to either a Strategy Offsite – or, a powerful tool, a 'Strategic Simulation', ('Wargame') where the teams all receive rigorous briefing books on strategic options, key customers and competitors but then 'role play' the main stakeholders in a series of 'moves' designed to simulate a full planning cycle of the firm. This – intensive – experience is a powerful engagement tool, and also provides the change leaders with a means of observing their teams perform under pressures which simulate a real life competitive environment – and to 'think the unthinkable' – both of which are often missing in their State Enterprise experience – Figure 8.

Figure 8 – A wargame is a powerful way to bring about collective commitment by getting teams to 'think' – and 'feel' – the unthinkable

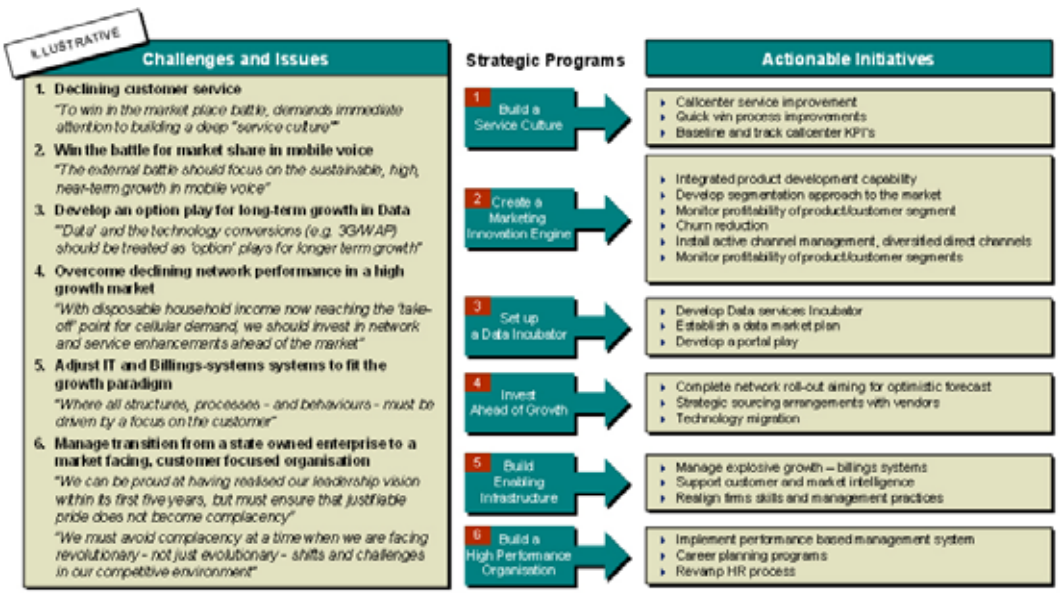
"…one thing a person cannot do, no matter how rigorous his analysis or heroic his imagination, is to draw up a list of things that would never occur to him."

Thomas Schelling, "The Role of War Games and Exercises", in Managing Nuclear Operations, eds Ashton B. Carter, John D. Steinbruner, and Charles A. Zraket, The Brookings Institution, Washington DC, 1987, p.436

"Hey! They're lighting their arrows… Can they DO that?"

While the Wargame is a powerful option generation and engagement tool which can result in clarity of Strategic 'Intent' – the decisions on direction and what the firm will – and will not – do to achieve the aspired to future – it must be translated into a disciplined strategic 'Agenda' made up of specific, actionable initiatives which will guide all activities, processes – and the design of organisation structure – See Figure 9.

Figure 9 – The Strategic Intent must be translated into a time phased 'Agenda' with actionable Programs and Initiatives



Once this agenda is agreed, the last step in the transition from Top Down to Bottom Up execution of the transformation program is to define clear accountability for implementation deliverables, and time-frames.

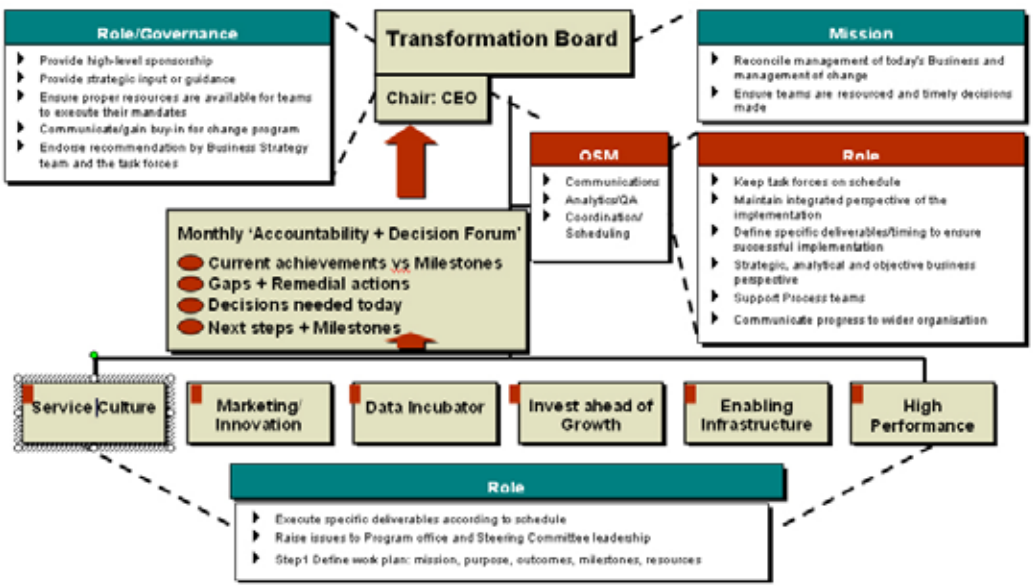
Phase 3:
Bottom Up: Make it Happen -
Cascade and Sustain the change

SoE skilled resources are always finite, and many SoE's have severe skill gaps in areas such as planning and analysis which are key to successful transformations. Therefore the implementation of initiatives must be phased in a way which is both logical – for example process redesign should precede new IT systems – and which brings a good balance of tangible 'Quick Wins', to boost confidence and retain stakeholder support, and the investment in – often invisible - capability building which is necessary to, for example, enhance customer segmentation and customer service levels.

Once accountability for, and sequencing of, initiatives is confirmed it is important to create an 'Accountability Forum' which will bring together the leaders of all the initiatives with a 'Transformation Steering Committee' – typically the CEO plus selected Directors and EXCO members - who must act as 'sponsors' for the transformation. This Forum, which might convene monthly, needs clear ground-rules and careful advance preparation and meeting management to fulfil its crucial role of keeping the transformation on track for what might be a multi year program.

In a typical meeting, which might last for 3-4 hours, we have found that it is very valuable to have all initiative leaders present throughout in order to achieve coordination across all initiatives – but also to create sharing of best practice, and some competition, between teams as they present to their CEO and senior management – See Fig 10:

A Transformation Board supported by an 'Office of Strategy Management' is critical to keep the transformation on track



In order to keep the meetings crisp we typically guide each team to present only four slides:

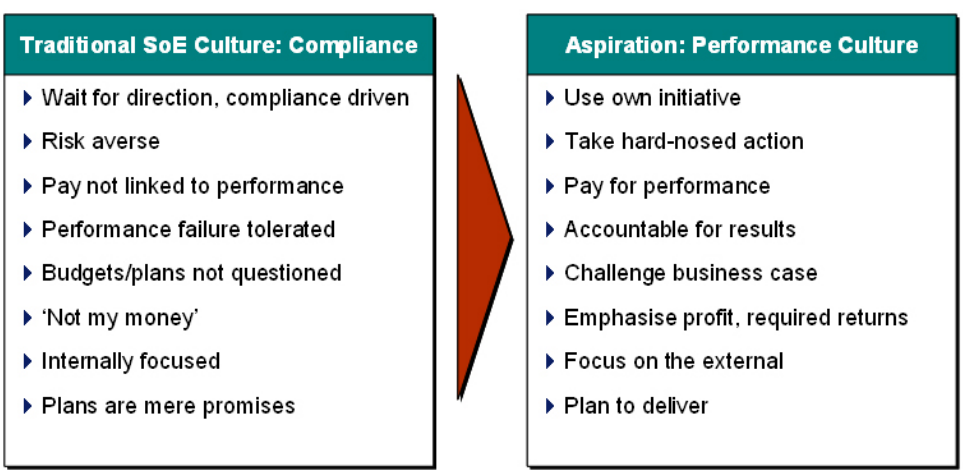
1. What have we achieved vs our committed plan for this past month?
2. What are we doing to close and gap between achievement and plan?
3. What decisions do we need in this meeting?
4. What is our work-plan, and our commitments. for the next month?

This structure brings a discipline not only to the teams, but also to the Transformation Steering Committee – especially in item 3. where the ground-rules are that the Committee must either make the needed decisions in the meeting, or define exactly what additional analysis is required and commit to a date to reconvene to consider the additional material, and make a decision. For anyone who has worked with SoE management and Boards it will be clear that this – communal commitment to action – can dramatically compress the time required for teams to obtain decisions vs. the traditional cycle of serial memo writing to, and between, directors as they seek to arbitrage their risk by obtaining a consensus decision.

In parallel to the accountability forum, a key to sustaining change is an ongoing communications program which addresses not only internal staff but also outside stakeholders via multiple channels – including a range from one on one meetings with direct reports, regular newsletters, press coverage – and a website with an interactive Q&A facility. If the change is to be sustained, the communications program must be accompanied by a structured change program which is designed to manage the – lengthy – transition from a typical SoE Culture of 'Compliance' to one of 'Accountability' – see Fig 11.

Figure 11 – Executing a change agenda for SoEs is a major challenge because of traditional, risk averse, cultures which are resistant to change

Common SoE Quote: "*Nothing can be easily changed here…!*"



Conclusion

We have established that, to respond positively to Professor Ekmeleddin's call for a "Program of Action", which would in turn contribute to reducing the OIC triple income gaps, requires an alignment between domestic development strategies and the major 'waves' of change - the shifting tectonic plates associated with globalization - underway in the wider international economy.

Drawing on lessons from developing Asia we have suggested that the major 'linkage' between these external economic 'waves' and the domestic economy arises from accelerating productive inward investment of "Smart $" – i.e. Foreign Direct Investment with the associated technology, market access, and skills. However, to unlock the full value of these inbound 'Smart $' requires domestic investment in institutions and "human capital" – i.e. building the smart 'peopleware' which can capture the embedded knowledge which comes packaged with the FDI. Thus, simply put, the major policy imperatives for those national leaders within OIC committed to closing the income gap, be it intra OIC or with the rest of the world, are all around the marriage of 'Smart $ + Smart people'.

In a world where competition for FDI is increasingly fierce, winning a share of the available 'Smart $' in the face of increasingly tough competition from the two giants – China and India – will require 'smart policies' to both attract, and retain, it. It will also require attention to accelerating domestic de-regulation, liberalisation – and privatization of State Owned Enterprises – which we have shown can create incremental shareholder value and employment – while also contributing directly to economic growth by providing more competitive goods and services and via the demonstration effect to other sectors.

Putting in place this new policy environment will require "smart leadership" at the national, regional – and global – level which:

1. Makes a commitment to the development of a Shared Vision
2. Establishes a development agenda, a "Blueprint", to realize the Vision
3. Strengthens enabling institutions, and policies, needed to implement the Blueprint
4. 'Walks the Talk' – i.e. leads by example and provide their own national, regional – and global – 'demonstration effect' to their followers

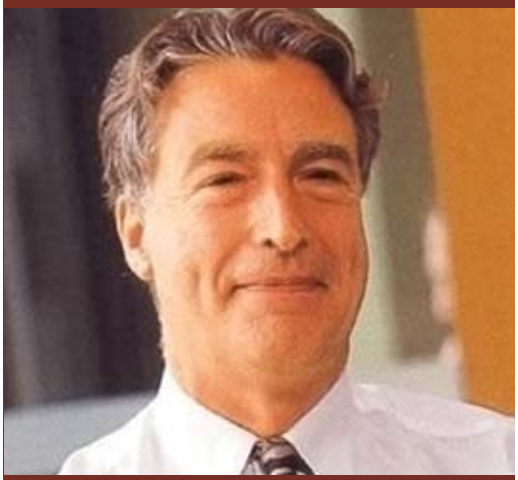
While the principal responsibility of leading a concerted effort to close the twin income gaps must rest with the national leadership, where the Vision, Blueprint, Policies and Behaviours must originate, the lessons from Asia suggest that there are also important roles for both the OIC, and for the World Islamic Economic Forum (WIEF).

For the OIC the role might be modelled on some combination of the functions of ASEAN, or APEC. Although neither organization aspires to a formal political or even economic 'Union', ASEAN is pushing ahead further and faster towards a more formal 'Free Trade Area' (AFTA). Both also see greater harmonization of economic policies relating to trade and investment flows, product standards and the like – all within the context of the wider global frameworks offered by the World Trade Organization and the Doha Round – as beneficial. Benefits are seen as arising from accelerated transfer of best practice, the reductions of intra-regional barriers and 'frictions' leading ultimately to greater 'gains from trade' for all members of the grouping.

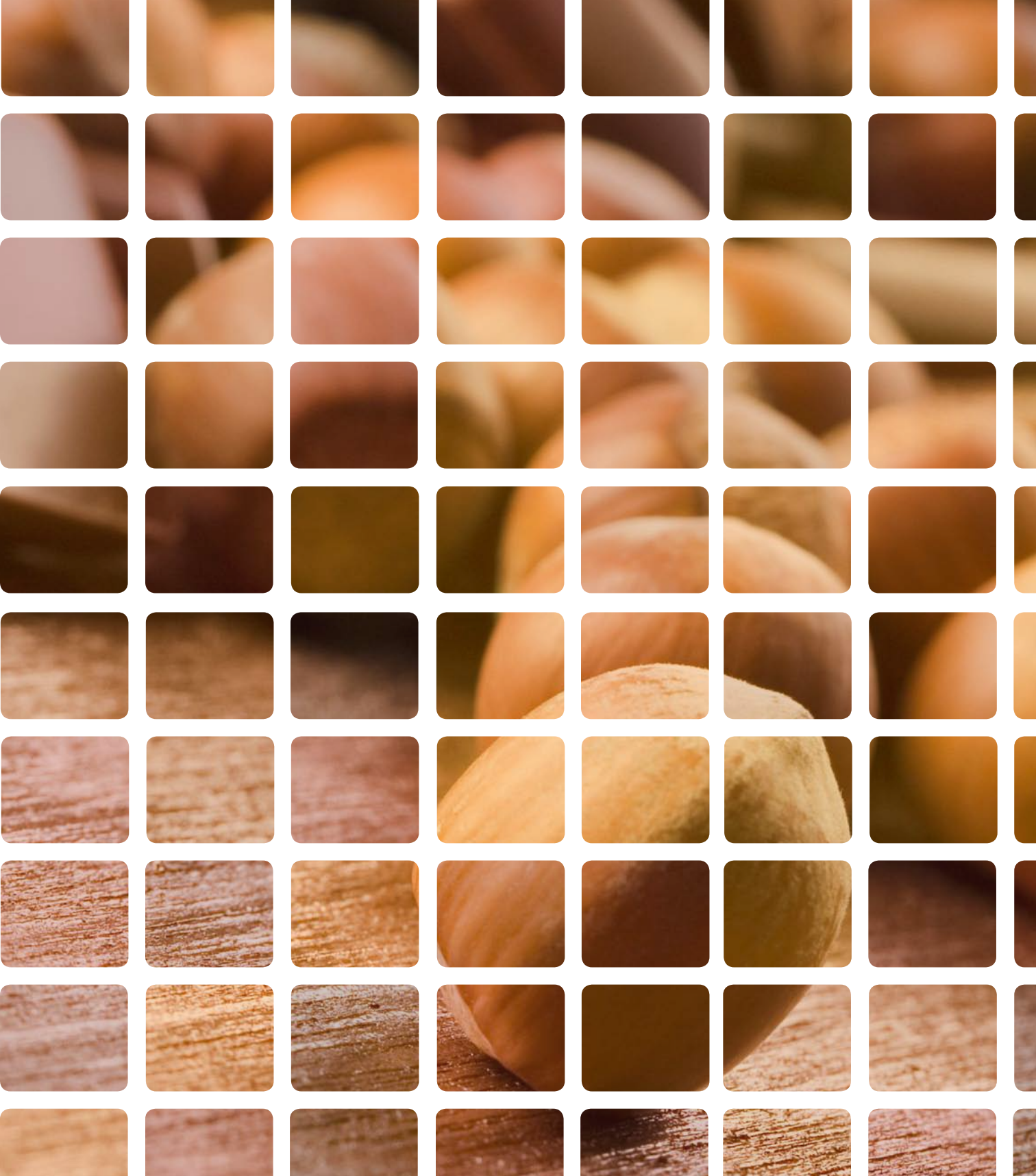
WIEF provides a Forum for businesses, from both OIC and the wider Ummah, to interact with each other, and with business leaders from around the world. Given my belief that, despite the Internet, both investment – and technology transfer - are 'body contact' sports we hope to enable accelerated growth via 'smart partnerships' created at these meetings.

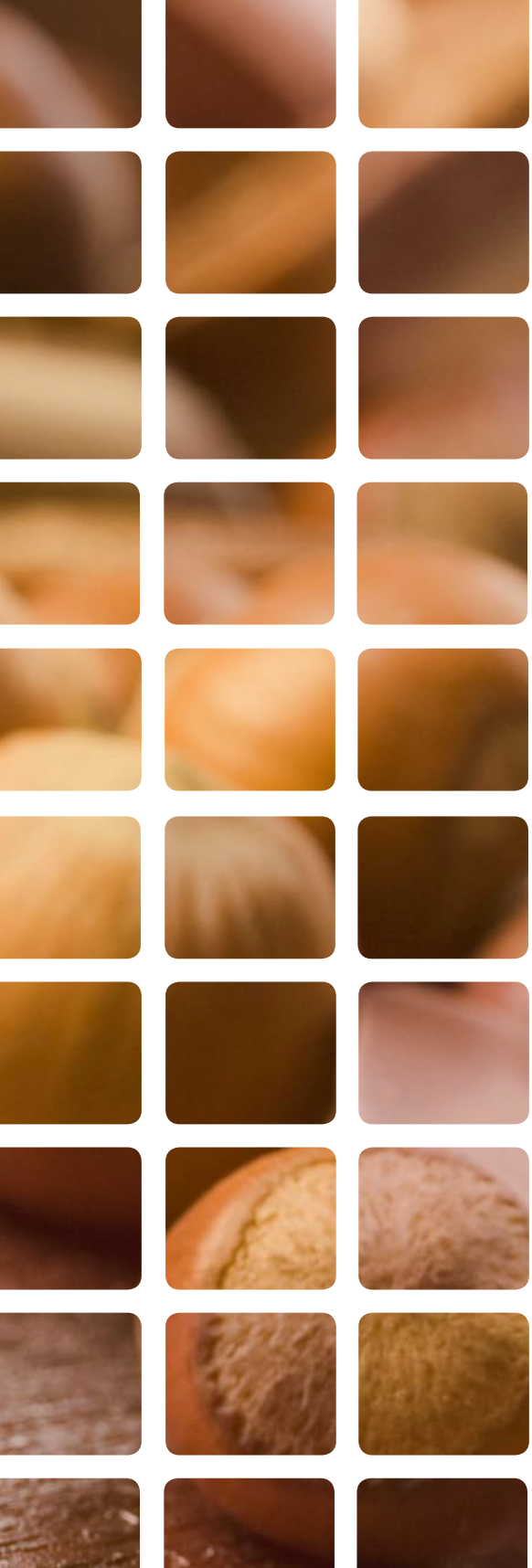
Biography

Ian Buchanan is Senior Executive Adviser to – and former Regional Chairman of - Booz Allen Hamilton Australia, NZ, SE Asia



- Role: Currently Senior Executive Adviser to – and former Regional Chairman of - Booz Allen Hamilton Australia, NZ, SE Asia.
- Experience: Former Regional CEO of SRI International with 35 years experience throughout Australia, New Zealand and SE Asia advising the most senior levels of both the public, private and defence sectors on strategy, performance improvement and change management.
- Education: M.B.A. from Wharton, M.A. in Chemistry/Quantum Chemistry from Magdalen College, Oxford; advanced studies in economic development at the Kiel Institute of World Economics, FRG and in leadership at the US Aspen Institute
- External Roles: Director/Asian Adviser - CHAMP Private Equity; Insurance Australia Group; Rio Tinto Aluminium; The Distillery (National Security Systems); The Great Barrier Reef Foundation; AGSM's Advanced Leadership Laboratory; Indonesia's Executive Centre for Global Leadership (ECGL); the Asian Strategy & Leadership Institute (ASLI); and the World Islamic Economic Forum
- Past Roles: Director/Adviser to Singapore's National Computer Board; Malaysia's Southern Bank; (ASX listed) Computer Power Group; Volvo Asia Pacific; and only Non Asian Member of GE (SE Asian & Indochina) Advisory Board
- Other: Regular guest lecturer on Asian Strategy at Harvard, AGSM and other Business Schools. Author of a number of scientific and business papers/Case Studies and contributed to several books on the region. 5 years flying with the RAF Reserves: member of the RAF 'Ten Ton' Club.





Chapter Two

DIVERSE PERSPECTIVES: THINKING A FEW STEPS AHEAD

Mohammad Faiz Azmi
PricewaterhouseCoopers (PwC) Global Islamic Finance Leader
and Partner, PwC Malaysia

Islamic Finance powering its way to mainstream finance

Exponential global growth of Islamic assets and products

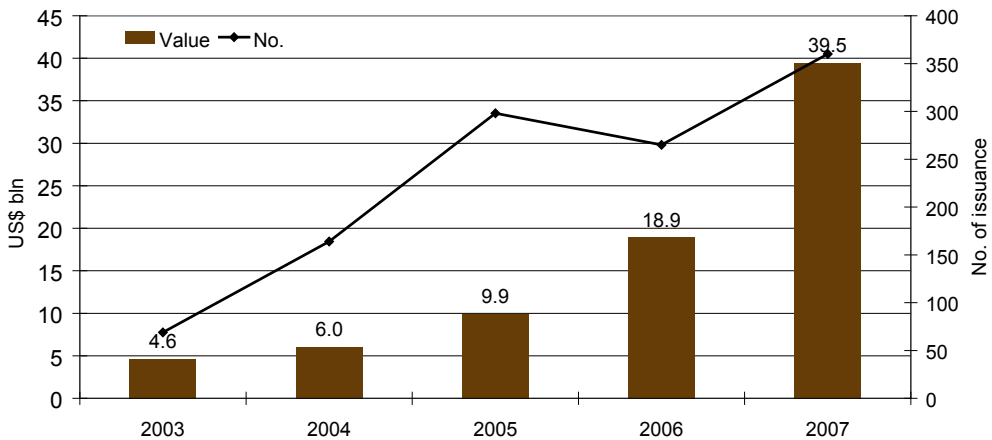
The Islamic finance industry is powering its way across global financial markets and into mainstream finance. It has expanded beyond Muslim countries in the Middle East and South East Asia to enter international financial markets like London, Tokyo and Hong Kong.

The rapid and significant market expansion of Islamic finance has now produced some 300 Islamic Financial Institutions (IFIs) operating in 75 countries, managing over US$500 billion in assets in 2007. The Islamic finance assets in IFIs is projected to double to US$1 trillion in 2010, with growth of around 15% to 20% per annum.

The proportion of total Islamic banking assets to conventional assets has reached 30% in Gulf Co-operation Council (GCC) countries and is projected to rise to 40% in the next three years. In Saudi Arabia, 95% of all retail banking transactions are now done through Islamic banking institutions. In Malaysia, the Islamic financing share of banking system assets is currently 13% and the Government is committed to boosting this to 20% by 2010. In the UK, major banks are offering Shariah-compliant products and the Islamic mortgage market there has grown to over half a billion pounds since 2003, with an increase of about 50% in 2006 alone.

According to Moody's Investors Service, outstanding global sukuks reached US$97.3 billion at end 2007 and volumes are expected to expand by 30-35% into 2008. Meanwhile, the value of global sukuks issued doubled to US$39 billion in 2007, from US$18 billion in 2006. Sukuk growth has been powered by an explosion in the number of billion dollar issuances, with 14 such issues compared to four in 2006 - Malaysia issued six sukuks, the United Arab Emirates (U.A.E) with five and Saudi Arabia with three. These 14 sukuks alone represented over half or 56% of the total value of global sukuk issuances.

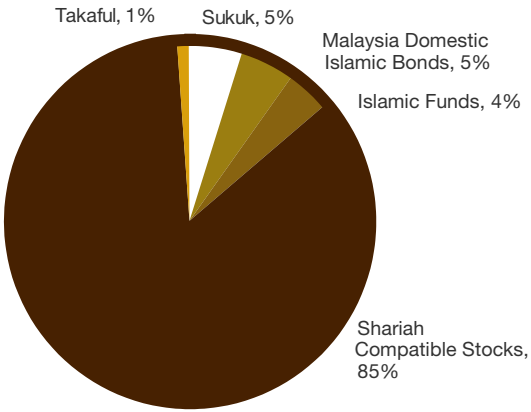
The rise of global sukuk issuances



Source: Bloomberg, 2008

An emerging growth area is global Islamic insurance (Takaful). Total global Takaful premiums are expected to grow by some 15% to 20% per annum to reach US$7.4 billion in 2015 from about US$2 billion to US$3 billion currently. In Malaysia, the Takaful penetration rate is expected to reach 20% by 2010 from 6.5% currently. The potential for Takaful has attracted global insurers and reinsurers to set-up Takaful and re-Takaful operations. Current estimates indicate that there are 140 Takaful players worldwide, operating in 20 countries.

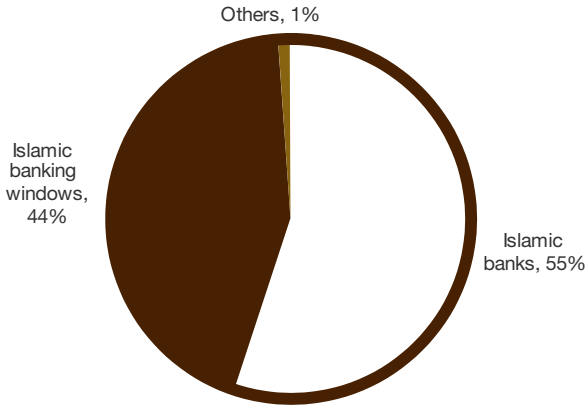
Islamic Capital Markets



Total asset value: US$355 billion (est.)

Source: Annual Report 2006-2007, Islamic Development Bank

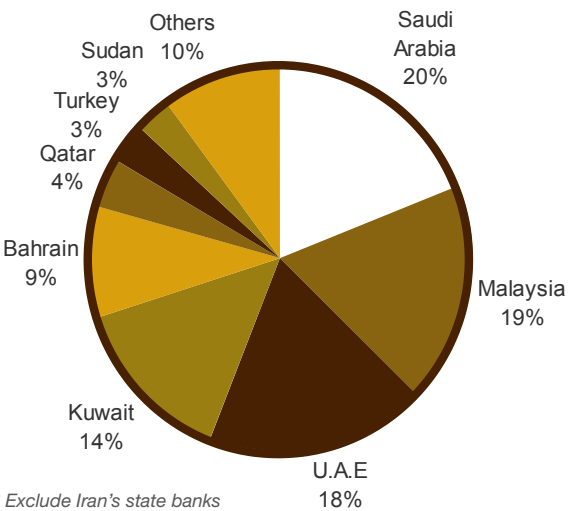
Islamic Financial Institutions



Total asset value: US$524 billion (est.)

Source: Annual Report 2006-2007, Islamic Development Bank

Geographical distribution of world's top 100 Islamic banks* by aggregate assets



** Exclude Iran's state banks*
Source: The Asian Banker Journal

Strong Government support, oil & gas boom and consumer demand

The surge in Islamic finance has also been driven by strong Government support. Governments of OIC countries including Saudi Arabia, Bahrain, U.A.E and Malaysia are actively involved and committed in the development of a strong Islamic finance and capital market. Most of these countries have promoted the growth of Islamic finance services with wide-ranging incentives from setting up onshore financial centres, lower restrictions on foreign ownership to tax incentives.

The demand for Islamic finance and securities are also being spurred by booming oil prices. With oil prices rising to above US$100 a barrel, oil-rich GCC states have over US$48 trillion in oil reserves. In addition, the Institute of International Finance reported that the net offshore wealth of GCC countries had reached an estimated $1.8 trillion in 2007.

The increasing awareness of Islamic finance products and services, accompanied by the resurgence in Islamic practices and growth of high net-worth and middle-classes have fuelled growth in retail Islamic finance products and services like mortgages, wealth management and Takaful services.

Growing global competition

The globalisation of Islamic finance has catalysed increasing competition especially with the entrance of established players. To enhance their competitive position, existing players have stepped up their “marketing, advertising and promotion” investments to increase market awareness, penetration and bringing innovative Shariah-compliant financial solutions to the market. Among OIC countries, Saudi Arabia and Malaysia have a very competitive environment, promoted by a regulatory framework which allows conventional and Islamic banks to operate alongside each other and offer a wide range of Islamic products.

While the larger Islamic banks are in the wealthier Gulf states, other promising potential markets for Islamic finance include emerging economies in Asia such as Malaysia and Turkey, North Africa and the UK.

In Asia, there are over 350 million Muslims living in the rapidly growing economies of India, Indonesia and Malaysia alone. In the UK, with just two million resident Muslims, some US$10.4 billion in Shariah-compliant assets is estimated, mainly due to its established financial market, which has attracted West Asian and Middle East investors.

Challenges

Some of the key challenges facing Islamic finance are the lack of scale, diversification and sophistication. With some exceptions, most players lack capital scale, which is a constraint to asset growth.

Islamic banks also lack economic diversification and face financing risk concentration by client, sector and geography, which exerts pressure on their non-performing assets and capital adequacy ratio. There is also a lack of Shariah-based liquidity and risk management tools like exchange hedging as well as inter-bank instruments to manage asset-liability maturity mismatches.

In product innovation, the industry faces limitations in developing new Islamic finance products hindered by a shortage of Shariah scholars with intimate financial understanding. According to industry observers, “there are roughly 50 to 60 scholars in the world qualified to advise banks on Islamic law, and as many as 10 times more are required to serve in the Middle East alone”.

In addition, the industry has differing practices when it comes to issues like openness, accounting, ratings and Shariah compliance, with different standards being used. For the industry to grow and compete on a level playing field with conventional finance, Shariah scholars and regulators need to develop common practices and Shariah standards which are flexible and provide a scope for deepening financial engineering, sophistication and innovation.

On the regulatory front, while there have been many promising initiatives, there still remains a challenge for bodies such as the Islamic Financial Services Board (IFSB) and the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) to achieve global acceptance in the international market.

Outlook

With strong "push and pull" factors, the global Islamic Finance industry is poised for greater inroads into mainstream finance - complementing the conventional finance industry. Keen competition among key financial centres from London to Tokyo, and more co-operation from regulators are needed to create a more uniformed platform on which to grow.

Amid this exciting growth, challenges needs to be addressed to ensure the long-term sustainable growth of Islamic finance as a key mainstream alternative.

Biography

Mohammad Faiz Azmi
PricewaterhouseCoopers (PwC) Global Islamic Finance Leader and Partner, PwC Malaysia

Mohammad Faiz Azmi is the PwC Global Leader in Islamic Finance, leading the Global Islamic Finance Team (GIFT) with team members in Kuala Lumpur, Dubai, Bahrain and London. GIFT acts as a coordinating unit to manage PwC's service offerings globally. Besides being a Partner, Mohammad Faiz is also Leader of the Financial Services practice at PwC Malaysia. He holds an honours degree in Law from Durham University, UK and also qualified as an accountant in the UK. He is a member of the Malaysian Institute of Accountants and a Fellow of the Institute of Chartered Accountants in England & Wales.

Faiz's Islamic Finance experiences include:

- Audit partner for seven Islamic banks
- Participated in the peer review of a foreign Asian Islamic bank as well as on the Securities Commission Malaysia's sub-committee on Islamic Counter classifications
- Project director on Finance Function Effectiveness reviews for an Islamic bank
- Presented a concept paper to the Central Bank of Malaysia on the conversion of an entity into an Islamic Bank
- Represents PwC on the Malaysian Accounting Board's (MASB) committees on Islamic Accounting, IAS39 and Bank Reporting
- Member of the syllabus advisory board for International Centre for Education in Islamic Finance (INCEIF)

Essa Abdulla Al Ghurair
Chairman, Al Ghurair Foods

Diversifying energy needs: preparing for conventional energy shortages

Rapid increases in the world energy demand, combined with regional resource and production constraints, have led to large energy shortages and an increase in oil and natural gas prices, changing the industrial and commercial business environment. The world's energy infrastructure is not keeping pace with the growth in energy demand, thereby endangering the reliability of the energy systems.

The available supplies of both conventional light oil and accessible gas are getting tighter. Some experts believe that some producing countries' reserves may be overstated (perhaps by as much as 50 percent or more); additionally, spare production capacity is much reduced, and producers have some strong incentives to keep it that way. Large, growing economies like China and India are chasing the same resources as large, developed nations.

To get things into perspective, the current world energy consumption is about 400 Quads/year. The central problem is that energy resources are limited while the demand for energy, driven mostly by an increasing population is increasing exponentially. World wide the demand is estimated to be growing at somewhere between 1% and 2% per year owing both to population growth and industrial development.

The growth in world population in the last two centuries which coincides with the introduction of fossil fuels has been truly startling, as can be seen in Fig. 1.

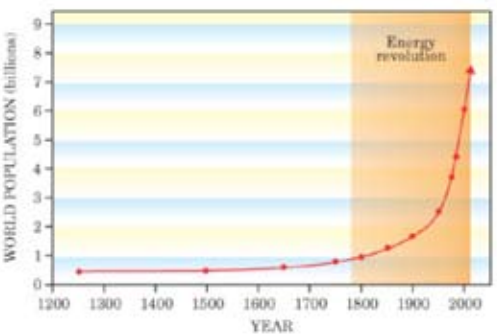


Fig. 1: World population growth.
(From Physics Today, July, 2004, p. 48)

Fossil and conventional nuclear fuel resources really are quite limited. Petroleum production in the US peaked in 1970, and has been on the decline ever since. The estimates for world-wide petroleum reserves vary, but given the most optimistic scenario (twice the current proven reserves) these will be exhausted in less than 100 years if population growth continues at about 1% per year. Proven world-wide natural gas reserves (5,500 Quads) will be exhausted in under 40 years if demand continues to grow at 2.8% per year. Estimated world-wide natural gas reserves amount to about 10,400 Quads. With some conservation (2% growth in demand instead of 2.8%), these reserves will last about 65 years.

We already have passed the peak in world daily production of petroleum per capita! Even though more oil is being pumped, the demand from population growth is outstripping the growth in supply (see Fig. 2).

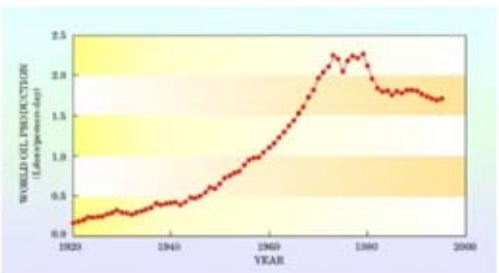


Fig. 2: World daily oil production per person.
(From Physics Today, July 2004, p. 54)

Global energy demand still appears to be rising at around 2 percent annually (after 3.8 percent in 2004), driven by both economic and population growth every year, despite higher prices and some improved efficiency in use. And it is expected to rise further, on top of the big unexpected increases seen in 2004 from countries like China and India.

The International Energy Agency (IEA) predicts global energy demand growth of over 50 percent from 2003 levels by 2030. If oil maintains most of its share, as the IEA forecasts, the world will need another 33 million barrels on top of our current daily 85 million barrels. So the appetite for oil may rise from the current 31 billion barrels to more than 43 billion a year. Sooner or later conventional oil supply will clearly not be able to keep pace with demand on its present track.

To be economically strong requires reliable, clean, and affordable energy, and the best way to achieve this is through competitive energy markets, science-driven technology, and supportive government policies. Technological advances have enabled us to use new energy sources that did not exist 50, 100, or even 200 years ago. New technological advances in energy supply, distribution, and utilization will help ensure we meet the energy challenges of the 21st Century.

The consequences of a supply shortfall are significant. Certain events have shown how precarious the energy system can be, including the rolling blackouts in California in 2001, the blackouts spanning in the northeast United States and Canada in 2003, affecting an estimated 50 million people, and those in London and Italy in 2003.

We need to reduce dependence on oil, particularly in the transportation sector, by developing and effectively deploying technologies to increase fuel efficiency and enable the substitution of alternatives such as biofuels, electricity, and hydrogen. Governments and scientists need to collaborate globally to expedite the development and deployment of unconventional energy resources, such as biofuels, that can substitute for oil and natural gas.

If the world's major consumers could save just 20 percent of the energy they currently consume, they would reduce both energy costs and demand, thereby potentially lowering unit prices. At a global scale, this could perhaps delay the likely shortfalls for up to 10 years or more – enough time to put in place the much-needed long-term energy planning.

On the supply side, there are a number of possible solutions. Some of the supply shortfall could be made up from a mix of more nuclear power, cleaner-coal-fired power and various renewable sources, as well as more natural gas. Each of these has pros and cons, from different viewpoints, and a good balance needs to be struck.

Nuclear energy is clearly rising rapidly up the agenda as a strong, clean, mid-term solution, and regulatory barriers are being lowered despite the safety and waste concerns. While uranium supplies are also finite, they are still expected to last for decades.

Coal is still relatively abundant, and coal-fired power is getting cleaner with new burning technologies. This too is likely to see a strong and perhaps surprising resurgence especially in China and India. The IEA already projects global coal use will grow by 1.4 percent a year through 2030.

The key to diversification is renewable energy, therefore increasing the contribution by renewable energy deserves serious consideration. The current energy crisis will hopefully spur governments into creating the climate that will allow renewable energy a foot

in the door. Ethanol fuel and bio-diesel are already used extensively, and offer excellent prospects for the future.

Biomass energy or "bioenergy"—the energy from plants and plant-derived materials has been used since people began burning wood to cook food and keep warm. Biomass can be used for fuels, power production, and products that would otherwise be made from fossil fuels. The use of biomass can reduce dependence on oil because unlike other renewable energy sources, biomass can be converted directly into liquid fuels, called "biofuels," to help meet transportation fuel needs. The two most common types of biofuels are ethanol and biodiesel. The feedstocks are corn (for ethanol) and soybeans (for biodiesel), both surplus crops.

Gasification, anaerobic digestion, and other biomass power technologies can be used in small, modular systems with internal combustion or other generators. These could be helpful for providing electrical power to villages remote from the electrical grid—particularly if they can use the waste heat for crop drying or other local industries. Small, modular systems can also fit well with distributed energy generation systems.
The bio-refinery concept posits that some of these products, while possibly small in volume, could be high in value. A particular bio-refinery would make a mix of low-volume/high-value products and high-volume/low-value fuels needed to meet energy needs.

Wind power remains an attractive option for diversifying energy supply. We have been harnessing the wind's energy for hundreds of years. From old Holland to farms in the United States, windmills have been used for pumping water or grinding grain. Today, the windmill's modern equivalent—a wind turbine—can use the wind's energy to generate electricity.

Germany's wind power programme generates 5% of that country's electricity. While not ideally suited to base load generation, the advantage of wind power is its relatively short lead time and carbon neutrality.

There are similar opportunities available for solar technology. The sun's heat and light provide an abundant source of energy that can be harnessed in many ways. There are a variety of technologies that have been developed to take advantage of solar energy. These include concentrating solar power systems, passive solar heating and day-lighting, photovoltaic systems, solar hot water, and solar process heat and space heating and cooling.

Businesses and industry can diversify their energy sources, improve efficiency, and save money by choosing solar technologies for heating and cooling, industrial processes, electricity, and water heating. Hence solar power energy has the potential to help meet growing energy needs and provide diversity and reliability in energy supplies.

While alternate & renewable energy sources can play an important role in combating the shortages faced from traditional energy sources, there is a vital need to be globally more energy efficient. Energy efficiency is the ability to produce more energy services (e.g., lighting, heating, and transportation) from a fixed amount of energy. Governments need to support enhancements to existing energy markets that will help stimulate private investment in more efficient and economically productive end-use technologies, and become partners with energy-intensive industries to develop technologies that enable more efficient use of energy in their industrial processes. Car manufacturers need to develop technologies that enable cars and trucks to be fuel efficient, while remaining cost and performance competitive. Overall we all collectively need to change our way of life and have a greater conscience to be more energy efficient for the sake of our planet.

Despite several barriers to using funding for renewable energy and energy efficiency projects under the Kyoto Protocol's Clean Development Mechanism (CDM), it is important that all spheres of government aggressively source international funding from corporations in the developed world looking to secure carbon credits. New energy technologies will be important in the future; at some point, they will replace traditional energy sources, which are increasingly scarce and costly.

Breakthroughs are required in electric energy storage, superconductivity, biofuels (including cellulosic ethanol), hydrogen storage and fuel cells, solar photovoltaic technology, advanced nuclear materials, and capture of CO2 from existing fossil-fueled plants. Additionally, there are significant opportunities for crosscutting science "push" that is to say, areas where fields of science hold seemingly broad potential to accelerate innovation in many areas of energy supply and demand. Significant science opportunities include the design and synthesis of materials exploiting nanoscale understanding; advanced computation and predictive modeling of complex materials, technologies, and systems; catalysis and control of chemical transformations; and systems and synthetic biology for energy applications. While these are not exhaustive lists, they represent an initial and ambitious set that offer high potential payoff, thus motivating the science and technology communities to work together in the years ahead.

The energy market is global. Perhaps the best solutions will be based more on cooperation between countries (both users and suppliers) and all the key stakeholders than on narrow short-term self-interest, isolationism or protectionism. Most energy projects are very capital intensive and need time to develop, so it is clearly imperative to think and plan ahead – beyond the normally dominant short-term political and market pressures, and before another crisis hits – to attain a more stable and sustainable energy balance.

If we do not make our energy use more effective and efficient, we could well be facing severe energy shortages in the future. But if the larger economies, new and old, work together better, this could – in time – lead to a more sensible, fairer and ultimately more stable global investment framework. Then energy providers will be able to make real progress in ensuring affordable, clean and reliable energy for the world.

Biography

Essa Al Ghurair
Chairman, Al Ghurair Foods

Mr. Essa Abdulla Al Ghurair, Vice Chairman of Al Ghurair Investment holds extensive experience in managing industrial assets and trading of food grains in international markets. As the Chairman of the Industrial & Foods Division, he oversees the business activities of this Division. Al Ghurair Foods Division holds interests in the UAE, Algeria, Lebanon, Sri Lanka & Sudan.

Mr. Essa Al Ghurair has been the main driver of Al Ghurair Investment to enter into the energy sector and is now leading Group's plans to develop projects in energy, real estate and metallurgical sectors in the international markets. He has been actively involved, as the Vice Chairman, in the formation of TransAsia Gas International, the Group's vehicle for investment into energy and power sector.

In addition to the above mentioned positions he also of the following positions in the group:

Chairman of Al Ghurair Giga Gold Refinery DMCC
Vice Chairman of ETA ASCON Group of Companies
Director of Al Ghurair University
Director of National Cement Co. PSC
Director of Bossy Cereals A A, Switzerland

Personal

Date of Birth: 2nd August 1957
Marital Status: Married
Nationality: U.A.E.

Educational Background

Graduate in Business Administration,
San Diego State University, California, USA

Tengku Zafrul Tengku Abdul Aziz
Chief Executive Officer, Tune Money Sdn Bhd

Mentoring the next generation of entrepreneurs

When I was very young, I had almost constant contact with a very successful entrepreneur. This entrepreneur, among other things, started a pharmaceutical company with an initial investment of a few thousand dollars and sold it later for a few hundred million.

The fact that he happened to be my own grandfather is irrelevant. I got to experience firsthand how he thought, how he made his decisions and how he acted. Although I didn't know it then, I was imbibing these lessons and my course was set.

I learned about integrity and hard work, as well as the importance of showing up every day and doing your best. I can't even begin to imagine how much benefit I derived from constant contact with him, largely because, the process was unconscious.

I was lucky then, and still am lucky now. I count among my mentors Dato' Nazir Razak and Dato' Tony Fernandes, both of whom have taken me under their wing to show me how to be an entrepreneur in the Malaysian as well as regional context.

A mentor is never easy on you. If he was, he would probably be doing you a disservice. Instead, he pushes you to the limit and just when you think he's going to let up because you cannot go any further, he pushes you some more. That is how you stretch and grow. We grow when we're forced out of our comfort zones.

The idea of apprenticing yourself to a master to learn the trade has been around for centuries. In ancient days, if you wanted to take up a profession, you would go to a master and asked to be taken on as an apprentice. You would then work for this master, for no less than seven years, for no more than your board and food.

What is strange is that not only were the apprentices ready and willing to take on seven years of servitude, they would fight for the privilege.

Things have changed, haven't they? Today, you would be hard-pressed to find a youngster willing to serve for more than a year. They seem to be more interested in the money to be made at the end of the process, rather than the hard work it takes to get there.

Having said that I read a relatively recent memoir where the protagonist apprenticed himself to a master horse trainer for a few months. During that time, he was not even provided with food and board and made to pay for the privilege of waking up at about five in the morning till late at night without letting up.

At the end of the period, he was broke (he owed the master trainer a few thousand dollars), malnourished (he didn't have enough money to buy proper food during this time) and worn to a shred. But the master horse trainer did give him an invaluable piece of advice which ultimately helped him kick-start his own horse-training business.

Although I said relatively recent, this example of apprenticeship happened in the 1950s and looking back today, the author said that the experience was worth everything he paid for it, in terms of cash as well as effort.
Today, we send youngsters off to university to learn a profession. They come out equipped with some book-learning, some knowledge of how to write an essay (making suitable use of research and academic references) to please their lecturers and some idea of how to work on projects in groups.

All useful knowledge, no doubt, but no matter how well they did in school or how brilliantly they performed in their projects or assignments, it is no guarantee that they will succeed in the business world. They still have to learn a lot from scratch once they get out there.

And the best way to shortcut this process is to associate with those who have already made it. With constant contact, they unconsciously pick up success habits and start to apply them in their own lives.

But where are the mentors?

One major problem we have is in numbers. There are not enough of them out there.
And another, is of course, time. Successful entrepreneurs are in and out of meetings, flying off all over the place making deals, because there's no time like the present and they need to take advantage of every opportunity. That's why they're so successful.

With their schedules, they just do not have the time to take on ten budding entrepreneurs to show them the lay of the land. And forget just ten. For every successful entrepreneur there are a few thousand aspiring ones, eager to be mentored.

So, if we're serious about nurturing the next generation of entrepreneurs, we need to go for a more diffused form of mentorship.

For instance, you can organize affordable seminars and conferences given by potential mentors, designed for young entrepreneurs. I have found in my own experience that the most interesting section in these talks is the question and answer session. The young eager beavers make it a point to show up for these talks and ask as many questions as possible. The level of detail they demand is amazing.

These days, technology allows us to take this a step further. For instance, we have witnessed the growing popularity of teleseminars in the past few years. How this works is that you invite aspiring young entrepreneurs to sign up for these seminars online, and maybe charge

them a nominal fee to call in and listen to the chosen. Here, they send their questions in beforehand and the speaker selects the best of these to answer during the teleseminar.

Coaching over the internet has also gained popularity in recent times. Here, the mentor is made available to a select group, via email. He may provide lectures and assignments, but basically the value in these sessions would be that they receive real-time advice from a pro and are coached in how to handle day-to-day situations that crop up in a business. These would cost a little more and you would have to screen applicants rigorously to get rid of time-wasters.

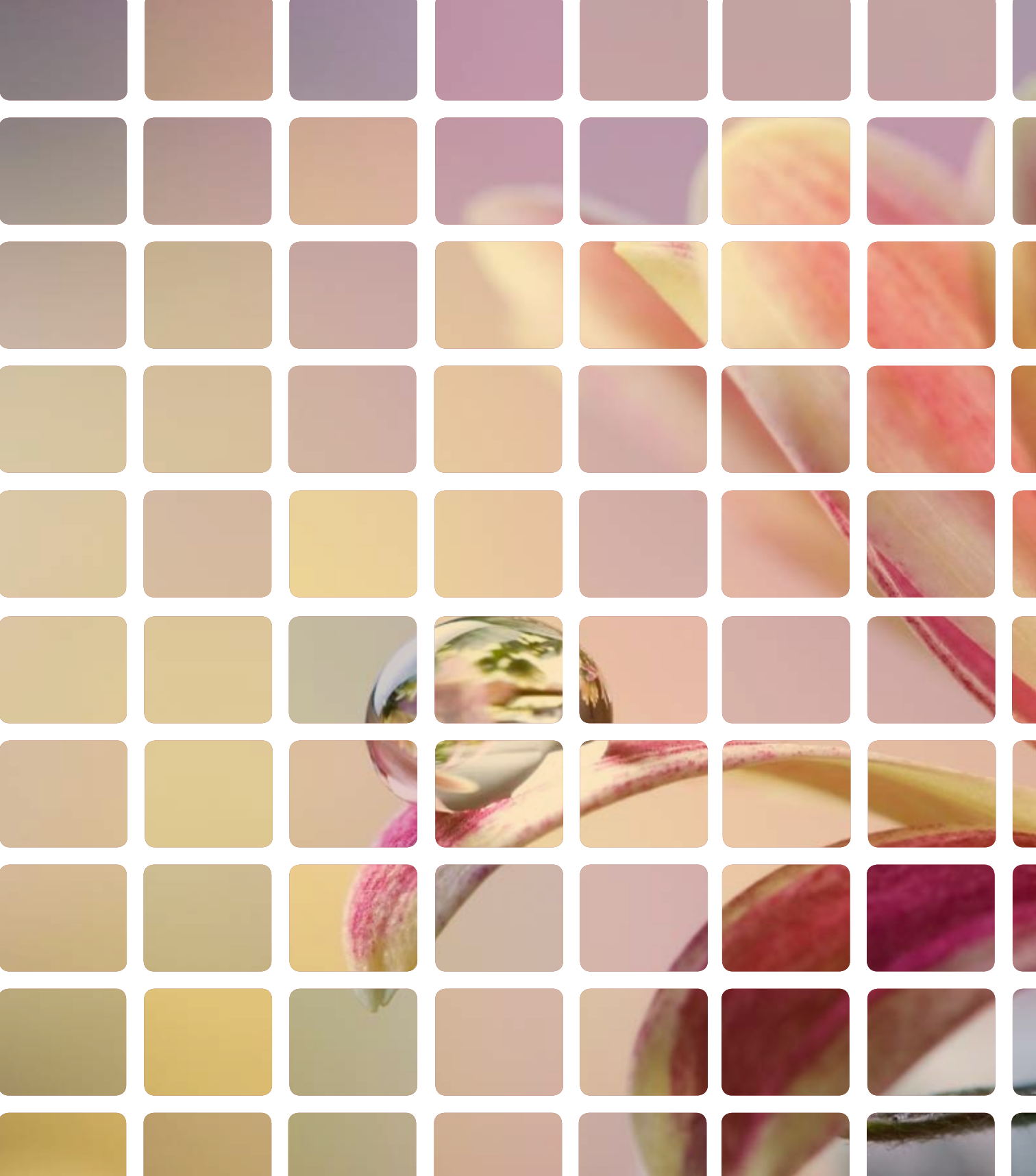
Remember working seven years for free to gain the knowledge of your trade in the old days? The modern equivalent would be to have the persistence and wherewithal to see one of these courses through. Of course, youngsters may be a little more sensitive these days, and apt to withdraw if they feel the coach is being a little hard on them. This is why they have to be screened and probably to sign a contract, making a commitment to see it through. Otherwise, the mentor's time would have been better spent coaching another applicant with more resilience.

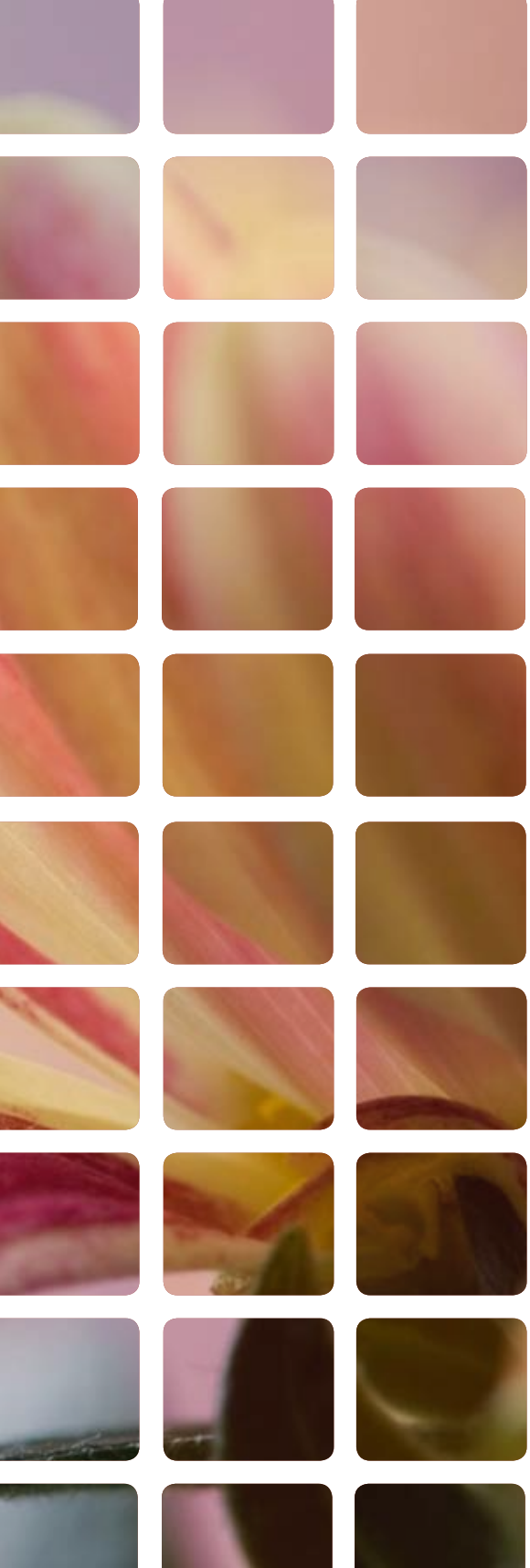
Basically, if we're serious about building a new generation of entrepreneurs, we need to bring together the best of old and new methodologies and technologies to provide them guidance and mentoring. We have to figure out practical ways to bypass the one-one process so that a few thousand or even a few hundred thousand may benefit.

Biography

Tengku Zafrul Tengku Abdul Aziz
Chief Executive Officer, Tune Money Sdn Bhd

TENGKU ZAFRUL AZIZ is both chief executive officer and a substantial shareholder of Tune Money Sdn Bhd. Previously, Zafrul, a highly respected member of the Malaysian financial community, was Head of Investment Banking in Citigroup Malaysia. Before that, he was Group Managing Director of Avenue Capital Resources (now ECM Avenue) a listed company specializing in financial services – investment banking and fund management. He was also Chief Executive Officer of Avenue Securities and Avenue Asset Management Chairman. Zafrul, who graduated from University of Bristol, UK (BSc (Hons) Economics and Accounting and did his masters at University of Exeter, UK, started out as corporate finance executive in AM Investment Bank. He then joined Credit Agricole as an investment analyst, moving up quickly to director within a few years. After this, he became the Advisor to the President of one of Malaysia's largest companies, Tenaga Nasional. From here, he moved into investment banking at CIMB. Zafrul combines in-depth knowledge and experience of the industry with a down-to-earth, approachable personality – the perfect combination for a company that offers premium financial products to the man-on-the-street. A member of the new generation of young CEOs in Malaysia, Zafrul is never without his Blackberry and he interacts with customers via his blog, www.tengkuzafrul.com, which is a first in the Malaysian context. He comments on trends and social issues through his column in local daily, New Straits Times and despite his hectic schedule, is an active participant of the Kuala Lumpur Business Club and an avid sportsman – futsal, squash and golf.





Chapter Three

NURTURING THE NEXT GENERATION: THOUGHTS AND PROPOSALS

- Education and Training: Sorting Out Misconceptions
  Dr. Wan Mohamed Zahid
  Chairman of WIEF Education Trust Committee & Former Director General of Education Malaysia

- Developing Young Leaders As Global Citizens - Introducing The Global Islamic Leadership Programme
  Jonathan Allen
  Deputy Registrar of the Oxford Centre for Islamic Studies

Dr. Wan Mohamed Zahid
Chairman of WIEF Education Trust Committee
& Former Director General of Education Malaysia

Education and Training: Sorting Out Misconceptions

This brief commentary pays a quick visit to the continuing debate on the purpose of education. The intention is not to engage in a philosophical discourse on education in general, rather, it is to direct attention to the problem confronting many countries: the unemployed graduates.

Passions almost invariably rise when the issue of unemployed graduates is discussed. Protagonists of opposing persuasions often engage in a fierce intellectual combat, with each side making a case for their respective positions. It is to be stated that when the matter with regard to graduate unemployment is addressed, it brings to the fore the unresolved matter of the age-old issue of education and training.

2. It appears that there are two clearly defined positions with regard to this contentious issue: the "purists", on the one hand and the "utilitarian" on the other. There is, of course, a third position that falls somewhere in between. The educational purists hold an uncompromising view in this matter, arguing that education should principally serve educational goals, that is, to develop a well-rounded person who internalizes values, namely those prized qualities that will transform him or her into a person with a sense of balance and proportion. It is posited that in order to achieve this goal, the curriculum should be designed to nurture in such a manner to produce the desired educated person. Thus the issue of marketability of graduates does not fall within the ambit of educational concerns. The purists argue that it is not the business of education to produce people for the employment market.

3. The utilitarian position, on the other hand, insists that education must provide skills training so that the student, upon graduation, will be able to secure a job and earn a living. Enabling a person to secure a job must be the principal thrust of the educational initiative. The moral and values aspects of education, while important, should be confined to the school level. It is not the business of Higher Education to impart moral values, argue the advocates of the utilitarian position. Thus calls have been made, especially from the World Bank, to reform the curriculum so that it will be in harmony with the needs of the industry.

The education-training mix

4. If education is to be reformed such that what is learned must be relevant to the needs of the industry, where do subjects like History, Literature, Religion and Philosophy fit in the scheme of things? Throw them out because they are economically irrelevant? The purists contend that if education is perceived as merely training, designating a training facility as an educational institution would be a misnomer. The institution should be renamed a training institution. Likewise, the Ministry of Education should be abolished and renamed Ministry of Training. Let's do away with Ministry of Education, they say (with tongue in cheek, perhaps).

5. However, the whole matter is not cut and dry. There is a middle perspective which reckons that institutes of higher education should have a mix of training and education components in their curriculum. However, education for all round development must remain the core element in the educative process. Soft skills may be introduced in the curriculum as an initiative to provide students with a healthy attitude towards vocation.

6. The question before us is, what is the curricular mix with which we serve our students, and how do we approach the matter? Looking at the general structure of the courses offered at the tertiary level of education, and using a market perspective, we may categorize the courses to generally fall within two types, namely, one that may be called high exchange value courses and the other, low exchange value courses. High exchange value courses are those courses that are in high demand in the job market. These are generally skills-based courses that are directly relevant to the needs of the industry and, more importantly, are in high demand. Examples of high exchange value courses are Medicine, Engineering, Architecture, Law and Accountancy. Students studying these subjects are given the skills that are directly relevant to the industry and thus make a perfect fit.

7. Low exchange value courses, on the other hand, are those which are not directly linked to the skills needed by the employer. The Humanities, and Social Science belong to this category. Employers find it difficult to emplace such graduates into their organization because the subjects that they offer at the university like geography, history, philosophy, literature etc do not possess the specific skills required by the skills-specific industries. Viewed from a purely market perspective, the university would seem to be preparing large numbers of low exchange value graduates to swell the ranks of the already unemployed ones. In many universities in the world students offering low exchange value courses are now poised to join the employment market. If past trends serve as a guide, many of these graduates will experience difficulties in securing jobs in the skills-intensive labor market.

The parallel wings of tertiary education

8. But the situation is not a hopeless one such that there is no relief for students offering low exchange-value courses. Students should be afforded with an opportunity to follow educational courses that strike their fancy. After all this is the purpose of education, to provide opportunity for students to pursue courses for the intrinsic educational values that such courses offer. From an educational point of view literature, philosophy and other subjects in the humanities will do human beings a lot of good. Nothing wrong with that! This is what liberal education is all about.

9. But man or woman cannot live on fresh air and Shakespeare alone. He needs to get a job and earn a living. In this regard, the system must provide the avenue for graduates trained in the humanities to acquire the necessary skills in order to enhance his or her exchange value.

10. It must be acknowledged that in many countries, by and large, the tertiary education system possesses two parallel wings, namely the academic and training wings. The two wings co-exist but, as they stand, are not usually made to be functionally related in that they are not deliberately designed to complement or serve each other.

12. The academic wing provides academic courses while the training wing, skills-based courses. Students from the training wing may enter the academic wing for the purpose of obtaining an academic degree. But the reverse seldom occurs. In most instances, no student from the academic wing seeks entry into the training wing. If there is such an occurrence, it is certainly not an ordinary event. However, it must be pointed out that the two wings are not necessarily mutually exclusive. The opportunity for linking the two wings exists but it is rarely, if ever, taken.

13. The tension between education and training as described above may perhaps be mitigated, even resolved, if the two wings of the Ministry are made to complement each other. Efforts should be undertaken to provide opportunities to enable students, particularly those pursuing low exchange value courses, to pursue courses in the training wing. Given the problem of unemployed graduates it may be necessary for the Ministry to make it a mandatory requirement for students pursuing low exchange value courses to take up skills-based subjects during the course of their study at the university or immediately upon their graduation. (China for example, makes mandatory “cross-over” offering of courses a prerequisite requirement for graduation. A Humanities student is required to take up a “hard science subject” as his minor, while a “hard science student must offer a Humanities subject like Philosophy, History and the like). In this way, the market value of the low exchange value course will be very much enhanced.

14. This arrangement is an adaptation of the well structured Australian TAFE system of training. It is a well-known fact that TAFE has a comprehensive training program which caters to the variety of skills needed by the industry. It is commonplace for students possessing university degrees of whatever persuasions to take up courses at TAFE upon graduation. Students do not feel stigmatized for taking up skilled-based courses. Australian students do it as a matter of course.

Closing remarks

The tension between education and training has always existed and the matter has never been put to rest completely. The educationist and the industrialist have their own persuasive arguments as each tends to perceive the matter from his own vantage point. The writer believes that the lofty goals of education should not be abandoned or compromised under the compelling pressure of providing trained personnel to meet the needs of the industry for economic growth and development. It cannot be overemphasized that we need to produce good men and women who are endowed with noble values for the good of mankind. What will happen to society if man or woman is not taught the "soft aspects" of his humanity. Society will not be possible and Hobbes prophesy of "a war of all against all" will become a reality. Already, in spite of the best efforts of our educational initiatives, incipient signs of the Hobbesian problem are rearing their ugly heads.

At the same time we need to train skilled personnel to bring about the greatest economic good for the greatest number. The two diverse requirements need not be hopelessly at odds with each other. By aligning the two arms that already exist within the Ministry and facilitating cross-over, the problem confronting low-exchange-value students can be ameliorated somewhat significantly. In this regard, the virtues of education need not be emptied out by the quest for material growth and prosperity. Philosophy, History, Religion, Literature etc can still reign supreme as they were before. The combative posture between the purist and the utilitarian positions can perhaps be reconciled.

Biography

Dr. Wan Mohamed Zahid
Chairman of WIEF Education Trust Committee & Former Director General of Education Malaysia

TAN SRI DATO' DR WAN MOHAMED ZAHID, 67, Malaysian was appointed as a Non-Executive Director of Sime Darby Berhad on 14 Spetember 2007.

Tan Sri Dato' Dr Wan Mohd Zahid was former Chairman of Kumpulan Guthrie Berhad and non executive Chairman of Guthrie Property Development Holding Berhad. He is also Chairman of Universiti Teknologi MARA, Furukawa Sdn Bhd and Kolej Universiti Teknologi dan Pengurusan Malaysia.

He is also a Director of Permodalan Nasional Berhad, Amanah Saham Nasional Berhad, Yayasan Felcra Berhad and Perbadanan Usahawan Nasional Berhad

He was formerly Chairman of Berger International based in Singapore, and Deputy Chairman of International Bank Malaysia Berhad.

Tan Sri Dato' Dr Wan Mohd Zahid holds a B.A. Hons degree from University of Malaya, Masters from Stanford University and Ph.D from University of California, Berkeley. He underwent a course in business management under the Advanced Management Program at Harvard Business School

He started his career a a teacher, moving up to principal level and eventually held various positions in the Ministry of Education. His last post prior to retirement was Director General of Education.

Jonathan Allen
Deputy Registrar of the Oxford Centre for Islamic Studies

Developing Young Leaders as Global Citizens - Introducing the Global Islamic Leadership Programme

Islam puts a high value on learning and reflection as the means of achieving a better understanding of the world in which we live. The need for well-informed, knowledgeable leaders has never been greater than today. As a matter of urgency, suitably trained, politically and socially aware individuals are vital to the well-being of the communities that they represent. It is these people who will lead the dialogue between societies, nations and faiths that is critical to our harmonious co-existence on the planet.

The need for dialogue as a pathway to understanding has been recognised globally. The Oxford Centre for Islamic Studies, a Recognised Independent Centre of the University of Oxford, operating under the patronage of HRH The Prince of Wales, has central to its mission the aim of fostering a better understanding of the culture and civilisation of Islam and of contemporary Muslim societies. The Centre pursues academic excellence in the multidisciplinary study of the Islamic world through teaching, research and publication, and the cultivation of sustained collaboration within the global academic community.

Just as there is a challenge to provide the knowledge and intellectual framework that will lead to a proper understanding of Islam, so the Centre recognises that it is vital to support the Muslim community in the UK in its efforts to take its place and make a constructive and responsible contribution to the wider British society.

Nowhere is this support more important or necessary than for the younger generation of Muslims, who will be the future leaders of their communities. Accordingly, since 2004 the Centre has been active in providing summer programmes that offer participants the opportunity to reflect on their obligations and responsibilities as Muslim leaders and thinkers in the modern world. Such programmes are instrumental in helping the young people to achieve a more informed and practical understanding of the world in which they live.

Under the patronage of HRH The Prince of Wales, and in conjunction with the Prince's Charities, the Centre has initiated the Young Muslim Leadership Programme. This is an intensive residential course, based in Oxford, designed to encourage and enable young British Muslims to become future leaders whether in local or national government, business, the professions or the voluntary sector. The programme attracts men and women aged 20 to 28, including professionals, business leaders, political activists and opinion formers. As well as enabling participants to become confident in their identity as Muslims living in the United Kingdom, the programme seeks to promote knowledge of the diversity of opportunities within British society and to develop leadership skills among the participants.

Against this background, at the third World Islamic Economic Forum, agreement was reached by the Asian Strategy and Leadership Institute, the Executive Centre for Global Leadership, Indonesia, and OCIS to create the Global Islamic Leadership Programme. The Programme will encourage and facilitate activities that reflect a shared commitment to develop leadership skills for young Muslims in government, business and other walks of life. It focuses on global leadership and associated best practices within a context of Islamic values and ethics. It will be offered for the first time in August 2008.

The Global Islamic Leadership Programme is a residential course, to be held at Christ Church, Oxford. It has been designed to encourage young Muslims who have already shown promise in their communities to develop into global citizens, and demonstrate readiness to take an active role in public life, whether through action in government, business, the professions or the voluntary sector. The Programme seeks to raise aspirations and generate awareness of social responsibility among young thinkers, opinion formers and tomorrow's leaders.

The programme seeks to attract men and women, including professionals, business leaders, academics, political activists and opinion formers, and is open to applicants from around the world.

The Global Islamic Leadership Programme is designed to:

- Enable participants to become confident of their identity as Muslims at the interface of Islamic and Western cultural traditions.
- Generate awareness of participants' responsibilities to the wider society and relate their own personal development more effectively to this global dimension.
- Promote knowledge of the diversity of strategic opportunities available to talented young people, and to develop leadership skills among the participants.
- Explore the image and well-being of Muslim communities in their international contexts.
- Examine worldwide business and commerce as it relates to Muslim societies.
- Consider the effects of globalisation on religious and cultural values, on the interplay of religion and society, and on the role of the media.
- Reflect on issues of government and community: good governance; political participation; political institutions; accountability and consensus.
- Study of the role of culture and of the family: cultural identity and inter-cultural communication; education; the role of the family and individual identity.

The focus of the Global Islamic Leadership Programme is on the international role and contribution of Muslim communities. It will consist of workshops, seminars, and visits to prominent national institutions. Guest speakers will be drawn from academia, non-governmental organisations, the diplomatic corps and the media, and will include statesmen with particular links to the Muslim world.

Carefully designed small group exercises will enable information learned on the course to be applied to real life problems and case studies.

The common objective of the Oxford Centre for Islamic Studies and ASLI is to bring together young Muslims whose early career has already demonstrated the leadership qualities that will serve the aspirations and needs of the Muslim community as a whole and enable it to play a more active role internationally.

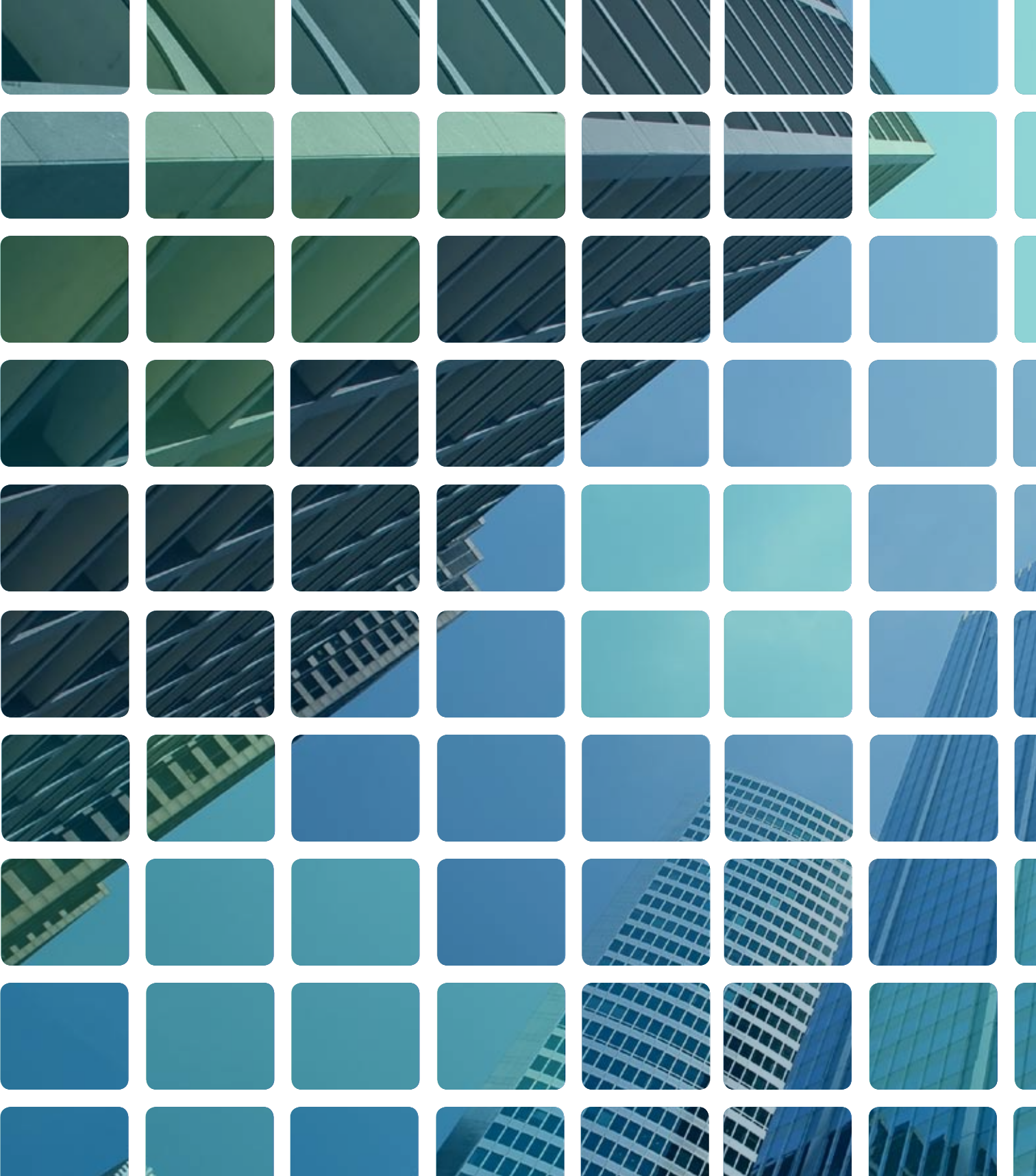
One aspect of the Programme that has already proved very helpful on the Young Muslim Leadership Programme is the opportunity for networking. This social interaction is important in facilitating contacts and potentially lifelong friendships among those participating.

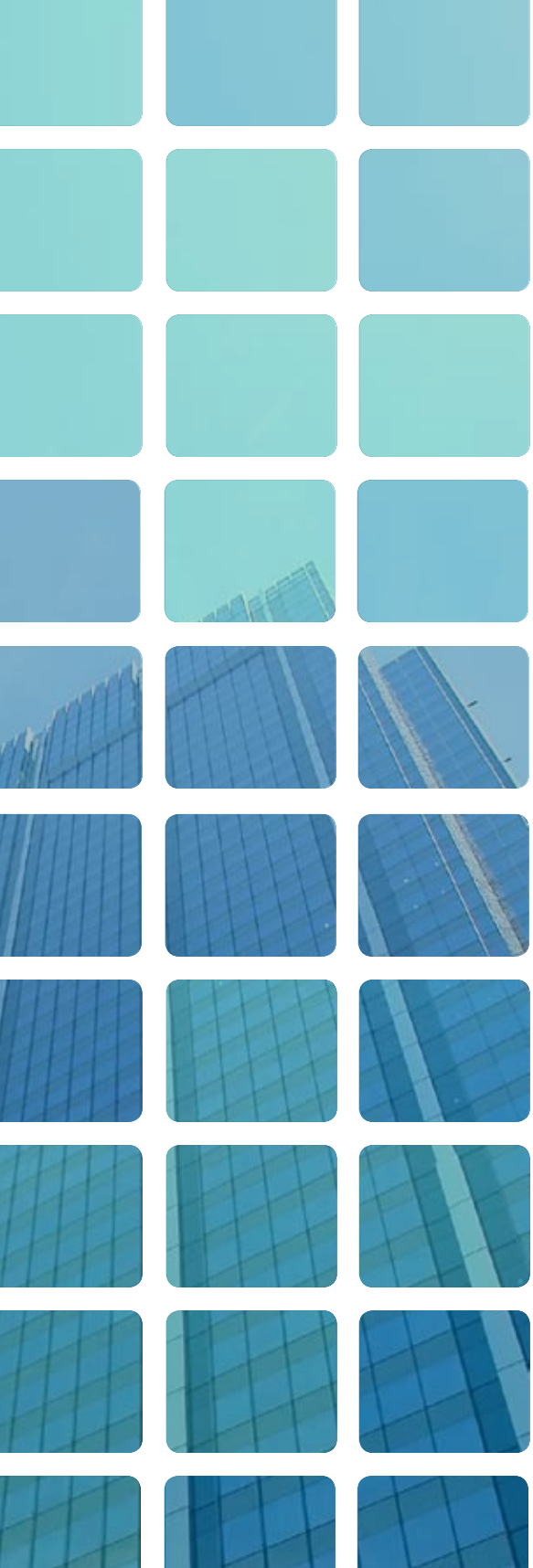
The Global Islamic Leadership Programme will no doubt prove an invaluable forum for young Muslims with strong leadership potential to come together and consider key issues affecting their local communities and nations, and, consequently, everybody's world for the better.

Biography

Jonathan Allen
Deputy Registrar of the Oxford Centre for Islamic Studies

Jonathan Allen is the Deputy Registrar of the Oxford Centre for Islamic Studies. By training an anthropologist, Jonathan was educated at the universities of Cambridge and Reading. He has extensive experience of teaching and learning at primary, secondary and tertiary levels.





WIEF Declarations

Declaration of the Inaugural
World Islamic Economic Forum

Declaration of the 2nd
World Islamic Economic Forum

Declaration of the 3rd
World Islamic Economic Forum

Declaration of the Inaugural World Islamic Economic Forum

WHEREAS, the 1st and 2nd OIC Business Forums held in 2003 and 2004 have evolved into the Inaugural World Islamic Economic Forum held in Malaysia from 1st to 3rd October 2005.

Recognizing

the need for an action-oriented programme of practical solutions to be implemented within a reasonable time frame and the importance of the role of Governments in Economic Development and the supportive and proactive roles of the private sector as Partners in development

Believing

that sustainable economic development and growth will promote prosperity of the Muslim Ummah and the upliftment of the poor and marginalized

Affirming

the value of promoting interaction, fostering partnerships and alliances among Muslim business community and between Muslims and non-Muslims

Noting

that the World Islamic Economic Forum can foster networking and smart business partnership

Appreciating

i. the support of the Host Government – Malaysia and the cooperation of Governments of participating countries;

ii. the presence of the several Heads of State and governments leaders, the President of the Islamic Development Bank and other institutions, and business leaders.

WE, the delegates call upon entrepreneurs and businessmen and businesswomen of the OIC countries and Muslim communities in non-OIC countries to:

i. establish a private sector-sponsored World Islamic Economic Development Corporation to identify and promote investments and infrastructure development projects in OIC countries and Muslim communities worldwide with special emphasis on less developed countries and communities;

ii. further strengthen networking with one another as well as to seek strategic alliances with non-Islamic businessmen to forge viable business partnerships. In this way, the Islamic business community can help promote dialogue and cooperation with non-Muslims worldwide;

iii. establish a World Islamic Businesswomen Network, recognizing the vast potential of Islamic businesswomen so as to facilitate exchanges and information sharing in order to promote business and investment opportunities

iv. establish a World Islamic Education Trust to be funded by Muslim entrepreneurs and philanthropists to promote scholarship and knowledge, giving special emphasis on science, information & communications technology and vocational training

Accordingly we agreed to

i. establish relevant task forces each led by a prominent Islamic business leader to develop specific practical implementation plans to report back to the International Advisory Panel (IAP) within a reasonable time frame.

ii. set up a permanent secretariat for the Forum

iii. encourage and complement all existing efforts being made for the economic benefits of the Muslim Ummah

Recognizing the necessity of public-private partnering to realise these aspirations, we call upon the governments of the OIC Countries to:

i. create a conducive environment for business, investments and economic growth through regular dialogues and consultations with the private sector

ii. substantially increase the resources committed to education and the development of human capital at every level including leadership development, capacity building in science, technology and vocational training

iii. take all relevant measures to facilitate the easy movement of business people, investments and trade flows within and between the OIC countries

iv. consider the establishment of an Islamic Free Trade Agreement (IFTA) through regional and sub-regional FTAs in a step by step, time bound process that would ultimately lead to an Islamic Common Market.

We commend the Islamic Development Bank (IDB) in setting up the Islamic Trade Finance Corporation (ITFC). We further call upon the Islamic Development Bank (IDB) to enhance its services in fund mobilization to promote further the economic and social development of Muslim communities It is hereby also agreed that the Forum be held annually with the next Forum in Pakistan in November 2006 and thereafter in Malaysia on alternate years.

FINALLY, we call on the Forum's Co-Chairmen to submit this Declaration to the Chairman of the 10th Summit of the Organization of Islamic Conference, the OIC Secretary General and to the Chairman of the Standing Committee for Economic and Commercial Cooperation (COMCEC) and other relevant OIC institutions.

Declaration of the 2nd World Islamic Economic Forum

WHEREAS, the Inaugural World Islamic Economic Forum was held in Kuala Lumpur in October 2005, the 2nd Forum was convened in Islamabad, The Islamic Republic of Pakistan from 5th to 7th November 2006.

RECOGNIZING that pragmatic and action-oriented programmes with effective implementation mechanisms within a well-planned time-frame will open new horizons for the Muslim Ummah,

- that sustainable economic cooperation and strong business partnerships enhance mutual respect and international understanding,
- that economic development, sustainable growth and wealth creation promote prosperity, social justice and peace,
- that the private sector is the primary engine of growth,
- that the World Islamic Economic Forum (WIEF) can contribute to the dialogue for the Muslim economic renaissance and efforts should be directed towards this mission.

WE, THE PARTICIPANTS:

(i) Reaffirm our support for the World Islamic Economic Forum (WIEF),

(ii) Reaffirm our support for the World Islamic Businesswomen Network (WIBN), its programs, achievements and specifically its plan to establish a Training Centre for Women Entrepreneurs which will equip them with relevant business competencies and skills,

(iii) Reaffirm our support for the WIEF Islamic Education Task Force and acknowledge its programs,

(iv) Acknowledge the signing of the following two MoUs:

- the provision of nursing and health sciences education initiated by the World Islamic Businesswomen Network (WIBN) task force and
- the enhancement of capacity building through international collaboration on research on vocational and technical training programmes initiated by the World Islamic Education Task Force (WIET)

(v) Support the development of a WIEF Young Muslim Leaders Forum and its proposed initiatives and recommend that it collaborates with other similar existing bodies,

(vi) Continue to facilitate networking and strategic alliances with non-Muslim businessmen to forge viable business partnerships thereby helping to contribute to international understanding, dialogue and peace,

(vii) Recommend close collaboration and coordination with the Islamic Chamber of Commerce and Industry and other similar organisations to ensure complementarity and non-duplication of efforts and activities,

(viii) Support the call of the OIC Secretary General to the business community to engage in the implementation of the OIC Ten-Year Plan.

We appreciate the importance of close co-operation with Governments in innovative Public-Private Partnerships, and support the statements made by H.E. President Pervez Musharaff, H.E. Prime Minister Shaukat Aziz and H.E. Prime Minister Abdullah Ahmad Badawi, in particular for successful Muslim companies to invest more in the OIC countries and for OIC countries to allocate 0.01% of their GDP to establish centres of excellence and Human Resource Fund.

We call upon the Governments of OIC countries to:

(i) Provide fullest support to the World Islamic Economic Forum (WIEF) and its activities and programmes,

(ii) Continue to create a conducive environment for business, investments and economic growth through regular dialogues, consultations and smart partnerships with the private sector,

(iii) Provide an efficient framework to facilitate the movement of entrepreneurs, capital and trade flows within and between OIC countries,

(iv) Promote and intensify Islamic Banking, Finance and Insurance,

(v) Accelerate regional and sub-regional cooperation leading to the establishment of an Islamic Free Trade Area (IFTA).

We gratefully acknowledge the gracious hospitality of the Government of Pakistan in hosting the 2nd World Islamic Economic Forum (WIEF), thank H.E. President Pervez Musharaff for his fullest support and commend H.E. Prime Minister Shaukat Aziz for his personal initiatives in ensuring its successful outcome.

We also record our appreciation to the Prime Minister of Malaysia Dato' Seri Abdullah Ahmad Badawi for his continued support of the Forum as Patron of the WIEF Foundation and current Chairman of the Organisation of the Islamic Conference.

It is hereby also agreed that the 3rd Forum will be held in Kuala Lumpur from 7th to 9th of May 2007.

Finally, we call upon the Chairman of the Forum to submit this declaration to the OIC Secretary General.

Adopted on the 7th day of November 2006 in Islamabad, The Islamic Republic of Pakistan.

Declaration of 3rd World Islamic Economic Forum

WE, the participants gathered for the 3rd World Islamic Economic Forum (WIEF) with the theme "Global Challenges – Innovative Partnerships" in Kuala Lumpur from 27th and 29th May 2007,

APPRECIATING, the personal participation and wise counsel of President Susilo Bambang Yudhoyono of Indonesia, Prime Minister Sheikh Nasser Al-Mohamad Al-Ahmad Al-Sabah of Kuwait, Crown Prince Sheikh Saud bin Saqr Al Qasimi of Ras Al Khaimah Emirate, UAE and Prime Minister Dato Seri Abdullah Ahmad Badawi of Malaysia;

UNITED, by the common desire to build bridges, enhance international co-operation, and the belief that a stronger focus on business partnerships and economic development can lead to the rapid progress of the Muslim Ummah;

APPLAUDING, the initiatives and programmes of the WIEF Businesswomen Network (WBN) and WIEF Young Leaders Network (WYN) and the effective implementation of the Nurses Training programme initiated by the WBN;

RECOGNISING, the growing potential of the World Islamic Economic Forum in catalysing innovative strategic business partnerships amongst Muslim businesspeople and between Muslim and non-Muslim businesspeople, and the continued support in its efforts by the Secretary-General of the Organization of Islamic Conference (OIC), the President of the Islamic Development Bank (IDB) and Governments.

HEREBY AGREE TO:-

1. Enhance business partnerships amongst Muslim businesspeople and with non-Muslim businesspeople globally and to continue to support the WIEF in its initiatives.

2. Endorse and fully support:-
   (i) "GROOM A LEADER" programme initiated by the WYN which through the establishment of scholarship and internship programmes seeks to enhance the skills, knowledge and capabilities of young Muslims.

   (ii) "LET'S LUG-IN EDUCATION" programme initiated by WYN for the provision of digital education to disadvantaged communities in the Muslim world through the accessibility to affordable computers.

   (iii) The MoU initiated by WBN between Residence Hotels and Resorts Sdn Bhd, Malaysia and Nitol Niloy Group, Bangladesh for the management of a chain of ten (10) hotels.

(iv) The proposal to establish a WIEF GLOBAL ISLAMIC LEADERSHIP PROGRAMME, in partnership with the Oxford Centre for Islamic Studies in Britain, the Executive Centre for Global Leadership in Indonesia and the Asian Strategy & Leadership Institute (ASLI) in Malaysia to provide short-term Leadership programmes based on international best practices and Islamic values.

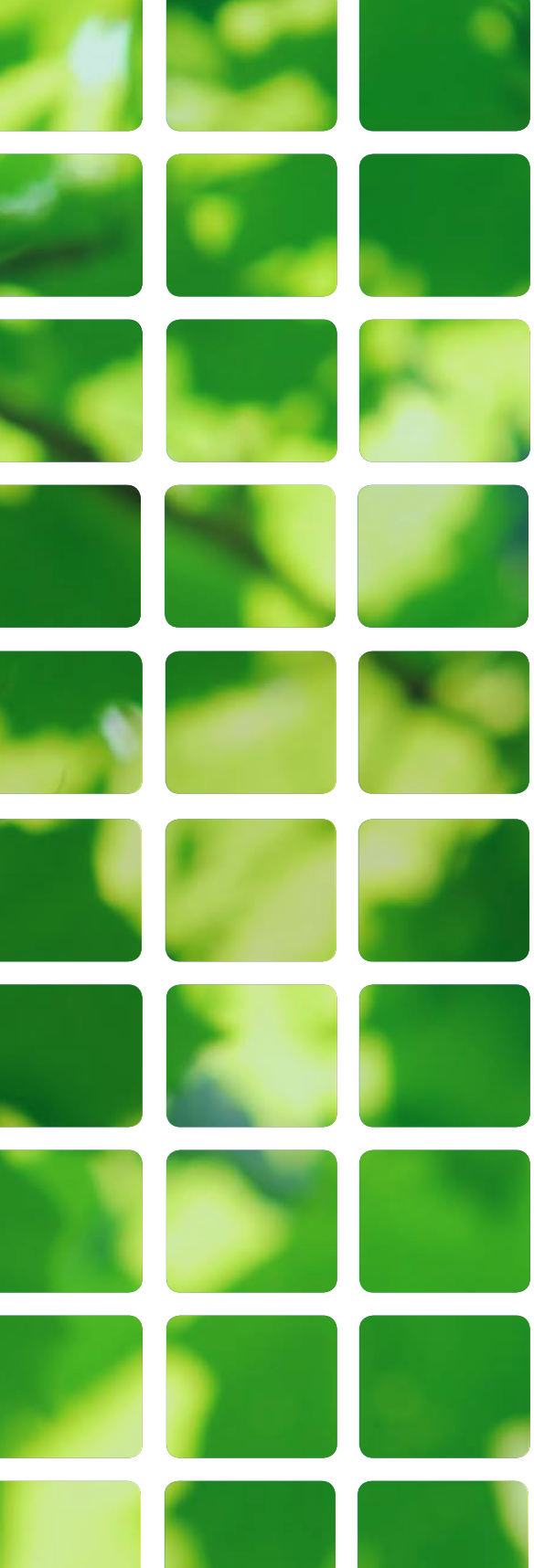
(v) The establishment of the WIEF-UiTM INTERNATIONAL CENTRE located at Universiti Teknologi MARA in Malaysia to promote collaborative research amongst institutions of higher learning and capacity building for vocational training arising from the MoU signed at the 2nd WIEF in Islamabad.We agree to hold the WIEF Regional Forum in Dhaka, Bangladesh from 3rd to 4th November 2007.

We highly appreciate and thank H.H. Sheikh Sabah Al Ahmad Al Jabir Al Sabah, the Emir of the State of Kuwait for agreeing to host the Fourth (4th) World Islamic Economic Forum in Kuwait in 2008.

RECOGNISING the importance of continued Government support and patronage and the necessity of public-private partnerships for the above initiatives and projects, we call upon the Chairman of WIEF to submit this Declaration to the Heads of States and Governments and to the Secretary-General of the OIC and to disseminate this to the private sector and relevant international organizations.

We thank the Prime Minister and the Government of Malaysia for their continued strong support and for hosting the 3rd WIEF and we acknowledge the contribution and support of our strategic partners, sponsors and role players.

Adopted in Kuala Lumpur on 29th May 2007



About Us

- International Advisory Panel Members
- WIEF Corporate Members

International Advisory Panel Members

The WIEF International Advisory Panel (IAP) is the advisory body of the WIEF foundation that provides strategic input and intellectual content for the annual global and regional WIEF as well as its related programmes. This body consists of business leaders of various industries, thought leaders and heads of OIC related organisations. The IAP meets at least twice a year under the chairmanship of Tun Musa Hitam, Chairman of the WIEF Foundation.

Tun Musa Hitam
Former Deputy Prime Minister of Malaysia/Chairman of WIEF

Tan Sri Ahmad Fuzi Hj Abdul Razak
Ambassador At Large, Ministry of Foreign Affairs, Malaysia

Mr. Ahmad Saleh Hariri
Director, Islamic Development Bank Kuala Lumpur

Mr. Allal Rachdi
Director-General, Islamic Centre for Development of Trade

Aqeel A Al-Jassem
Former Secretary General, Islamic Chamber of Commerce and Industry

Ebrahim Patel
President, Minara Chamber of Commerce & Industry, South Africa

Essa Abdulla Al Ghurair
Chairman of Al Ghurair Foods

Dr. Farhan Ahmad Nizami
Director, Oxford Centre for Islamic Studies, UK

Ian Buchanan
Former Chairman, Booz Allen Hamilton (Australia) Ltd

Sir Iqbal Sacranie
Former Secretary General, Muslim Council of Britain

Dato' Dr. Michael Yeoh
CEO/Director, Asian Strategy & Leadership Institute

Mr. Mirzan Mahathir
President, Asian Strategy & Leadership Institute

Dato' Dr. Norraesah Mohamed
Chairman, Alcatel Network System (M) Sdn Bhd

Mr. Salahuddin Kasem Khan
Chairman SEACO Task Force/ Chairman AKTEL, Bangladesh

Syed Abu Bakar Bin S. Mohsin Almohdsar
Fellow of the Chartered Certified Accountants (UK)

Tanri Abeng
Chairman, Board of Commissioners PT TELKOM; Chairman, Executive Center for Global Leadership; Co-Chairman, Indonesia-Malaysia Business Council

Tariq Sayeed
Chairman and Managing Director of Tariq Sayeed Securities (Pvt) Ltd

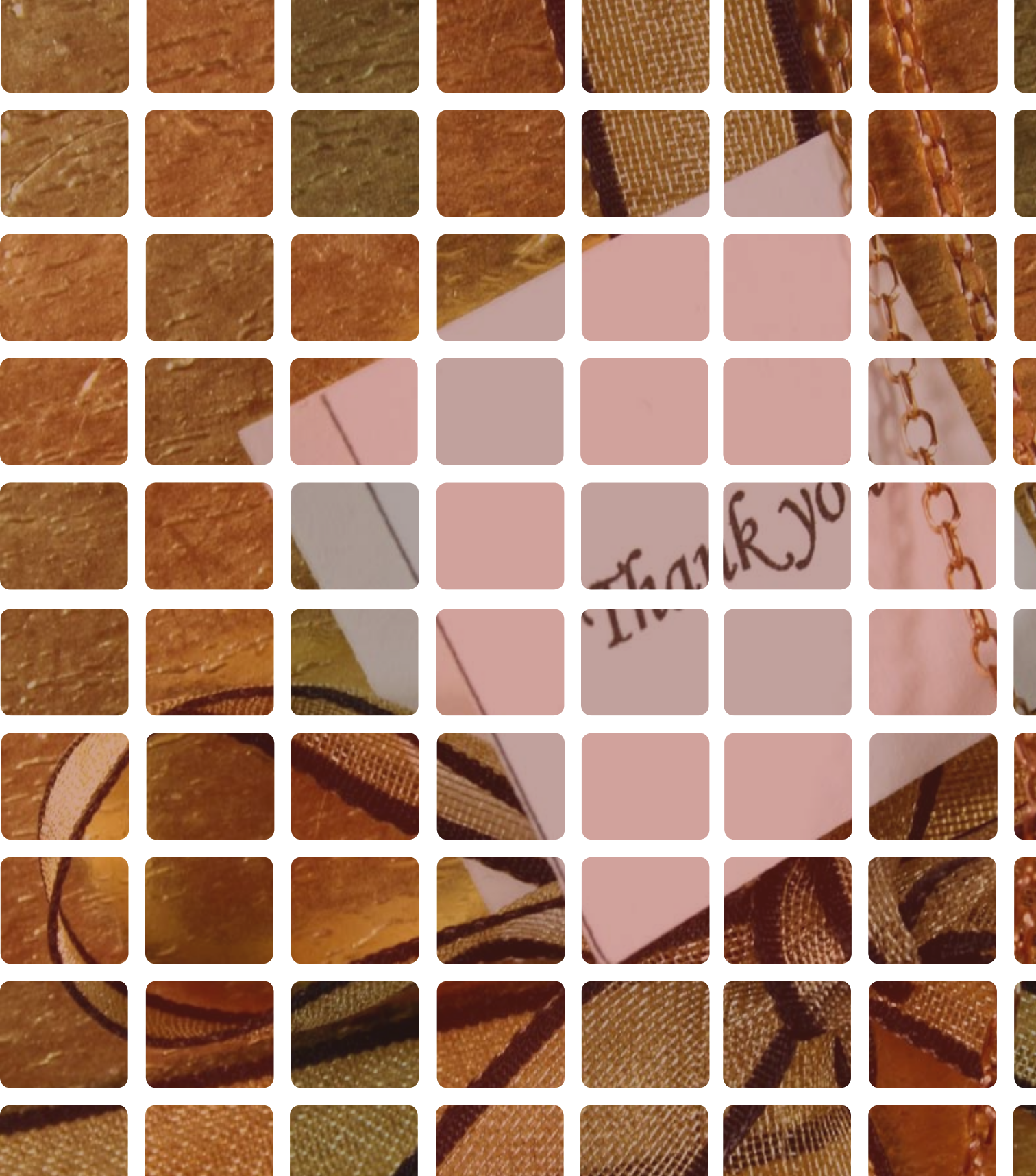
Dato' Vaseehar Hassan Abdul Razack
Chaimanship of the Unicorn International Islamic Bank Malaysia Berhad

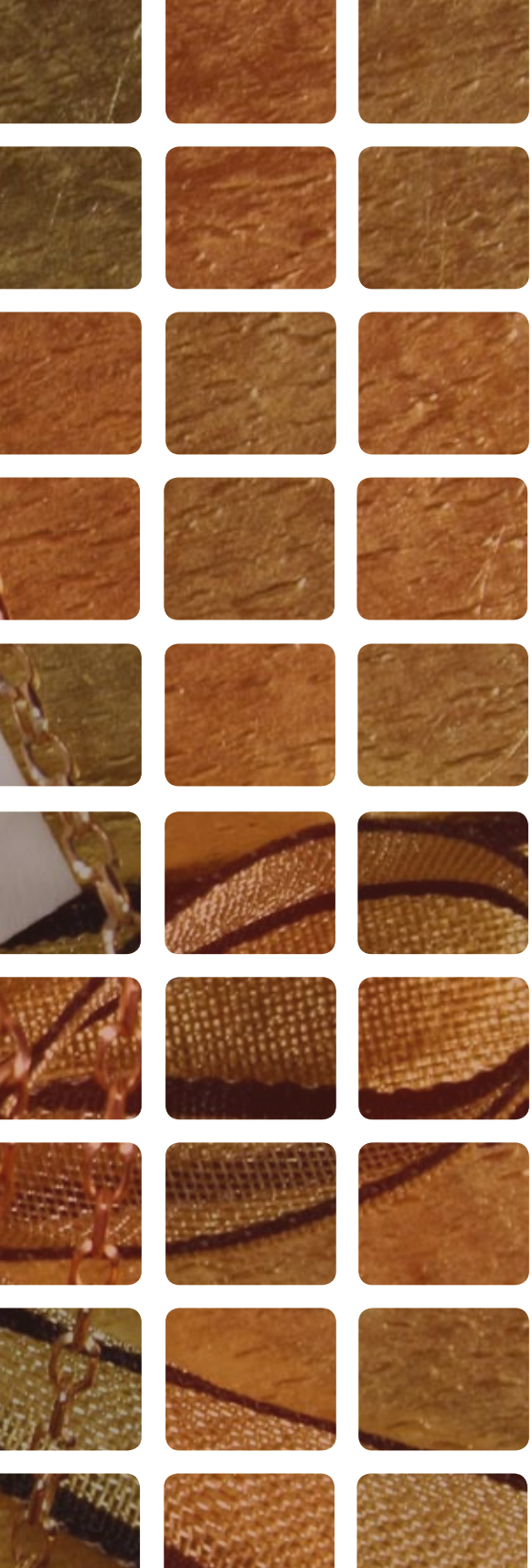
Tan Sri Dato' Dr. Wan Mohd Zahid
Chairman of MARA University of Technology (UiTM)

WIEF Corporate Members

Corporate membership is one of the most effective ways in which corporations and philanthropic organisations can associate themselves with the global platform and outreach of the World Islamic Economic Forum. By becoming a corporate member, corporations can maximise their branding potential and align themselves with the noble precepts of the World Islamic Economic Forum.

For more enquiries, please contact us at enquiry@wief.org.my





Acknowledgement

Tribute to sponsors and strategic partners

Acknowledgement

The World Islamic Economic Forum (WIEF) Foundation wishes to acknowledge the following for their support and contribution towards the World Islamic Economic Forum (WIEF):

- **Chairman of WIEF Foundation**
- **Prime Minister of Malaysia**
- **Prime Minister of the State of Kuwait**
- **The King of the Hashemite Kingdom of Jordan**
- **Deputy Prime Minister & Minister of State for Cabinet Affairs of Kuwait**
- **Prime Minister Counsel and Deputy President of High Committee for 4th World Islamic Economic Forum**
- **President of Kuwait Chamber of Commerce and Industry**

for their messages

The Authors:

for their invaluable time and effort in providing the insightful articles and for sharing their wealth of knowledge for the benefit of the readers

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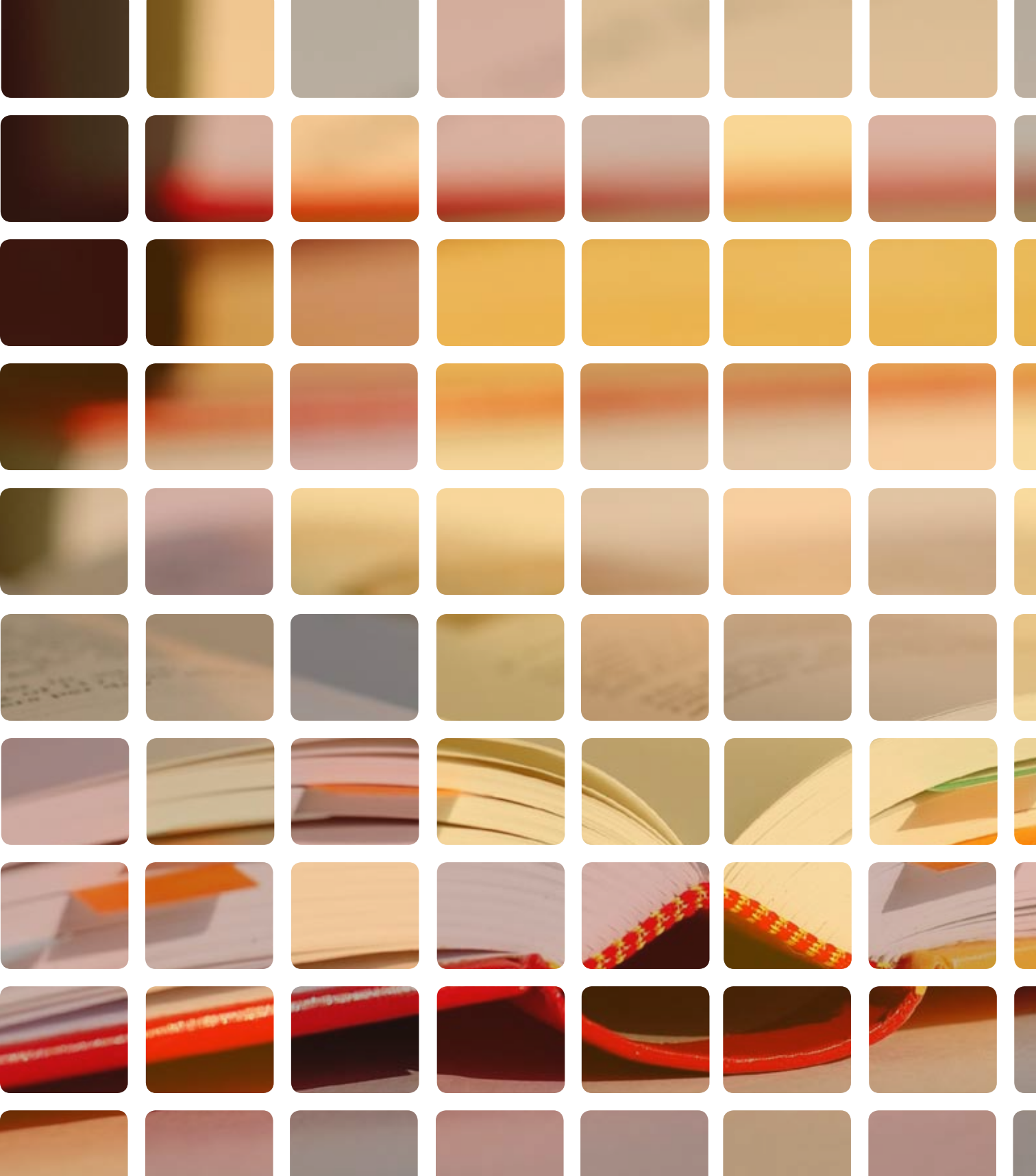

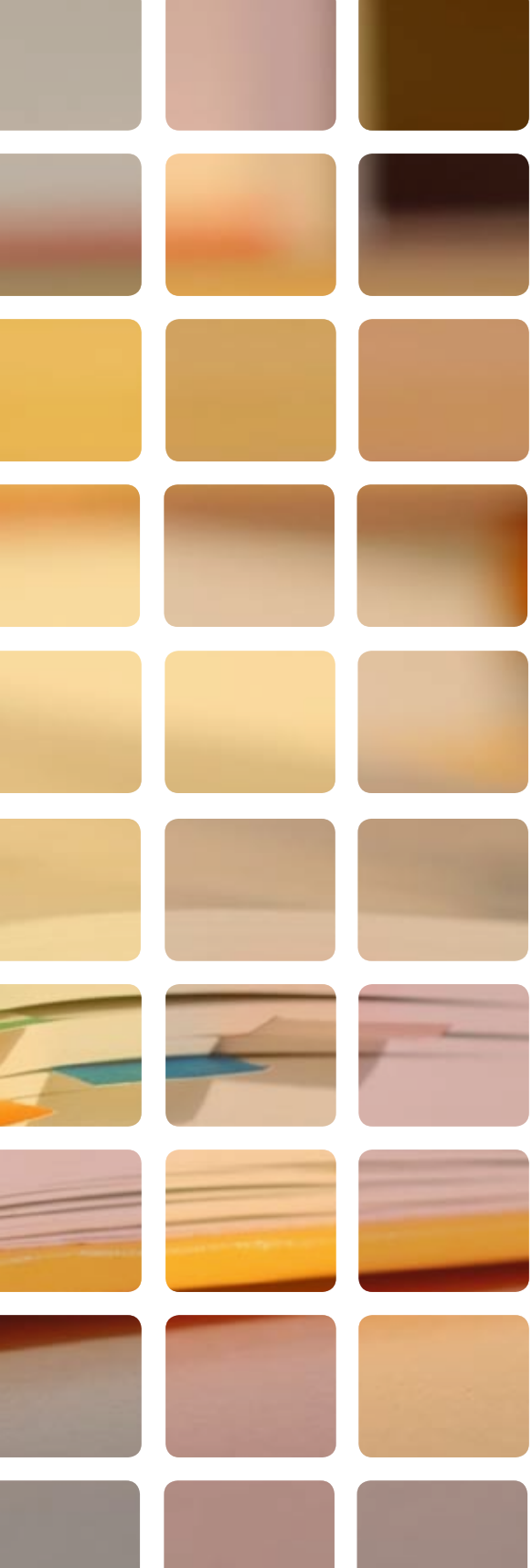

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Islamic Development Bank

Together We Build A Better Future

The Islamic Development Bank (IDB) is a Multilateral Development Bank (MDB), established to foster the economic development and social progress of its member countries and Muslim communities in non-member countries in accordance with the principles of Shari'ah (Islamic Law).

Welcome to the Islamic Development Bank
www.isdb.org

Establishment

The Islamic Development Bank is an international financial institution established in pursuance of the Declaration of Intent issued by the Conference of Finance Ministers of Muslim Countries held in Jeddah in Dhul Q'adah 1393H, corresponding to December 1973. The Inaugural Meeting of the Board of Governors took place in Rajab 1395H, corresponding to July 1975, and the Bank was formally opened on 15 Shawwal 1395H corresponding to 20 October 1975.

Purpose

The purpose of the Bank is to foster the economic development and social progress of member countries and Muslim communities individually as well as jointly in accordance with the principles of Shari'ah i.e., Islamic Law.

Functions

The functions of the Bank are to participate in equity capital and grant loans for productive projects and enterprises besides providing financial assistance to member countries in other forms for economic and social development. The Bank is also required to establish and operate special funds for specific purposes including a fund for assistance to Muslim communities in non-member countries, in addition to setting up trust funds. The Bank is authorized to accept deposits and to mobilize financial resources through Shari'ah compatible modes. It is also charged with the responsibility of assisting in the promotion of foreign trade especially in capital goods, among member countries; providing technical assistance to member countries; and extending training facilities for personnel engaged in development activities in Muslim countries to conform to the Shari'ah.

Membership

The present membership of the Bank consists of 56 countries. The basic condition for membership is that the prospective member country should be a member of the Organization of the Islamic Conference, pay its contribution to the capital of the Bank and be willing to accept such terms and conditions as may be decided upon by the IDB Board of Governors.

Capital

Up to the end of 1412H (June 1992), the authorized capital of the Bank was two billion Islamic Dinars (ID) {A unit of account of IDB which is equivalent to one Special Drawing Right (SDR) of the International Monetary Fund (IMF)}. Since Muharram 1413H (July 1992), in accordance with a Resolution of the Board of Governors, it became six billion Islamic Dinars, divided into 600,000 shares having a par value of 10,000 Islamic Dinars (ID) each. Its subscribed capital also became four billion Islamic Dinars payable according to specific schedules and in freely convertible currency acceptable to the Bank. In 1422H, the board of governors at its annual meeting held in Algeria decided to increase the authorized capital of the Bank form ID 6 billion to ID 15 billion and the subscribed capital from ID 4.1 billion to ID 8.1 billion. According to the Directive of the Third Extra-Ordinary Session of the OIC Islamic Summit Conference held in Makkah Al-Mukarramah on 7- 8 December 2005, calling for a substantial increase in the capital stock of IDB in order to enable it to strengthen its role in providing financial support and technical assistance to its member countries, the Board of Governors of the IDB in its 31st Annual Meeting in Kuwait decided to increase the authorized capital stock of IDB by 15 billion Islamic Dinars to become 30 billion Islamic Dinars and the subscribed capital by 6.9 billion Islamic Dinars to become 15 billion Islamic Dinars.

Head Office and Regional Offices

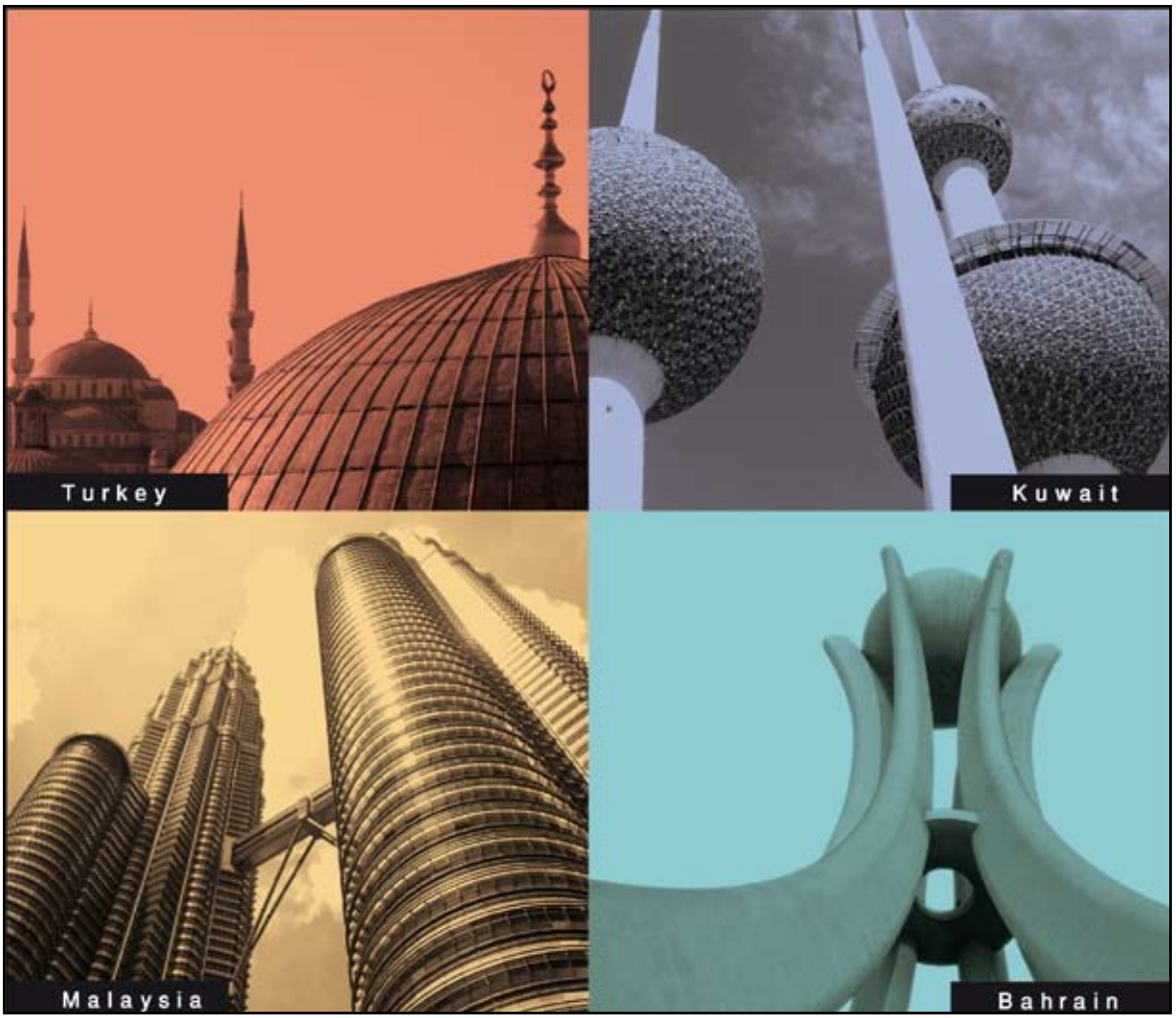
The Bank's principal office is in Jeddah in the Kingdom of Saudi Arabia. Two regional offices were opened in 1994; one in Rabat, Morocco, and the other in Kuala Lumpur, Malaysia. In July 1996, the board of Executive Directors also approved the establishment of an IDB Representative Office at Almaty, Kazakhstan, to serve as a link between IDB member countries and Central Asian Republics. The office became operational in July 1997 and is now a full-fledged Regional Office. The Bank also has field representatives in eleven member countries. These are: Indonesia, Iran, Kazakhstan, Libya, Pakistan, Senegal, Sudan, Gambia, Guinea Bissau, Mauritania and Algeria.

Financial Year

The Bank's financial year is the lunar Hijra Year.

Language

The official language of the Bank is Arabic, but English and French are additionally used as working languages.



BUSINESS

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PRACTISES IN ISLAMIC BUSINESS & FINANCE

WIEF
WORLD ISLAMIC ECONOMIC FORUM

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