WIEF
WORLD ISLAMIC ECONOMIC FORUM
FOUNDATION

ENSURING SUSTAINABILITY IN THE MUSLIM WORLD: EMPOWERING PEOPLE, LEVERAGING RESOURCES

A World Islamic Economic Forum
Special Commemorative Publication 2010

"The 21st Century will be driven by openness, technology, connectivity, dialogue, and integration. It will be the age of possibility and opportunity. That is why the WIEF is relevant because it helps the Ummah adapt to that wondrous world. The Ummah can shape and have full ownership of the 21st Century."

Susilo Bambang Yudhoyono
President of Indonesia and
Honorary Fellow of the WIEF Foundation

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SPECIAL MESSAGE

Greetings to all participants of the 6th WIEF.

As Patron of the World Islamic Economic Forum (WIEF) Foundation, I am pleased to welcome you to Kuala Lumpur for the 6th WIEF. This is the third time that the Forum is held in this capital city since its inception in 2005. I have been made to understand that the 6th WIEF is the largest thus far in terms of the presence of Heads of State and Government, business leaders, industry experts and practitioners, academics and the media.

With the theme “Gearing for Economic Resurgence”, the 6th WIEF is set to address various topical issues including education, Islamic finance and climate change which have been specially emphasised in this publication. These issues are particularly crucial as they relate to the sustainability of the Muslim World in the decades ahead.

I believe that the 6th WIEF would provide an excellent opportunity for participants to keep abreast with current developments in the various industries of the Muslim World as well as to engage in useful dialogue with the relevant experts present. I hope that you will also make full use of the networking platform available during the Forum to explore trade and investment opportunities that exist within the Muslim World and beyond.

I would like to commend the WIEF Foundation for coming up with this timely Special Commemorative Publication for the 6th WIEF as a useful source of background information on the issues to be discussed at the Forum.

Finally, may I take this opportunity to wish the Forum every success.

Dato’ Sri Mohd Najib Bin Tun Haji Abdul Razak
Prime Minister
Malaysia

I hope that you will also make full use of the networking platform available during the Forum to explore trade and investment opportunities that exist within the Muslim World and beyond.

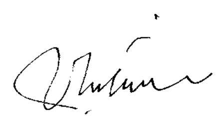
Dato' Sri Mohd Najib Bin Tun Haji Abdul Razak
Prime Minister of Malaysia

Chairman's Foreword

It is a pleasure to be hosting the 6th World Islamic Economic Forum in Kuala Lumpur this year. It took us 6 years to be where we are today. I remember those days when the Forum used to be much smaller with around 600 participants, and we literally had to go around asking other countries whether they were interested in hosting the World Islamic Economic Forum. The Prime Minister of Pakistan then, Shaukat Aziz, saw the opportunity and took the first step to bring in the 2nd WIEF in Islamabad, Pakistan in 2006. During the 3rd WIEF in 2007, the Prime Minister of Kuwait came with a huge delegation of businessmen and government officials and explored the opportunity to bring the Forum to Kuwait the year after. So there it was, the 4th WIEF in Kuwait in 2008. The 4th Forum in Kuwait was momentous in many ways. It was the tipping point of our growing success to date. Kuwait represented the first major inclusion of the Gulf countries into the WIEF fold, joining the fray of the Southeast Asian and South Asian business communities. Kuwait also had an impressive line-up of world leaders attending the Forum: Presidents of Senegal, Afghanistan, Bosnia and Herzegovina; Prime Ministers of Kuwait, Bahrain, Malaysia, Cote D'Ivoire; King Abdullah II of Jordan and the Emir of Kuwait.

Since then, we have recorded major successes. The 5th WIEF in Jakarta brought together more than 1700 participants from both the government and business sectors. Today at the 6th WIEF, we are pleased to announce the line-up of the Sultan of Brunei; the Presidents of Senegal, Indonesia, Maldives, Kosovo; and the Prime Ministers of Malaysia, Pakistan, Bangladesh; and we are expecting 2000 delegates to be present at the Forum in Kuala Lumpur.

By now, the WIEF is known as a credible platform not just for business networking across borders, but for a place to exchange ideas and experiences on various issues close to heart. With this 6th WIEF Special Commemorative Publication, we hope to live by that reputation and set an agenda on one of the most pressing issues of the day – the sustainability of our shared world and its implication in the decades ahead. Do enjoy the read and a big day ahead at the 6th WIEF!



Tun Musa Hitam
Chairman
WIEF Foundation


WIEF believes that through business collaboration between different peoples, partnerships can be moulded, wealth can be created, the poor can be empowered and millions of people have the chance of putting food on the table for their families.
Tun Musa Hitam
Chairman
WIEF Foundation

> “This isn’t just about driving growth. It’s about staying in business.”

Beth Comstock
Senior Vice President and
Chief Marketing Officer, GE

Introduction

Saving today, living tomorrow

Fazil Irwan Mohd Som
Director
Editorial and Business Development
WIEF Foundation

**Post-crisis response:
Setting a smarter course for growth**

Chin Kwai Fatt
Managing Director
PricewaterhouseCoopers
Malaysia

SAVING TODAY, LIVING TOMORROW

Fazil Irwan Mohd Som
Director
Editorial and Business Development
WIEF Foundation

Often the idea of making sacrifices today, the act of conserving and restraining - just simply saving the things we have today, to live a better tomorrow, is a rare commodity in many societies across the globe.

But that scarcity is enough to put our shared earth in serious jeopardy. In the relentless pursuit of short-term gains, we have severely depleted earth's finite resources, ravaging the forests and destroying wildlife's endangered habitats. It is therefore no surprise that the earth's reaction to this, in the form of global climate change, is equally abrupt. We may think that the increasingly frequent occurrences of tsunamis and earthquakes are isolated incidents but they are actually violent manifestations of earth's dire state.

It is therefore high time that we come to terms with the fact that the world is an interconnected ecosystem. Every act committed on the planet will have its repercussions far and wide, in various forms and expressions. If we severely pollute the environment and plunder earth's resources, we can be sure to expect severe weather changes, eventually leading to disasters that can destroy millions of lives.

The same concept can be applied in the realm of finance. We may think very little of the impact that excessive debt financing would have on people's livelihood, a child's future, or even the fate of a whole nation. But the answer is right here. The recent financial crisis is testimony to how unbridled greed can destroy people's lives and plunge whole nations into bankruptcy and financial turmoil.

Yet the same concept can be applied to the most important aspect of our shared world - the future generation. More often than not, we jeopardize the future of our own children, through denying them the right to proper education. Religious and cultural extremism play a major role in this process, training young minds to shun conventional education in the flawed pursuit of religious sanctity. But the underlying reason is simply the lack of emphasis given to education in many of these countries, reflecting in the poor infrastructure and substandard quality of education, thus impeding the intellectual development of our children. As a result of all these, millions of children, especially young girls, are deprived of basic education that is crucial for them to survive in an ever competitive world. Many fall into insignificance; some fall into the unemployment trap and crime, some resort to terrorism to make sense of their failing world.

The Muslim World is not excluded from all these problems. It is thus time to fight back and galvanise the comparative strengths that we have to ensure the sustainability of our own future. We have resources in our hands. We have a wealth of natural resources in the form of invaluable mineral and energy sources, and a vast spread of rainforests. We have the people; around half the population of the Muslim World are women and 65% of the total Muslim population are below the age of 30, which makes us the youngest civilisation on earth, ready to take on the world. We have a strong ethical foundation in the form of Islam that has the capability of creating a sound and just global financial system, serving the welfare of all Mankind. We just need the right philosophy to use these to our advantage.

Save Today, Live Tomorrow - we are in the business of ensuring sustainability in the Muslim World through the empowerment of its people and the utilisation of its resources to work in the right direction.

If we can achieve this, we can go a long way. This book seeks to encapsulate that spirit. In the pages of this book, you will find various authors, of various backgrounds, all with an intimate experience in the areas of people empowerment, Islamic banking, and sustainable resources. I hope that with this light and easy read, you will be able to join us in the same spirit of change, to build a better tomorrow for the Muslim World.

POST-CRISIS RESPONSE: SETTING A SMARTER COURSE FOR GROWTH[1]

Chin Kwai Fatt
Managing Director
PricewaterhouseCoopers
Malaysia

1. This is an adaption of the PricewaterhouseCoopers 13th Annual Global CEO Survey 2010.

Few, if any, business leaders will forget the past 24 months. The global financial crisis was the most serious many have experienced and these financial pressures have not ebbed, particularly in the European market. As businesses struggle to move back to an even keel, I would like to share some useful "smart response" post-crisis insights revealed by business leaders around the globe in PricewaterhouseCoopers 13th Annual Global CEO Survey.

The Survey looked at what measures Chief Executive Officers (CEOs) are taking in response to the global recession, how they view the post-crisis business environment and what changes they are making to adapt their organisations. We surveyed 1,198 business leaders from around the globe from September to November 2009 and conducted in-depth interviews with 27 CEOs from five continents.

What have we learnt? Global business leaders had to make dramatic changes to their organisations, including reducing headcount, selling off assets and preserving cash. That experience has led many CEOs to **rethink** their approach to risk in an increasingly volatile world. It's abundantly clear how quickly a contagion can spread, and how damaging it can be. CEOs now know they need to **plan for volatility**, so they can see risks coming, sidestep them, and position themselves for what follows.

Rethink approach to risk and reshape strategies and capabilities, have a Plan B

To do that, CEOs have begun to **reshape** not only their **strategies**, but also their **capabilities**. It takes strategic flexibility to address risk at a deeper level. And it takes organisational agility to respond to volatility. That doesn't mean CEOs will become risk averse; rather, they may become more deliberate in examining alternatives, formulating a Plan B, and ensuring they can execute on it. The result, we believe, will be a smarter course for growth; a **resilient path** that will produce a sustainable long-term upside for organisations – along with their shareholders, employees, customers and communities – while accounting for a range of economic, social and environmental forces that comprise both threats and opportunities.

Top-of-mind considerations

CEOs' concerns have broadened beyond the economic crisis. A protracted global recession remains their biggest worry, closely followed by concerns about over-regulation. CEOs in Latin America, Central and Eastern Europe, and Asia are more likely to be concerned about threats centred on globalisation, including exchange rate volatility, protectionism and macro-economic imbalances. Restrained consumer spending, rising unemployment, and regulatory reforms also remain significant concerns.

CEOs' confidence level on their companies' revenue growth differ depending on where they are

Although the majority feel that 2010 will be better than 2009, most do not expect the recovery to start until at least the second half of 2010. While confidence has returned, CEOs are still cautious, especially on short-term recovery. Overall, 31% of CEOs are very confident in achieving revenue growth over the next 12 months, a significant increase from 20% last year. However, where a CEO is based, and where the company has operations, has a big influence on confidence. CEOs based in Asia and Latin America are 11% more likely to be confident about their near-term revenue growth than those in North America and 20% more confident than their Western European peers. In fact, 82% of Asian CEOs see their company revenues growing. Also, 49% expect headcount to increase compared with 39% of North American CEOs. Over the longer-term – a three-year period – CEOs are about as confident of their revenue prospects as they have ever been in our survey.

Asia rapidly emerging to be centre of growth in the new world order

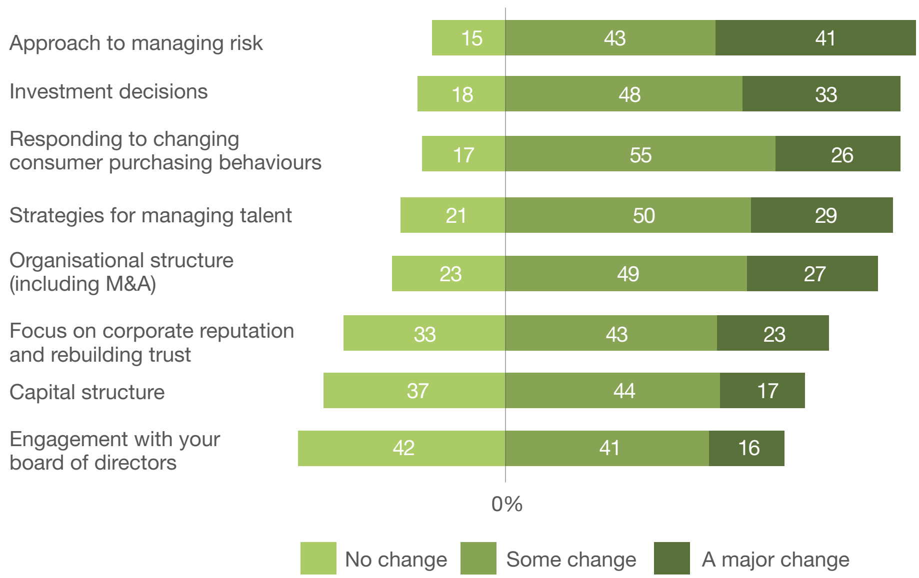
Underpinning this optimism is the belief that Asia will be the centre of economic growth in the new world order. Although CEOs view Western Europe as currently the most popular region for an acquisition at 53% compared to 42% for Asia Pacific, this is expected to change very quickly over the next 12 months. Globally, the majority of CEOs (82%) are expecting to grow their businesses in Asia in the next 12 months. The crisis has quickened the change in the economic landscape with emerging nations taking on more economic power than ever. Even before the crisis, it was no secret that emerging markets were of vital importance for many CEOs, regardless of where they were based. Asia's strategic advantage is seen in its people and resources, and its ability to deal with crises.

Risk and strategy go hand in hand

Although optimistic about recovery, business leaders globally are emerging with a healthy respect for risk, volatility and flexibility and a different view of the growth imperative. Strategic flexibility and operational agility are seen to be key to future resilience and sustainable growth.

The survey responses signal that risk management is becoming a permanent element of the strategic planning process with 84% of CEOs globally intending to change their risk management process more than any other element of their strategy, organisation or business model. Other critical elements identified are investment decisions, responding to changing consumer purchasing behaviours (81% each) and strategies for managing talent (79%). Over 50% changes are also expected in terms of organisational structure (including M&A), focus on corporate reputation and rebuilding trust and changes in capital structure and board engagement.

To what extent do you anticipate changes to your company's strategy, organisation or operating model?



Source: PricewaterhouseCoopers, 13th Annual Global CEO Survey 2010

As for Asian CEOs, they are now being extra careful to manage risk and financial health with 87% of them increasing approach to managing risk and investment decisions (80%). Sensing opportunity in new consumer habits, 85% of them expect to adjust their strategies in response to changing consumer behaviours. Talent management also remains key on their agenda (83% as compared to global's 79%). In terms of capital structure changes, the CEOs are striving to keep debt low and liquidity ample, in part because of uncertainty over the capacity of banks to lend when the time for growth comes. About 78% of the CEOs expect internally generated cashflow to finance growth, which is 7% higher than last year.

Asian CEOs continue to be risk averse and focus on consumer behavioural changes and talent management

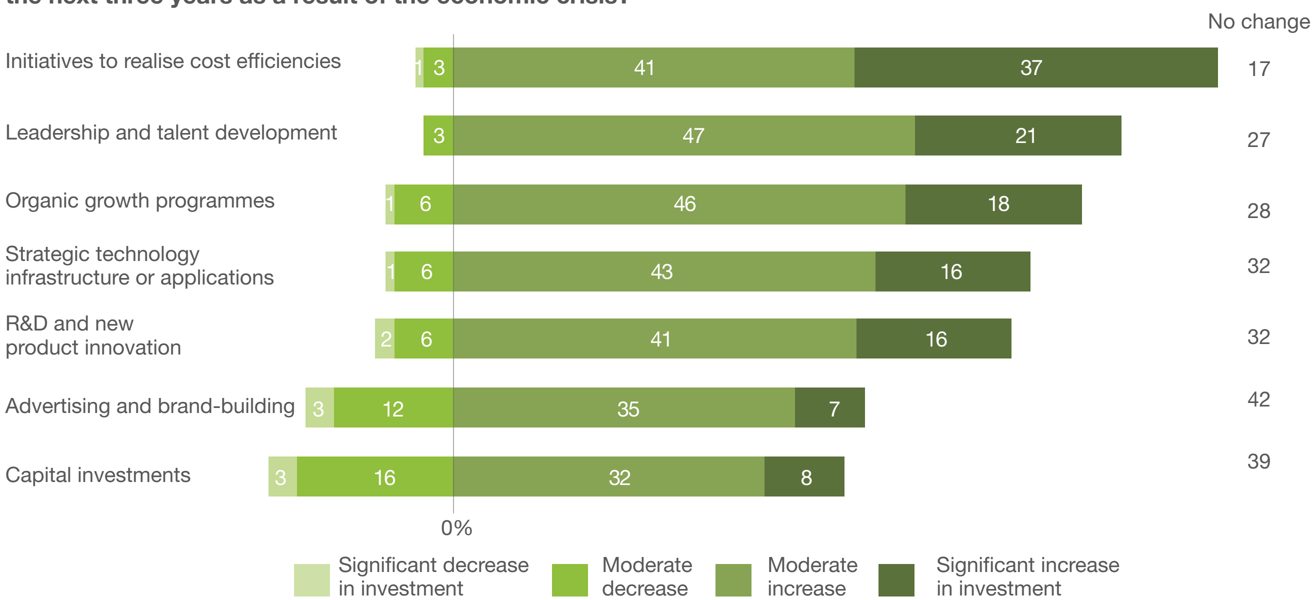
Investment decisions focus more on cost efficiencies and talent development

Whilst cost structures are being closely watched, CEOs are still investing in areas they deem vital. CEOs need to make tough choices about long-term investments in an environment of tighter capital. More than three-quarters of CEOs plan more cost-cutting initiatives in the next three years. Only 40% expect to increase their capital investments (suggesting that there's still over-capacity in many sectors), but there are some areas that CEOs are not paring back, notably, leadership, talent development and climate change.

Companies in the US, Europe and the UK led in cost-cutting measures over the past 12 months, and they remain more focused on cost cuts in the short-term. Now the momentum is shifting to companies based in Asia with 93% of CEOs in China and India, and 90% in Korea, planning cost efficiencies over the next three years compared with the global average of 78%.

While remaining vigilant on cost structure, CEOs are reshaping their businesses to position for recovery by addressing their risk management processes, focusing on organic markets or better penetration of the markets they know best and being more cautious and careful in rationalising expectations for growth in different markets. Although R&D, advertising and capital investment are lower on the list of investment priorities, higher percentages of Asian CEOs are planning to invest in these areas compared to global CEOs' census.

How do you plan to change your long-term investment decisions over the next three years as a result of the economic crisis?



Source: PricewaterhouseCoopers, 13th Annual Global CEO Survey 2010

Key talent agenda items

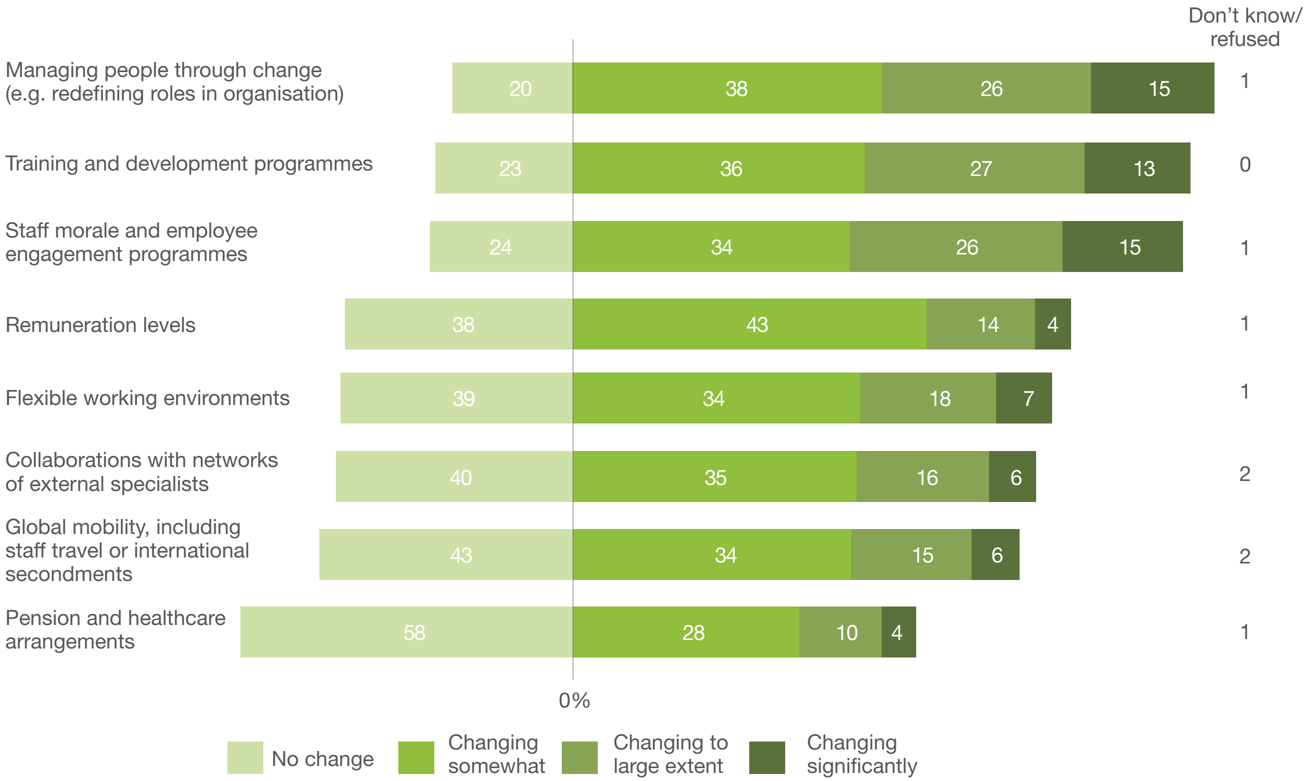
- Redefine roles
- Training and development
- Staff morale and employee engagement programme

The crisis has taught the CEOs a few things – one of which is that organisations that are able to balance people retention and development against cost reduction measures will be well positioned for the upswing. People and talent are at the heart of a high value-add economy and developing them is critical to the country's and company's long term competitive advantage. With Asia Pacific poised to be an economic powerhouse, having the right people in place is more urgent than ever.

Hence, despite the focus on cost savings, headcount is expected to increase. The survey shows that while many companies are still downsizing, more will grow their work force (39%) than cut them (25%) over the next 12 months. This trend is more pronounced in Asia where investment in people is centered on training and development, and employee engagement. Specialists remain in demand - many parts of the world are still struggling to attract and keep talent. Over the long term, businesses may live to regret the drastic headcount reduction they have made during the downturn.

Companies in Brazil, India and China are leading in increasing jobs. CEOs, regardless of geography, are concerned about their governments' abilities to provide a skilled workforce, and there is emerging evidence of a growing 'talent gap' in a number of regions. The majority of CEOs worldwide (79%) also intend to increase their focus and investment on how they manage people through change, which includes redefining employees' roles in the organisation. They feel they need to change their strategies for managing talent. The scale of these intended changes suggests that, for whatever reason, existing practices did not support the business when the crisis hit.

Regarding your people strategy, to what extent will you change your approaches to the following areas, as a consequence of the economic crisis?



Source: PricewaterhouseCoopers, 13th Annual Global CEO Survey 2010

Emergence of two distinct sets of CEOs - the consolidator and the adaptor

The smarter course for growth involves a better understanding of the consequences of risk, and rationalising growth and investment plans to fit the smarter course. How CEOs are positioning their companies is, of course, dependent on their particular circumstances and mindset.

Interestingly, when we analysed CEO responses related to growth threats, engagement with boards and dealing with regulation, we found that two distinct sets of CEOs emerged from the other – Set 1: Consolidators; Set 2: Adaptors. Each set is applying differing strategies to the post-crisis environment. However, it is still too early to tell whether one strategy will be more successful than the other. In our view, Consolidators and Adaptors represent archetypal strategies that could both lead to lasting success, building on particular organisational strengths and environmental factors – yet, clearly risks remain for each.

Set 1: Consolidators	Set 2: Adaptors
Behaviour	**Behaviour**
• Two-thirds based in North America and Europe • Feel they are now on the right track for recovery, that the recession helped them 'cut the fat' and do what they do better • Not making drastic changes - making few changes to their strategies and operations • Far less concerned about threats to business growth than Adaptors, but exhibit greater antipathy to regulation • Cutting fewer costs and investing relatively less in R&D, talent and organic growth programmes than Adaptors • Will concentrate on finding ways to keep existing customers in a challenging environment	• 63% based in Asia Pacific and Latin America • Undergoing significant change to create a new basis for sustainable long-term growth - being more innovative, collaborative and agile • Want to potentially lead over those taking a 'business as usual' approach • Aggressively changing operating models and investment strategies and restructuring • More concerned over range of threats to growth – ability to finance growth, exchange rate volatility, energy costs and supply chain security
Risk	**Risk**
• Risk of not having the agility to adjust their operating model should new players with innovative products emerge	• Will be more resilient to change and are recruiting talent for the longer term • May find it difficult to execute and finance their strategy in a lending environment that is expected to be more difficult • May be in danger of changing too rapidly before it is clear what the new environment will look like

Source: PricewaterhouseCoopers, 13th Annual Global CEO Survey 2010

Profile

Chin Kwai Fatt

Managing Director
PricewaterhouseCoopers
Malaysia

In my view, with an increasingly volatile and inter-connected world, regardless of where they are located or how they are responding to growth threats, CEOs share a common need to strengthen the resilience of their organisations and yet remain agile to react at a moment's notice, to survive.

No doubt, managing through these paradoxes is a difficult balancing act, but CEOs have learnt (and continue to learn) to gain more control over these newly appreciated vulnerabilities - internal and external. That means being continuously alert on threats and opportunities and yet having longer-term foresight. This equates to incurring less financial risk while strengthening the resilience of the company and maintaining investments in vital strategic building blocks (including talent building).

Finally, the strategic role of government in providing a conducive infrastructure for business to grow is the pivotal factor to the development of any country's long-term sustainable economic growth. Besides developing the hard (roads, bridges) and soft (talent pool, governance and regulations) infrastructures, governments could step up their collaborations with the private sector to create new sources of growth.

Chin Kwai Fatt is the Managing Director of PricewaterhouseCoopers Malaysia. He has more than 32 years of experience in consulting services in Malaysia and the Asia Pacific region.

Kwai Fatt has provided strategic and operational consulting services to clients across a number of industry sectors including financial services, oil and gas, power, property, manufacturing, ICT, retail and trading. Kwai Fatt is also a speaker at many forums covering business challenges, globalisation and knowledge management.

Kwai Fatt holds an honours degree in Economics from University of Hull, UK. He is a member of the Institute of Chartered Accountants in England and Wales (ICAEW), the Malaysian Institute of Accountants (MIAA) and the Malaysian Institute of Certified Public Accountants (MICPA).

Chapter one

Growing tomorrow's leaders

Empowering future leaders: What makes Gen Y tick
Womenomics: Businesswomen as drivers of economic growth
Women and youth: Nurturing the spirit of entrepreneurship

EMPOWERING FUTURE LEADERS: WHAT MAKES GEN Y TICK

Gita Wirjawan
Chairman
Indonesia Investment
Coordinating Board

Whether you label them Generation Y, the Net Generation or some other designation, the people born in the 1980s and 1990s have all grown up and are eager to make a mark on this world. What is fascinating about this age group is the stretch of their ambitions, how they go about trying to achieve them and what motivates their dogged pursuit.

It is the distinction of this age group that a greater number from its ranks than previous generations aspire unabashedly to fly high and far and they expect to spread their wings widely and hurriedly. And when they occupy positions of influence, many of them are leveraging the resources of their organizations—whether private, public or non-profit—to try to make the world a better place.

From microfinance to environmental stewardship, from public education to public health, the ideals behind their tireless endeavors have inspired peers to champion causes of their own. The effect has rewritten the run-of-the-mill books on leadership.

Such leaders, who have risen meteorically but are still on an early incline in their career development arc, share certain traits. To begin with, they have been raised in an intricately interlocking world, where the problems societies are facing have become cross-cutting in nature and far grimmer in terms of impact.

Growing up when talk of globalization was all the rage has made them more empathetic to world affairs and more embracing of international influences. They have developed a precocious understanding that the solutions we seek for this evolving world require more lateral thinking, featuring the ability to adopt a decidedly interdisciplinary, multicultural and multisectoral approach.

At the same time, this greater openness has sparked the fire of competition. For a seat at the world's most renowned universities or a position in its most admired organizations, many have had to compete not only against their compatriots but also against the keenest minds from countries and cities some of them have never before heard of.

By necessity, Generation Y has become a more restless and rootless lot. Highly adept at managing time and multitasking and quick to jump into opportunities to switch roles and locations, many in this age group are prized for their mobility by organizations with fluid operational functions and ever-shifting geographic markets that need flexibility to fully tap into the benefits of economies of scope and scale.

Exposed to increasingly sophisticated technologies at an early age, they can be counted on to think out of the box, knowing that the limits of what is currently deemed possible can change instantly with innovation. And because these technologies often work over diffuse networks, they excel in collaborative, transparent and meritocratic settings, chaffing under stale command-and-control and seniority-based paradigms.

This is the face of our next generation of leaders. They are purpose-driven, globally oriented, pragmatic, efficient, creative, technologically savvy and egalitarian. Although their numbers are highest in developed economies, the best and the brightest of Generation Y also can be found blazing new paths in emerging economies.

Let me offer Indonesia as an example, simply because it is the country I know best. A couple of profiles lend themselves to depict the outstanding quality of this country's young talent pool.

Aldi Haryopratomo, aged 27, snatched first prize this year at Harvard Business School's Social Enterprise Conference, where he is pursuing an MBA. He was recognized for PT. Ruma, a for-profit social enterprise he founded with seed capital from Grameen Foundation.

PT. Ruma is a telecommunications microfranchise business that sells prepaid minutes and other services electronically via cellular phone. It is currently serving 80,000 customers through 2,000 suppliers, around 70% of whom had been living under US$2.50 per day but now stand proudly as profitable entrepreneurs.

Muhammad Zaky Prabowo, aged 26, resigned from McKinsey & Company to join Indonesia's Presidential Delivery Unit (PDU). This is a new cabinet position, formed to support the President and Vice President of Indonesia in managing the performance of their ministers. Reporting to a daring reformer, he crafts action plans to unclog bottlenecks and direct focus to issues of national priority.

Eventually, Zaky hopes to combine an MBA from Stanford's Graduate School of Business with a Master's degree from Harvard Kennedy School of Government. He believes this training will furnish him a toolkit to co-found a non-profit organization inspired by Teach First and run businesses in the hospitality industry to spread Indonesia's rich and storied cultural heritage.

These rising stars are undoubtedly well on their way to helping Indonesia become a more prosperous and more dignified country. More encouragingly, there are more like them who are capable and show promise but unfortunately have not had similar educational or, by extension, professional experiences.

The question, then, is how should we identify and develop these pockets of talent?

I think philanthropy has a greater role to play. In Indonesia, philanthropic organizations are sprouting with a steadfast mission to widen Indonesian access to the best educational institutions at home and abroad. They are striving to fill a gap left largely unaddressed by Indonesia's education system.

Emerging economies often lack the fiscal wherewithal to provide a globally competitive level of education. Even for those more attentive to the importance of education, tight budgets typically have resulted in the practice of standardizing mediocrity. In Indonesia, even overcoming this bar is complicated by the uneven geographic distribution of qualified teachers and decent facilities.

Privately held entities can more efficiently locate talent and better leverage networks and arrange funding to facilitate their intellectual development. However, to maximize the impact, the approach of philanthropic organizations should be to select a small group to support each year.

The reasoning is that focusing on a few minds so that they could become globally competitive may enable these hoped-for leaders to make significant waves when they return, lifting the livelihoods of more people than would an approach that spreads resources thin by trying to fund the education of as many applicants as ideally possible.

Philanthropic organizations certainly need not go for broke in a valiant attempt to develop an Indonesian intelligentsia that would be commensurate with the size of the population. All they should do is identify a handful of talent that would value the privilege they had been given and pay it forward by answering the noble call for leadership.

Recipients of fellowships from philanthropic organizations—like Aditya Bahar, an undergraduate studying overseas at Malaysia's Universiti Tenaga Nasional who has been an active member of the International Committee of the Red Cross (ICRC) in Indonesia—are not only earning stellar grades but also commit to the type of selfless service from which Indonesia will gain extra mileage along its development path.

Encouragingly, the number of applicants for these fellowships who fit this profile has increased multifold. This indication soothes nerves because it is becoming a tough search for talent. As the center for global growth moves from the West to East Asia in the coming years, a knowledgeable and skilled labor force will be a key ingredient to compete effectively in the region over the long term.

Far-sighted leaders in emerging economies are learning that greater strides toward this end goal could be made if both public and private resources, including philanthropy, are deployed to scoop up and support their finest in Generation Y. By the end of their formal training, they can then take up positions of influence and pave the way for others, extending the reach and deepening the impact of societal change.

Profile

Gita Wirjawan

Chairman
Indonesia Investment
Coordinating Board

Mr. Gita Irawan Wirjawan is Chairman of Indonesia's Investment Coordinating Board (BKPM). The Harvard-educated investment banker has held key appointments in Goldman Sachs and JPMorgan, and was senior advisor to JPMorgan for Southeast Asia. Before his appointment as BKPM's Chairman, he was most recently Founder and Chairman of Ancora Capital, a Jakarta-based private equity fund, a Commissioner of state owned oil giant, Pertamina, and an Independent Board Director of Telekom Malaysia International.

Mr. Wirjawan has been involved in advising the government and private sector in many Asian countries with respect to corporate restructuring, M&A and strategic sales. He has concluded several high profile transactions. Outside the world of business, his passion lies in philanthropy, education, golf and music.

As a philanthropist, he has endowed scholarships for Indonesians to attend the best universities in the world, including Harvard, Oxford, Cambridge, Nanyang Technological University (NTU), and Science Po. He is also in the process of establishing 1,000 preschools throughout Indonesia. An avid golfer, he has set up a prominent academy to groom future Indonesian golfers. And through Omega Pacific Production, he has produced a range of albums that has been critically acclaimed.

Mr. Wirjawan is a member of the Dean's Leadership Council for both the Harvard Kennedy School and the S. Rajaratnam School of International Studies at NTU.

WOMENOMICS: BUSINESSWOMEN AS DRIVERS OF ECONOMIC GROWTH

Olive Zaitun Kigongo
President
Uganda National Chamber
of Commerce & Industry

Introduction

Womenomics is a recent terminology not yet captured by most ordinary dictionaries, it has been coined by women pressure groups and captured in a publication entitled "WOMENOMICS: Write Your Own Rules for Success," by Ms Claire Shipman and Ms Katty Kay[1], where it is defined as woman power; or a movement that will enable a woman to implement a work life she really wants; or simply, it is really women's power in the marketplace and their ability to change the way that we all work. Research established that women have a huge amount of power in the marketplace, those companies, for example, that employ more senior women actually make more money. The Womenomics argument is that now the woman can take that power and use it to negotiate for a model that works for most women. For the case of Uganda, the idea of Womenomics is true and real, but remains a struggle.

1. Ms Claire Shipman is the senior national correspondant of ABC's Good Morning America while Ms Kathy Kay is the anchor of BBC World News America.

With WOMENOMICS, the end result is seeing a woman reaching a career-life (Work–Life) balance that has ensured achievements and enjoyment for her in all the following four areas: her work/business, her family and children, her network (friends) and finally herself (present and future)," - which has resulted in business women being the real drivers of growth.

Take for instance women in Uganda and other African developing countries, women are holding influencial positions. Uganda takes the position of the first African country to have a president for the Chambers of Commerce, which I, Mrs. Olive Kigongo hold, and I must say it has been an interesting and yet a rough path.

Women are holding powerful and effective factories and business premises.This has not been an easy road, as stated earlier, given the several chains and challenges put around the business world, case in point, the women in business.

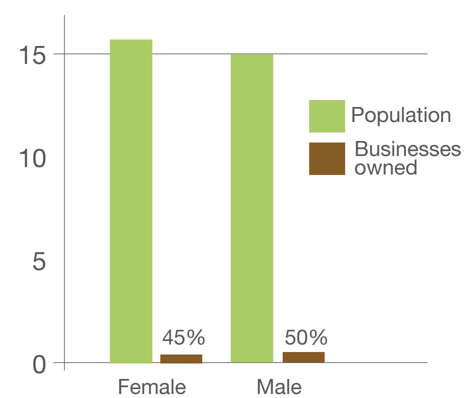
In the words of The Economist, "Forget China, India and the Internet - economic growth is driven by the women." Ms Shipman and Ms Kay also demonstrate that even in challenging economic times, women are more valuable than ever to the bottom line of the business world, and that talent is what is needed in the business world today.

General outlook

In general, women's economic participation is critical to long-term growth and poverty reduction. When women can start a business or earn an income, their families and communities flourish. Women are often more likely than men to spend extra income on health care and education for their children. Some studies estimate that women invest up to 90% of their extra income in their families, compared to only 30-40% for men. On a national scale, women are key drivers of economic growth, particularly in the agricultural sector. Women produce up to 80% of the food produced in the developing world, thus holding the potential for their countries' growth.

A case for Uganda

In Uganda, with a population of 30.7 million people,15.66 million female and 15.04 million male (2009 midyear demographic estimates), 45% of Micro and small Enterprises (MSE) are owned by women and women contribute 50% of the national GDP (Ministry of Finance).



Source: Ministry of Finance and Planning

The Ugandan business women were able to be in the driver's seat of the growth vehicle because of a number of government interventions as well as individual efforts which have availed a conducive environment. These have included educational, social, governance, political and economic factors. The education sector has seen a number of interventions at lower, middle and university levels which included entrepreneurship and actual affirmative action, which for the women, has helped to acquire confidence, knowledge and skills at the same opportunity as their male counterpart. Many of the female graduates who do not join the formal sector end up in business. On the political front, 30% of all political seats have been reserved specifically for women, thereby giving them a very strong advocacy voice at high policy levels.

The social scene has also seen women excelling; for instance the 2009 coveted Pearl of African (PAM) Awards for all musicians (male and female) in the Country was won by a female.

Some of the other interventions are:

1. The Uganda National Chamber of Commerce and Industry (UNCCI), is the largest and oldest (over 70 years) independent private sector organization, in Uganda, with a country-wide branch network, is headed by a woman. The UNCCI serves as a facilitator for individual business women as well as women associations by empowering women through advocacy to government and by organizing trade fairs purely for women. It also facilitates in helping these women create added value to their products, in order to give them an advantage for attending international fairs, and also so they can have access to international markets for their products.
2. The UNCCI also spearheads as a voice for business people, and is able to connect them to other interested investors in order to develop their productivity and compete favourably in the market.
3. The UNCCI also has a Young Entrepreneur scheme which supports young upcoming business people to penetrate the market as they improve their production and build a wider location and market base. This scheme is mainly financial and through trainings; also, the UNCCI always had the Young Achievers Award (YAA), where it awards those who have managed to make an impact on the nation through innovation and creativity. Last year, among those who received the award was Ms. Santa Anzo of Arapapa Consultancy Limited. She is now a well-recognised fashion designer, and has showcased her fashion line in the world's leading fashion metropoles such as Paris and San Francisco, just to mention a few.
4. Affirmative Action - To empower women further; purely women trade associations like Uganda Women Entrepreneur Association Ltd (UWEAL) are in place to advice, train and guide women in the best ways of doing business.
5. Uganda Export Promotion Board introduced a gender perspective to the National Export Strategy where there is deliberate effort to assist business women to break into the international export market especially in the areas of crafts, diary, coffee and tourism.

We have seen the business women very much empowered with knowledge, skills, information, enhanced confidence levels, local and international market access, ability to handle the Work–Life balance more effectively and profitably, and thereby becoming the main drivers of growth.

Olive Zaitun Kigongo

6. Uganda Investment Authority (UIA) set up a UIA Women Entrepreneur Network, where women are trained in business skills and guided on ways of raising and managing funds.
7. Many women associations are propelling women in business in various area such as rural and urban.
8. Many banks have introduced Women In Business (WIB) programs whereby they encourage business women to borrow under specifically tailored products like, Land Loans, Improve Your Business Loans, Secured Loans, Unsecured Loans (slightly lower amounts), Saving and Credit Co-Operatives (SACCOS) (where a group of women act as security/collateral for each other when taking business loans), Investment Clubs (where women form clubs of around 5-10 people and invest as a group in the bank and amass a substantial amount of invested wealth). The WIB has a training component whereby women are trained in financial literacy, marketing, operations and other business skills. Introduced are the mentoring and coaching sessions for women.

Effects of the built networks

These strong networks have worked collectively to:

- Establish forums for women to work together as entrepreneurs.
- Perform budget analysis and budget tracking (revenue and expenditure). Budget process, real budget, budget expenditure, and budget tracking have implications for business with a bearing on returns on investment for our members.
- Business Governance: this is where we democratise the way business is done in Uganda. We do this through sensitizing our members on bidding processes, advocating for transparent procurement processes, equity in taxation systems and administration.
- Facilitate participation of women in international events and trade missions.
- Provide an effective forum through which government and donor agencies can consult on 'women in business' issues.
- Provide training in various business skills.
- Establish contacts with women internationally in various business organizations.
- Support grass root women by marketing their products.
- Establish credible leadership and share best practices.
- Encourage some to start their savings and credit schemes.
- Fully participating in promoting private sector development and act as the spokeperson for all organizations promoting women in business.

All obstacles that previously hindered Ugandan business women from progressing were dismantled. These include the inability to borrow due to lack of security/collateral (here some banks have introduced Land Loans for land which can be used as security/collateral, whereby they lend to groups and the group members act as security/ collateral for other fellow members; even unsecured loans have been introduced lately in moderate amounts).

Profile

Olive Zaitun Kigongo

President
Uganda National Chamber of
Commerce & Industry

Olive Zaitun Kigongo assumed her current position as President of Uganda National Chamber of Commerce and Industry (UNCCI) in December 2001. During her Uncci career, Ms Kigongo, a Ugandan National, a business woman; prior to becoming President of Uncci, she is Managing Director – Mosa Court apartments, Managing Director-homes Ltd, Managing Director-global Village investments to date. Outside Uncci she has held high-level positions in key official and private sector organizations including Patron Young Achievers Awards, East African Business Council (EABC), Union of African Chambers of Commerce and Industry, Agriculture and Professions (UACCIAP), World Islamic Economic Forum (IAP), Centre for Arbitration and Dispute Resolution (CADER), Economic Policy Research Institute (EPRC), APRM National Governing Council- (National Planning Authority (NPA), Business, Technical, Vocational Education and Training (BITVET) - National Council for Higher Education (NCHE), and Uganda Red Cross Society (URCS). Ms Kigongo graduated with a BA in interior design, Rhodec International UK. She also has a Diploma in Hotel Management, Utalii College, Kenya.

The Effect of all these efforts

We believe that a vibrant and collaborating community of business members could be established, linking several business opportunities in and outside Uganda, growing and collaborating, transforming lives, communities and the nation.

We have seen the business women very much empowered with knowledge, a variety of skills, information, enhanced confidence levels, local and international market access, ability to handle the Work–Life balance more effectively and profitably, and thereby becoming the main drivers of Growth.

However, Comrades, we are faced with a changing business world driven by knowledge and communication i.e. information and communocations technologies, languages and public relations. What is the status in our countries? We must be ready to hop on the bandwagon. How prepared are our institutions to adapt to these demands from the business world?

In conclusion, as we meet to explore trade and investment opportunities between our countries and nations, I wish to mention that for a long time now, there has been a misconception about women's importance in the world economy. This is evidenced by the very low numbers of women in, for example, CEO positions of trade and business sector firms. Let us join our hands together and get to see a different now and tomorrow for women in business.

WOMEN AND YOUTH: NURTURING THE SPIRIT OF ENTREPRENEURSHIP

Evelyn Mungai
Immediate Past President and Founder
All Africa Businesswomen's Association

Executive Chairman
Speedway Investments Ltd and
Glendale Properties Ltd

When we think of entrepreneurs, do we think only of robust and pushy males? Do we assume that the rough-and-tumble life of a business owner is too much to handle for a 'mere' woman, who couldn't possibly make it in that 'man's world' of survival of the fittest and the fastest? Do women lack the confidence and the boldness that their masculine counterparts possess? And what about young people, whether young men or young women? Are they too immature and inexperienced, too impetuous? Do they still lack the staying power that entrepreneurship demands?

My view is informed by my own history. Let me start by mentioning my great grandmother, Wanjiru, who in early colonial Kenya became a property developer. Clearly she had what it took, and in circumstances that make today's environment appear quite Utopian. As for me, I became an entrepreneur when I was in my late twenties, not too long after our country gained its independence. Those were still very much less women-friendly days than we see today.

Are Wanjiru and I so unusual? If you were to ask me, I would say we are not. I grant you that like so many women she and I were very determined characters, not put off by obstacles that stood in our way. But that is surely true for all entrepreneurs, for those successful in any field, whether women or men, and of whatever age.

I happen to be from a culture that is known for being entrepreneurial. Our people are said to be hard working, not averse to taking risks, and unafraid of setting up businesses for ourselves. Business is, you might say, in our blood, in our culture – it's a very normal thing for us to do. So we just do it. Just as other cultures are renowned for developing successful professors or lawyers or doctors, our reputation is for being practical, down-to-earth, no-nonsense folk. The sort of people who do well in business.

What drives us? I guess it's what drives any business person, male or female, young or old. Some think it's the sheer desire to make money, to accumulate wealth. But of course whereas that's part of it, whereas without sustainability you can't keep going, it's far from the whole story. I once read a study that showed the most important and the commonest characteristic among successful entrepreneurs was curiosity. It's not immediately obvious, but the more I thought about it the more I understood why that was so.

As we entrepreneurs look around us and see what is, it leads us to imagine what is not but might be. We spot gaps and think of them as opportunities. Our curiosity leads us to explore that better possible future, that new way of doing things. We are experimenters and innovators, lobbing new products and services into our markets on the optimistic assumption that people will want to spend their hard-earned money buying them.

But while we are indeed dreamers, we are far from being mere dreamers. We are not the kind to dream merely in our sleep, and we are not among those who die with their dreams unfulfilled. When we dream we are wide awake, carefully worrying about the things that can and will go wrong. And when we have failed to predict accurately – as we invariably do! – we are not put off. We still believe in our dreams, doggedly overcoming obstacle after obstacle, setback after setback. We entrepreneurs keep going long after other more reasonable people would have given up. We need to be deeply unreasonable people, people who defy the laws of gravity and many other conventional wisdoms.

Yet even we know when to eventually call it a day, however late in the night it may by then be. We know when to accept defeat… but only so we can learn from the failure so we can know how to do better with our next venture.

So far then, my thesis is this: when it comes to entrepreneurship, don't think about any special gender or age differences. My great grandmother didn't, and I don't believe I did. I am however very ready to accept that we may be somewhat unusual in having the courage to go it alone, with no boss or protector, just us and the market, us and our competitors.

The question that arises is how we can go beyond that relatively small proportion of the population that naturally emerges as entrepreneurs. How can we nurture that spirit more broadly?

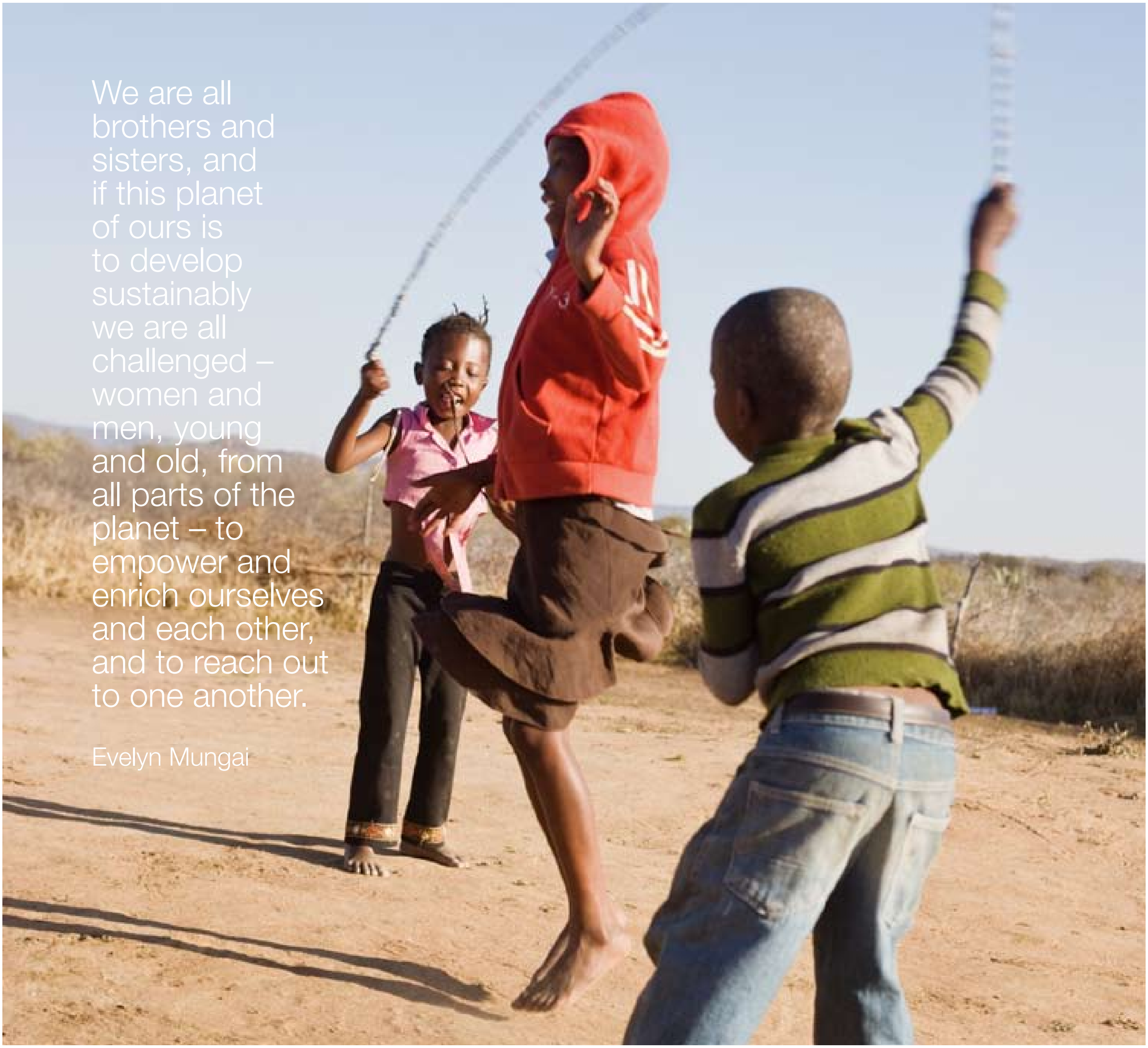
First, how can we do so among young people, for whom there is such a shortage of employed work, and where such large numbers are unemployed? How do we inject all the things it takes to enable someone to stand on their own feet and build a viable business of their own?

It's easy to say the answer is education. But what kind of education breeds the strength of character needed to survive and prosper as an entrepreneur? Above all, I firmly believe it means doing whatever it takes to develop the confidence of our young men and women. Sadly, many of our educational institutions manage the exact opposite. The more years students are subjected to in school the more timid, the more compliant, the more dependent they often become. It is why many of the most successful entrepreneurs are not university graduates – I suppose they've stopped short of over-analysing why good ideas cannot work… and they never developed the expectation of working in a smart office in some safe, white-collared job!

And how do we develop confidence? Not by simply trying to overcome weaknesses wherever we see them; not by hammering poor results and just telling the poor victim to 'pull up their socks'. Rather, there must also be emphasis on helping young people to play to their strengths, and on encouraging and recognising achievement. I should point out that this approach offers the additional benefit of teasing out which characters are more likely to thrive as entrepreneurs and who would do better as researchers or engineers or nurses. For we surely are not saying that everyone or anyone should aspire to an entrepreneurial life. Just more than presently do, and those who are most likely to do well at it, whether male or female.

Here let me recognise Junior Achievement (JA), an organisation that is active in numerous countries, including Kenya. JA works with volunteer professionals from businesses that go into high schools and introduce students to the world of business. The young people not only learn the life skills, not only are they taught the basics of accounting and marketing and other functions, but they are also challenged to come up with a product and selling it. What a great way to find out if entrepreneurial life is for you.

In some societies being an entrepreneur is considered more dignified and prestigious than in others. For a long time the British aristocracy looked down its refined nose at mere 'traders' and those



We are all brothers and sisters, and if this planet of ours is to develop sustainably we are all challenged – women and men, young and old, from all parts of the planet – to empower and enrich ourselves and each other, and to reach out to one another.

Evelyn Mungai

in 'commerce', in direct contrast to their American cousins, whose entrepreneurs have provided great the United States with some of its great role models. (Just like in the US you can proudly state that you're a salesperson, while in Kenya, for instance, you have to call yourself a business development executive!)

With Margaret Thatcher (a grocer's daughter, as it was often pointed out), Britain discovered the spirit and joy of enterprise, and finally lost its Victorian upper-class hang-ups about making profits. The likes of Richard Branson and Alan Sugar – and women like Anita Roddick of Body Shop – became respectable members of the establishment, were honoured with knighthoods and other accolades, and were brought in to advise government mandarins on how to become more businesslike. There is nothing as powerful as such role models to encourage more young people to aspire to a life of entrepreneurship, and these days several members of the British Royal family champion sales on behalf of UK PLC.

Let me now reflect a little more on the special challenges that many women admittedly still face. Yes, more and more of us are taking the opportunity for education for granted. And yes, country after country has introduced legislation that improves our lot, giving us the right to own land, to take out loans and so forth. Yes too, more men are losing their chauvinistic prejudices. But in many parts of the world, and particularly in more conservative rural areas, women are still seen as members of a weaker and altogether inferior gender. The absence of proper rights for millions of women, our distinctly inferior status in society, I must admit, continues to face the 21st century as a major global challenge.

It is only once these basic societal inequities are addressed that we can hope that a larger proportion of potentially suitable women can aspire to becoming entrepreneurs. In cultures where women are seen as mere dependents in the family, where they are deprived of education or confined to the home, there is no chance they can remotely consider a life in business.

For being an entrepreneur inevitably involves circulating in the community, mingling with the market of ideas and products and, above all, people.

Even where women's rights and women's education have come a long way, it's not to say that the path to owning and running a business is assured. Rights and an adequate education offer necessary conditions… but not sufficient ones. So what else must be in place to fill the gap? First, as I have stated before, confidence. And whereas many women have been forced by their circumstances to become extremely tough and resilient, it does not automatically follow that they have developed the self-assurance – the cheekiness, I might add – required to launch a brand new venture out of nothing.

Again though, the power of role models is massive. And today we see more and more successful and celebrated businesswomen, in all parts of the world, among many cultures – including some where women have only recently emerged from living in a much more sheltered environment.

Along with role models, the two other key components of gap-filling are mentoring and networking. Readers of this book do not need me to go into what these entail or why they are vital to the further actualisation of women in society – and not least in what can otherwise be the very lonely life of a businesswoman.

I wish to conclude by appreciating the wonderful ways in which the World Islamic Economic Forum is supporting the global development of women in business. For if the impact of local role models is great, if local mentoring and networking provide powerful support for women entrepreneurs, the significance of inter-regional and inter-cultural mingling is disproportionately greater. In today's global village, there is no stranger, no one whom we can afford to say is from an alien culture. We are all brothers and sisters, and if this planet of ours is to develop sustainably we are all challenged – women and men, young and old, from all parts of the planet – to empower and enrich ourselves and each other, and to reach out to one another.

Some see us living in a world of scarcity, where we must struggle and fight over the inadequate resources available. Such people believe the more others have the less there is for ourselves and our people. But others, and I myself included, believe in a theory of abundance. We know that through partnerships of many kinds we leverage resources, benefitting together from our joint endeavours. We women must partner with other women, but just as much with men too. And we elders in our communities must mentor the next generations, even as we learn from them as inverse mentors. We all have much to offer and much to gain.

In such ways the life of the entrepreneur becomes less lonely, less risky… and far more fulfilling and enjoyable. What great encouragement for more people to join us.

Profile

Evelyn Mungai

Immediate Past President and Founder
All Africa Businesswomen's Association

Executive Chairman
Speedway Investments Ltd and
Glendale Properties Ltd

Throughout her entrepreneurial career, Evelyn Mungai has been a champion for women's economic empowerment. She launched her career in the early 1970s, and established one of the first companies in Kenya to offer recruitment services. She then became the pioneer in the design industry in the region, through the establishment of Evelyn College of Design, which last year celebrated its 33rd anniversary. More recently she has added property development to her business portfolio, and as a Rotarian she is active in rural community development.

She is the Founder and Immediate Past President of the All Africa Businesswomen Association (AABA), an organization which promotes the economic empowerment of women in Africa, and was the first woman member and Vice Chairperson of the prestigious continent-wide organization of leading African businesspeople, the African Business Round Table (ABR), a private sector initiative, body of the African Development Bank (ADB).

She has co-authored a book on women achievements "Kenya Women Reflections" and was a publisher of Presence Magazine for over ten years, a publication aimed at educating and empowering women. In 1993, Evelyn Mungai was awarded the Lincoln University President's Award for Excellence in Business and Finance. In 2006, the President of Kenya recognized her with the Order of the Grand Warrior (OGW), in recognition of her numerous and significant contributions to the country's development.

Chapter two

Banking on finance

The future of financial ethics
Islamic finance post-crisis
The innovation challenge: Developing talent in Islamic finance
The value of Islamic funding: Issues on morality

THE FUTURE OF FINANCIAL ETHICS[1]

Humphrey Percy
Chief Executive Officer
Bank of London and the Middle East

Dr Natalie Schoon
Head of Product Research
Bank of London and the Middle East

The current economic crisis may have led to popular belief that the financial services industry is generally based on exploitation and greed. However, an exploration of economic thought shows that the main principles of finance are derived from the ethical principles surrounding money, usury, private property and justice in economic exchange which have been debated for a long time. In this section, we explore early economic thought, the current crisis and the future of financial ethics.

1 This is an abridged version of sections 3.1, 3.2 and 14.2 of Schoon, N (2009) Islamic Banking and Finance, London: Spiramus Press

1. Early economic thought and financial ethics

In ancient times commercial activities were generally not public enterprises but were actively run by the rulers and other parts of the elite such as the officials of the temples and palaces. The profits did not belong to the public but were typically kept by the elite to enhance their own financial position. The officials of temples and palaces were closely associated with the royals of the time, had good access to information regarding economic opportunities in local and distant markets which they obtained from their extensive network and hence were best positioned to run businesses, although there is evidence of independent merchants who would act either on their own behalf or as agent for King or temple. Most importantly, however, they had access to the capital required to invest in trade and enterprise.

As time went on and trade routes expanded, forms of trade finance developed and, as early as the 13th century BCE, the concept of trade insurance was introduced in Hittite Anatolia and Syria. Anyone killing a travelling merchant was not only obliged to pay compensation, but also to replace the goods he had with him. Partnerships were set-up between neighbouring countries, trade flourished, economies developed and concepts of demand and supply and a just price became important factors.

It is from this time that four interlinked themes started to surface: private property, justice in economic exchange and usury, with money or the value thereof, linking all of these together. These have since been researched by Greek philosophers, theologians and Islamic scholars alike at different times over the past millennia, since economics was deemed to be a branch of ethics which is in turn a branch of theology. Not until after the reformation and the subsequent division of State and Religion did economics become a science in its own right.

Money and usury

During the 4th century BCE, Aristotle was of the opinion that money was a medium of exchange, but did not have an intrinsic value of its own since it was merely a human social invention which has no utility in itself. Following that, it was fairly easy to argue that "a lender of money loses nothing of worth when lending it out".

Although there is no unambiguous basis for the ban on usury in Christianity, in the early centuries CE theologians such as Thomas Aquinas and St Bonaventure argued that the ban on usury was absolute and without exception. The debate on the value of money and usury has preoccupied philosophers and theologians such as Aristotle and Ibn Rushd for many centuries. However, although Christian clerics were prohibited from lending at interest since the 4th century CE, the ban was not extended to the general public until the 12th century, by which time the general perception was that lending at a fixed interest rate was unholy since it resulted in significant social inequality.

The ban on interest did however not end debt finance, it simply made it more complicated and resulted in the application of different structures with the same economic effect.

The change of society away from being largely agricultural, the growth in international trade and the increasing segregation between the State and Religion, resulted in the ban on usury being revisited and by the middle of the 17th century it was generally abolished throughout Western Europe. The onset of the industrial revolution, lead Adam Smith to argue that capital should be seen as a factor of production just like land, labour and building and therefore has a cost or rent associated with it. He did however argue that the return should not be based on usury but should only reflect the risk and any opportunity cost. Within Islam however, the ban on interest is deemed to be absolute and unqualified, a point that is to date still maintained.

Private property

Private property and religion has long been a contentious issue. Within the Abrahamic faiths, property is typically deemed to be owned by God with man having "stewardship" and any property should be made available for public use. Although the same view is to date held by Islamic scholars, the Christian Church amended its position in this respect in the early 5th century CE and began to accumulate significant amounts of property. In the 13th century many theologians started to turn against the riches of the Church and started to insist on vows of poverty. On the other hand, a large number of theologians believed that private property did not have any moral implications but, on the contrary, had positive effects in stimulating economic activity and hence general welfare. This did not mean all private enterprise was endorsed, and purely seeking profit for the sake of it was still considered to be a serious sin. In Islamic economics the notion of stewardship still exists and property should be applied to enhance economic activity.

Justice in economic exchange

Justice in economic exchange deals mainly with the issue of the determination of a "reasonable price", and has long been based on the general perception that profits are acceptable as long as the entrepreneur is not motivated by pure gain and the profit (only just) covers the cost of his labour.

It is however not all that simple. At the time of the Ancient Greeks, Aristotle advocated that "a just exchange ratio of goods would be where the ratio (or price) would be in proportion to the intrinsic worth of each of the goods in the transaction". This implies that no importance is given to demand and supply. The Romans, on the other hand, viewed a just price to be any price agreed between contracting parties, without any consideration for intrinsic value.

During the 12th and 13th century, the consensus under Christian theologians was that the price of a good is determined by its "usefulness" to one of the contracting parties, which again implies the application of demand and supply mechanisms. The just price was accepted as the natural, exchange-established price. Eventually the view that in a competitive market, buyers and sellers will not transact at a price that is not acceptable to either one of the parties, became generally accepted.

2. Modern economics and financial ethics

Modern economic theory starts in 1776 with Adam Smith and his epic tome "An Inquiry into the Nature and Causes of the Wealth of Nations" in which he builds further on early economic thought. Smith identifies several factors of production beyond pure labour such as land and capital. This is more or less a direct result of the Industrial Revolution which led to a shift from largely agricultural societies to societies focussed on trading and production. Capital becomes an important factor of production and Smith recognises that there is a cost associated with its use. At the same time, State and Religion started to become more and more segregated due to which the influence of the church on the economy significantly reduced. Smith strongly believed in the invisible hand which guides the free market and demonstrates how self-interest encourages the most efficient use of resources in a nation's economy with public welfare being a by-product. His free market concept and demand and supply theories laid the basis for current economic thinking which in addition focuses on principal-agent problems, utility functions and market efficiency governing the balances in micro and macro economics. All economics questions arise because people, companies and governments want more than they can get. Within economics, this inability to satisfy all wants is called scarcity. As a result, every entity in an economy is continuously faced with the question of utility, or on what do we spend our (limited) resources.

In modern economics, demand and supply govern the price of a goods. Increasing globalisation heavily impacts the price at which some goods become available and profitability guides the majority of enterprises. "Justice in economic exchange" is still a basic principle underpinning demand and supply theories. Outsourcing of services and the production of goods to low cost overseas locations is a good example of this. Within the overall economy, banks have a specific function which is associated with the provision of financial services. For conventional banks, this translates into the provision of a financial intermediary function and to extend investment expertise to clients.

3. The future of financial ethics

Socially responsible investing, also known as sustainable or ethical investing, encompasses an investment strategy that seeks to maximise both financial return and socially responsible or ethical behaviour. Faith and conscience are probably the most important factors for individuals to make ethical investment decisions, and generally, socially responsible investors favour investments that promote environmental stewardship, consumer protection, human rights and diversity.

In addition, some investors actively avoid investing in any businesses that are involved with alcohol, tobacco, gambling, and weaponry and defence. Highly leveraged investments are also avoided since these generally involve an element of interest income or payment. These principles underpin Islamic Finance, but equally apply to ethical investments and are typically also adhered to by credit unions and building societies. The industries that individual investors wish to avoid will depend on their individual preference and view on ethical investments.

As a direct result of the current financial crisis which started in September 2008, there is a renewed interest in financial ethics and social responsibility of financial institutions, and there is certainly an expectation that financial ethics and the adherence to basic principles associated with these will warrant a much larger role in financial regulation in the future.

Profile

Humphrey Percy

Chief Executive Officer
Bank of London
and the Middle East

Humphrey joined BLME in August 2006 as Chief Executive Officer. Humphrey has more than 30 years of banking experience focusing on treasury and global markets and during his career to date has worked at J. Henry Schroder Wagg, Barclays Merchant Bank, Barclays de Zoete Wedd and West LB where he held positions including CEO, Managing Director, General Manager, and Head of Global Financial Markets. Humphrey is experienced in building new functions and product areas, and has managed start up businesses within both BZW and West LB as well as founding his own business in 2002.

Profile

Dr Natalie Schoon

Head of Product Research
Bank of London
and the Middle East

Natalie joined BLME in April 2007 as Head of Product Research. Prior to this Natalie was at Barclays Capital where she worked as a senior consultant on the Basel II programme. Natalie has worked in international financial organisations such as ABN Amro and Gulf International Bank. She began her career in Islamic Finance whilst working in Bahrain, Kuwait and Dubai during the 1990s. Natalie holds a PhD in financial analysis (thesis subject: Residual Income Models and the Valuation of Conventional and Islamic Banks) and is an accredited trainer for the Islamic Finance Qualification which she teaches globally.

ISLAMIC FINANCE POST-CRISIS

Noor Ashikin Ismail

Senior Analyst
KFH Research Limited, a wholly-owned subsidiary of Kuwait Finance House, Kuwait

In less than a decade, the Islamic Finance industry has evolved to become an essential part of the international financial system. Islamic assets are estimated to have grown from USD150 billion in the mid-1990s to around USD1 trillion in 2009. The tremendous growth has been mainly driven by abundant liquidity flows from the recycling of petrodollars, encouraging demographics, as well as the active role played by some jurisdictions around the world to promote the development of Islamic financial markets in their respective countries. Islamic financial institutions have also started to tap new growth opportunities in other regions and form cross-border linkages. Given that Islamic Finance has become part of the global financial system, several countries are now in the race to become Islamic financial hubs, including established financial centres such as London, Hong Kong, and Singapore.

Islamic Banking

Islamic banks have been largely shielded from the US subprime and structured credit crisis, given the following reasons:

- The ban on interest. Any predetermined payment over and above the actual amount of principal is prohibited, as interest (or the intrinsic value of the money) is deemed unlawful by Shariah.
- The ban on uncertainty or speculation. Uncertainty in contractual terms and conditions is forbidden. However, risk taking is allowed when all the terms and conditions are clear and known to all parties.
- The ban on financing certain economic sectors. Financing of industries such as weapons, pork, and gambling is deemed unlawful by Shariah.
- The profit- and loss-sharing principle. Parties to a financial transaction must share in the risks and rewards attached to it.
- The asset-backing principle. Each financial transaction must refer to a tangible, identifiable underlying asset.

However, the sector is not totally insulated from the crisis. The indirect effects of the global financial crisis to Islamic banks include the drying up of interbank liquidity market and declining investment banking revenues. The reduction in global liquidity has reduced the ability of banks to raise financing in international capital markets. New sukuk issuances were either delayed or priced slightly higher to reflect rising debt volatility, the slight drop in investor demand, as well as concerns over sukuk defaults. Despite this, the Islamic Banking sector has been able to maintain stability owing to ample liquidity, safer debts (backed by an underlying asset) and relatively high profit margins. Islamic banks seemed to be more resilient to the ongoing crisis than their conventional counterparts because direct investment in subprime assets and its derivatives is prohibited.

The awareness of Islamic Banking has increased after the recent financial crisis. Given the volatility of the financial markets, more individuals and corporations have started to invest in Islamic Banking and Shariah-compliant products.

This is due to Islamic banks' lower risk profile, given that it is more difficult for Islamic financial institutions to use leverage, as well as the conservative approach to financing as the risks are shared with the investor. We expect the value of assets managed by Islamic banks to grow to USD4 trillion by 2020, as the world's Muslim population grows larger and as more non-Islamic jurisdictions around the world warm up to the concept of Islamic Banking.

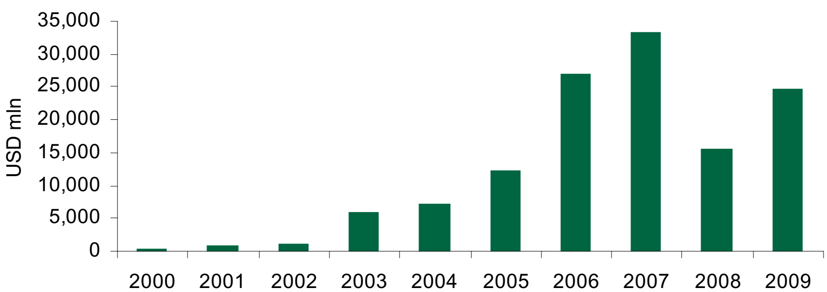
Sukuk

The sukuk market was not spared from the effect of the global financial crisis. After expanding robustly in 2007, the sukuk market experienced a marked slowdown in 2008 and 1H09 due to the following reasons:

- Challenging market conditions and drying up of liquidity
- Wide credit spreads and shortages of USD funding in issuing countries
- Challenging economic environment in the GCC countries, particularly in the UAE

Nevertheless, as overall market conditions improved, the primary sukuk market rebounded in 2H09. Third quarter issuance was up by 162.5% year over year, and 61.9% quarter on quarter, to USD8.8 billion, followed by a strong issuance of USD8.1 billion in 4Q09. These were in comparison to USD2.2 billion in 1Q09 and USD5.5 billion in 2Q09. For 2009, total global sukuk issued amounted to USD24.6 billion, 60.1% year over year, higher than the USD15.3 billion raised in 2008.

Global Sukuk Issuance Trend (2000-2009)



Source: Zawya, S&P, IFIS, Bloomberg, KFHR

For 2010, we project global sukuk issuance to continue its upward trend, given the strong pipeline of around USD50 billion, characterised by the following:

- 2010 sukuk market will be driven by the recovery in global economic activities, low interest rates, continued sovereign fund raising to support economic growth as well as revival of private sector projects.
- We expect more sovereign issuers in 2010, which include potential debuts from Japan, Hong Kong, Thailand, Australia, Kazakhstan and Russia.
- Sovereign sukuk issuances are expected to help to revive the global sukuk market as they provide the necessary benchmark pricing for the private sector to gauge investor appetite in 2010.
- We also expect increased participation from conventional investors. For instance, the UAE's Ras Al Khaimah's 5-year USD400 million sukuk issued in 2009 was distributed to the Middle East (47%), Asia (34%) and Europe (19%).

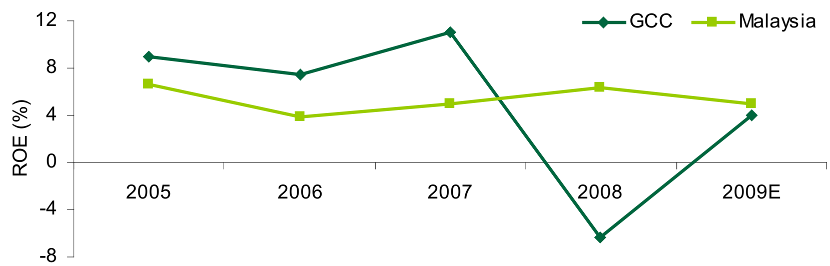
Long-term prospects for the sukuk market are expected to remain strong, given increasing popularity of Shariah-compliant products, the governments' support for Islamic Finance, huge investment and financing requirement in the GCC and Asia, and issuers' desire to tap investors from the Middle East and Muslim Asia. In addition, sukuk is still far superior as compared to conventional bonds, underpinned by the following factors:

- Fairness and transparency. The financier and customer share the risks and rewards based on an agreed profit-sharing ratio. The roles and responsibilities of the parties to a contract are also explicitly disclosed and transparent.
- Asset-backed transactions. Islamic financial transactions must be backed by an underlying tangible asset or legitimate productive activity. This discourages over-exposure of the financing facility beyond the value of the underlying asset, and hence provides continuous security to the investors.
- Ethical investment. Islamic Finance prohibits the charging or paying of interest, and imposes restrictions on unethical and speculative financial activities.

Takaful

Takaful companies have been largely protected from the direct impact of the global financial crisis, as they are mainly located outside the areas that are most affected by the crisis. However, given that takaful companies form part of the global insurance industry and rely on global reinsurance pricing, they are not totally immune from the crisis. The indirect impact on the takaful operators is mainly in terms of lower returns-on-equity which negatively impacted the policyholders' fund and caused takaful operators to lose additional income. The GCC experienced a sharper decline as compared to Malaysia, given that equities formed the second largest asset component of the takaful companies.

Average Return on Equity for a Sample of GCC and Malaysian Takaful Operators



Source: Ernst & Young

Note: In the case of Malaysian takaful companies, high dominance of investment accounts produced a lower but relatively stable rate of return as compared to other asset classes. The GCC takaful companies, on the other hand, invested large amount in asset classes that produced higher rates of return but with higher risks, such as equities.

Nevertheless, the global financial crisis is expected to bring some positive outcomes to the takaful industry. As international insurers implement more discipline in pricing, this is expected to have a positive impact on Muslim markets, which will benefit takaful companies directly. Given the dynamism and vitality of Islamic banks, we expect the takaful industry to continue to grow moving forward. Expect the takaful industry to benefit from the recovery of sukuk and equity markets. The release of Islamic Financial Services Board's (IFSB) Guiding Principles on Governance for Takaful (Islamic Insurance) Undertakings in Dec 09 is expected to result in a robust corporate governance framework and lead to further transparency and clarity in this industry.

The longer-term outlook for the industry is expected to remain positive, given that takaful is a viable alternative to conventional insurance for the world's 1.5 billion Muslims. Growth of the industry will also be supported by strong demographic growth, increased awareness, rising income levels and a growing desire to consume Shariah-compliant products. The takaful market is expected to increase from USD550 million in 2000 to USD7.5 billion by 2015, underpinned by the growing Muslim middle class worldwide and relatively low insurance penetration rate. The potential for takaful is therefore enormous, given that insurance penetration in most Islamic countries does not exceed 2% of GDP, as compared to 12.4% in the UK, 9.4% in the US, and 2.8% in emerging markets.

Conclusion

As market conditions begin to improve, expect investors, both international as well as regional, to increasingly look for Shariah-compliant investment opportunities which are more transparent and ethically structured, and hence reduce the risks that caused the financial crisis and the collapse of major banks. We expect to witness growth and development of new and innovative ways of investment products.

However, given that Islamic Finance is closely linked to the real sector, unexpected adverse developments in the real sector may adversely affect business activities and the performance of Islamic banks. Risks to the Islamic Banking sector include high exposure to assets, which underlying value, credit quality and liquidity are uncertain (namely real estate). It is therefore crucial for Islamic financial institutions to have in place effective and good governance practices, strengthen their risk management systems and manage their investment portfolio diligently for the industry to remain resilient in trying times.

Overall, we believe that the potential for Islamic Finance far outreaches the global crisis and has vast opportunities to grow further, given the following factors:

- Strong demand for Shariah-compliant products and investments point to immense potential for further growth of the industry.
- Encouraging demographics and the proactive measures taken by jurisdictions worldwide to promote the development of Islamic Finance.
- Industry growth will be strengthened further by improvements in the Islamic Finance industry architecture, development of government-backed Islamic financial centres as well as greater awareness and global technological development.
- Government-linked/ top tier companies in the Middle East and emerging Asia (financial, real estate, oil & gas and transport sectors) are looking for funds on the back of massive infrastructure and construction projects in the regions.
- By 2020, the total Muslim population would have increased to an estimated 2.5 billion from 1.5 billion currently.

“The longer-term outlook for the industry is expected to remain positive, given that takaful is a viable alternative to conventional insurance for the world’s 1.5 billion Muslims. Growth of the industry will also be supported by strong demographic growth, increased awareness, rising income levels and a growing desire to consume Shariah-compliant products. The takaful market is expected to increase from USD550 million in 2000 to USD7.5 billion by 2015.”

Profile

Noor Ashikin Ismail

Senior Analyst
KFH Research Limited,
a wholly-owned subsidiary of
Kuwait Finance House, Kuwait

Noor Ashikin Ismail is a Senior Analyst at KFH Research Limited, a wholly-owned subsidiary of Kuwait Finance House, Kuwait, one of the world's largest Islamic banks. She is one of the pioneer members of the global Islamic research house. She undertakes research and produces reports on the global Islamic finance industry, namely the Islamic banking sector, Islamic bonds or sukuk, as well as potential markets for Islamic finance. Prior to this, she was attached to Cagamas Berhad, Malaysia (National Mortgage Corporation) and garnered broad experience in various areas of the Company's activities including product development, treasury, and corporate planning and strategy. She has written numerous papers and articles for various journals and organisations (such as World Bank) on Cagamas' experience in developing a secondary mortgage market in Malaysia. Noor Ashikin holds an MBA (Finance) from the University of Western Sydney, Australia and a BA (Hons) Economics from the University of Manchester, United Kingdom.

About KFH Research

Established in 2007, KFH Research Ltd is the world's first Islamic investment research arm to be established by an Islamic Bank. A direct subsidiary of Kuwait Finance House, KFH Research plays a crucial role in linking the Gulf Cooperation Council countries with the rest of Asia and other emerging Islamic financial markets. The research house produces a wide range of publications which covers an analysis of macroeconomic and sector trends, country-specific issues and trends, currency movements, commodities, developments in Islamic capital markets as well as sovereign and investment products. Our award winning research has won the following awards:

- Best Research in Islamic Finance, Master of Islamic Funds Award,
  Islamic Fund World 2007
- New Provider for Islamic Finance Research, KLIFF 2008 Islamic
  Finance Awards
- Best Islamic Research Company, Islamic Finance News Awards Poll 2008
- Contribution to Research in Islamic Finance 2009, International Islamic Finance Forum Dubai
- Best Islamic Finance Research House, The Asset Triple A Awards 2009
  Islamic Finance
- Best Islamic Research Company, Islamic Finance News Awards Poll 2009

THE INNOVATION CHALLENGE: DEVELOPING TALENT IN ISLAMIC FINANCE

Dato' Agil Natt
President and Chief Executive Officer
The International Centre for
Education in Islamic Finance

"Islamic finance has become a viable and competitive form of financial intermediation that has been able to meet the differentiated requirements of our economies. In an environment of rapid change, a key factor that will influence the future prospects of the Islamic financial services industry will be the investments to build the foundations on which further progress can be achieved. Investing in the future, in research and development and in the development of talent and expertise will be the differentiating factor that will contribute to the effectiveness, resilience and competitiveness of the industry."

Tan Sri Dr. Zeti Akhtar Aziz
Governor of Bank Negara Malaysia and the Chairman & Chancellor of INCEIF

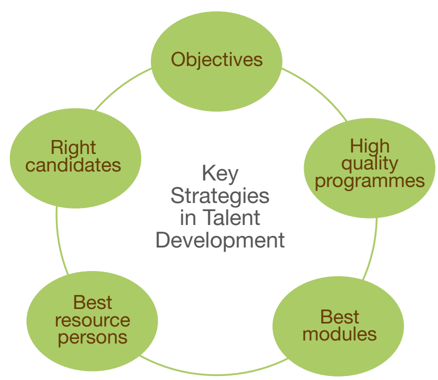
A highly qualified and skilled pool of talent in Islamic Finance: Key driving factor

The fast pace of innovation in global financial services in general and for the Islamic financial services sector in particular, will demand a rapid and continuous infusion and upgrading of skills. Historically, Islamic Finance has sourced professionals from conventional bankers and practitioners. If the strength of the Islamic financial services industry is to be sustained, there is a strong need to have a new breed of professionals who not only understand the Shariah, but also modern finance and the practical aspect of the business.

With the firm commitment to build human capital, the challenge is to formulate the appropriate strategies and mobilise the resources necessary to produce results that will enhance the intellectual capital of the industry. This will require the combined efforts from all stakeholders and involve a holistic approach that coordinates the strategies for human resource management and reinforced by strategies for organisational development. This will also involve putting in place the appropriate processes and structures.

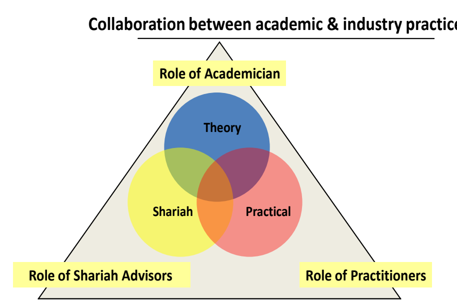
Framework for human capital development in Islamic Finance

Islamic Finance education essentially is not exclusively the domain of Muslims only. Shariah in particular, propagates intrinsic principles which are in line with universal values that are inclusive and not exclusive in nature. In any effort towards human capital development or capacity building for any organisation there are specific strategies that need to be observed. These specific strategies include:



The principle objective of the talent development programme is to produce the required number of talent supply, in Islamic Finance, that is truly qualified to perform the various tasks expected in the global Islamic financial services industry. Secondly, it would also be meaningful to leverage the talent development programme in order to establish a leading training, educating and research institution in the Muslim world, instead of confining to the limited task of churning the required number of personnel in Islamic Finance.

Thirdly, it should also be useful to develop a very authoritative reference point for all Islamic Finance issues, especially in ensuring the Shariah–compliant nature of products and overall operations and processes of the Islamic Finance institutions. This is indeed very necessary if we are to produce Islamic Finance personnel who will be acceptable to all parties globally.



In any talent development endeavour, where a huge number of qualified people are to be churned out within a short period, the quality of talent development programme must be very high indeed. There should not be any compromise in terms of standards and quality of training. Over and above the acquisition of skills and competencies, it is of paramount importance in this instance, to inculcate in the trainees, a very positive attitude and strong commitment towards developing the Islamic financial services industry comprehensively and in a structured manner.

The right mix of modules and syllabus is essential to produce the kinds of skills, competencies and attitudes of the candidates. The programme design should be buttressed by Islamic Ethics and Values that form the foundation for the whole talent development programme.

The body of knowledge then is built upon those aspects of Shariah that are relevant to Islamic Finance. This foundation is further strengthened by the core or hard knowledge of economics, finance, banking, takaful and management. Once the candidates have gone through the foundation and the core subjects, they are provided with the skills and competencies that are most currently needed by the industry. It is to be noted that issues pertaining to Islamic Ethics and Values as well as Shariah will continuously be pursued from the beginning till the end of the programme. It is highly recommended that the curriculum contains all these elements so as to have a good balance between the various concepts which are well treated academically, combined and integrated with the technical and professional elements as practised in the industry. This combination is essential to ensure that candidates are industry ready the moment they complete the programme. Whatever talent development programme that will be required in the future will be more of an improvement or advancement in nature to ensure currency of knowledge of the candidates.

The resource persons or teachers on the other hand, should be well tested. They must have excellent track records in education and training so that we can be very certain of obtaining the desired outcome of such training. The most ideal would be having resources that are well-versed in the academic and conceptual knowledge as well as having rich industry experience. The acute shortage of such resources may require a good mix of expertise from the academia as well as industry. Expertise with industry experience is very essential indeed to provide the trainees with the required industry practices. Indeed, to ensure that there will be excellent trainers in the required numbers there may be a need to have a special programme for resource persons (train the trainers programme). By having such programmes, the acute shortage of well-trained resources could be reduced if not overcome.

The selection of candidates to be trained must be those suitable for the task. They must not only have the potential to acquire the required skills and competencies but more importantly the right attitude towards performing the required task in the right and most efficient way. This is essential because the old adage "People are the most important asset" is so wrong. People are not the most important asset. The right people are. In this particular case the candidates to be accepted for training must be those who are sincerely committed towards understanding and appreciating the relevant Shariah principles in order to fully implement them in their future tasks.

These candidates should have obtained a first degree in any field of study. Industry experience has shown that background in relevant fields such as Economics, Banking, Finance, Accounting, Shariah, or Law can be an advantage but not essential. In some cases they can be a disadvantage because they tend to refuse to unlearn what they have learnt. What is more important is their ability to understand the concepts and perform the required tasks. Indeed the most important is that the candidates must have the right type of attitude in tandem with the demands for the Islamic Finance industry. By allowing admission of graduates from all disciplines, this will certainly enrich the Islamic Finance industry in the future. The industry is one of service in nature and hence would require a tremendous amount of interpersonal skills to attract customers as well as to be competitive in the future global market place.

In a highly globalised financial market, research and innovation are equally important as the key differentiating factors to remain competitive. Research in Islamic Finance has traditionally been driven by industry and business needs, and less attention has been paid to developing a comprehensive analytical framework based on the economic principles of Islam[1].

It is important to have financial innovation that adheres to the requisite principles of Shariah. In this manner, Shariah-based innovation would contribute towards sustainability of the industry with Islamic financial products that have distinct value propositions with in-built strengths. To achieve this objective, it is important to have strong initiatives that promote Shariah-based innovation in Islamic Finance. In Malaysia, the establishment of the International Shariah Research Academy for Islamic Finance (ISRA) is aimed at engaging in Shariah-based applied research in Islamic Finance. In this regard, synergies between academia and practitioners can provide a platform for greater engagement focusing on applied research.

1. New Issues in Islamic Finance & Economics, Progress & Challenges (2009, Wiley Finance) by Hossein Askari, Zamir Iqbal and Abbas Mirakhor.

Leveraging on Malaysia's talent development solution in Islamic Finance

The establishment of the International Centre for Education in Islamic Finance (INCEIF) thus comes from the recognition of this need to invest in human capital to advance the industry forward to greater heights. Bank Negara Malaysia has allocated an endowment fund of RM500 million for this purpose. The objective of INCEIF is to produce high-calibre practitioners and professionals in Islamic Finance as well as specialists and researchers in the disciplines of Islamic Finance. INCEIF will leverage on the wealth of experience of the Islamic Finance industry, both in Malaysia and abroad, to provide its graduates with value added insights and perspectives, in particular for their research programmes. Malaysia's experience in Islamic Finance for over two decades will also provide a training environment, including internships for developing Islamic Finance professionals.

In meeting this objective of providing a total talent management solution for the Islamic financial services industry, INCEIF continues to offer the world's first professional certification on Islamic Finance, the Chartered Islamic Finance Professional (CIFP) programme. The CIFP modules offered have been designed by renowned experts in their respective fields and have been developed in full consultation with local and international industry players in order to ensure their relevance to the requirements of the industry. INCEIF also offers post-graduate programmes in Islamic Finance that will include specialised Masters and Ph.D. programmes in the various Islamic Finance disciplines. To date, there are 1339 number of registered students from 64 countries including the United Kingdom, France, Bahrain and Qatar as well emerging economies like Kazakhstan and South Africa.

Conclusion

The growth of Islamic Finance is expected to accelerate further in line with the increased global expansion in demand for Shariah-compliant financial products and services. To sustain and support the future growth of the industry, one of the important prerequisites is the development of the talent and expertise that is needed to drive innovation and to raise the performance of the industry to greater heights.

Profile

Dato' Agil Natt

President and Chief Executive Officer
The International Centre for
Education in Islamic Finance

Dato' Agil is the President and CEO of the International Centre for Education in Islamic Finance (INCEIF). Set up by Bank Negara Malaysia, INCEIF is expected to address the global need for human capital in the Islamic financial services industry through its Chartered Islamic Finance Professional, Masters and PhD programmes.

Prior to joining INCEIF, he was the Deputy President and Executive Director of Malayan Banking Bhd, Malaysia's largest banking group. His long and illustrious career with the Maybank Group comprised of Chief Executive Officer and Director of Aseambankers Malaysia Bhd and Head of Investment Banking Group in Maybank. He was also instrumental in setting up an Islamic capital markets unit and a research arm. From 1990 to 1995, he was the Regional Chief Representative of Kleinwort Benson Ltd, overseeing activities in Malaysia, Indonesia and Thailand.

"The establishment of the International Centre for Education in Islamic Finance thus comes from the recognition of this need to invest in human capital to advance the industry forward to greater heights. Bank Negara Malaysia has allocated an endowment fund of RM500 million for this purpose."

THE VALUE OF ISLAMIC FUNDING: ISSUES ON MORALITY

Datuk Mohamed Azahari Kamil
Chief Executive Officer
Asian Finance Bank Berhad

What are the values attached on which Islamic Banking is developed? Its basic principle regards prohibition of Riba ("usury" or "interest"), which is founded on concepts of simple morality and common sense and these principles are universal to the non-Islamic reader as well for usury was forbidden in both the Old and the New Testament of the Bible, even Shakespeare and many other literary greats vented themselves against this cruel practice. These have been the basic principles of Islamic Banking right up to modern times, when, in a structured way, the banking systems put the essence represented by religious creeds into practice, applying it to the financial world.

Islam prohibits giving and taking of interest, no matter if the loan is in the form of money or commodities; regardless of the purpose - for meeting consumption needs or for production; whether the loan comes from a person or an institution like a bank and whether the interest is charged at a simple rate or on a compounding principle. For the faithful, this is a good enough reason to avoid transactions involving interest as submission to their belief.

Thus, Islamic Banking is expected not only to avoid interest-based transactions, prohibited in the Islamic Shariah, but also to avoid unethical practices and participate actively in achieving the goals and objectives of an Islamic economy.

The word “morality” comes from the Latin word moralitas meaning “manner, character, and proper behaviour”. Morality generally refers to a code of conduct, that an individual, group or society hold as authoritative, in distinguishing right from wrong.

Islam as a comprehensive way of life encompasses a complete moral system that is an important aspect of its world-view. Islam holds that moral positions are not relative, and instead, defines a universal standard by which actions may be deemed moral or immoral, as Islam’s moral system also guides the human race in how to achieve it, at both an individual as well as a collective level.

Islamic worldview encompasses both the al-dunya and al-akhirah. in which the dunya aspect must be related in a profound and inseparable way to the Akhirah-aspect, in which the latter has the ultimate and final significance. Hence in performing ibadah one must also do the best in their work in this world without implying any attitude of neglect or being unmindful of the dunya aspect. In this respect, the Islamic economic system is based on keeping in view certain social objectives for the benefit of human beings and society. This is through its various principles which guides human life and ensures free enterprise and trade.

An Islamic banker would thus have to also be concerned with the moral implications of the business venture for which money is advanced. He has a much greater responsibility as the very fundamental concept of the Islamic financial system is the relation of investors to the institution as partners whereas that of conventional banking is that of creditor-investor. In a partnership arrangement, the bank acts as a co-owner of the borrower’s house or, in the case of a business loan, a partner in the client’s business, thus it is imperative that in the bank’s interest that the business succeeds or that the house is not foreclosed upon. Islamic Finance must look for other ways to help borrowers rather than squeeze them.

The capital mobilization and allocation of funds in the Islamic perspective must adhere to the values ordained by Allah through the Quran and Sunnah as the main source whilst the function of reason and experience help in making an economic decision. Islam stresses on equality and justice in all aspects, in short, Islamic business is governed by Divine principles covering values such as fairness, equality and morality dating back over a thousand years.

Islamic economics is a study of choice; Allah has stocked the resources in earth and heavens available in unlimited quantity. The limitation for mankind is the knowledge to explore the resources, methods of obtaining them and their usage – extravagance and wastage. When the resources are scarce, the choice must be made on priority and obligatory goods and services, which in Islamic economics, faith provides the rules of the game in any decision making of economic activities. Thus, an individual not only lives for himself, but his scope of activities and responsibilities extend beyond himself to the welfare and interests of society at large. There are basically three components of an Islamic economic paradigm:

1. That as vicegerent, man should seek the bounties of the land that God has bestowed on humanity (Quran 33:72). From the wealth thus obtained, he should enjoy his own share.
2. That he should be magnanimous to others and use a part of the wealth so obtained also for the benefit of his fellow-beings.
3. That his actions should not be wilfully damaging to his fellow-beings

Morality in Islam addresses every aspect of a Muslim's life, from greetings to international relations. It is universal in its scope and in its applicability. A Muslim's good moral behaviour is an attribute that the Prophet Mohammad (SAW) possessed. His teaching illuminates the lives of the people with the right virtue and good manners, to create in them brightness of character and to fill their laps with the pearls of good conduct. As such the value of morality in Islam is very high. The Prophet (SAW) said: "That on the Day of Judgement there will be nothing weightier in their balance than their good moral character". The Qur'an in Surah Al-Baqarah, verse 177 emphasized the belief that righteousness and piety is based, before all else on a true and sincere faith: "It is not righteousness that ye turn your faces Towards East or West; but it is righteousness- to believe in Allah and the Last Day, and the Angels, and the Book, and the Messengers; to spend of your substance, out of love for Him, for your kin, for orphans, for the needy, for the wayfarer, for those who ask, and for the ransom of slaves; to be steadfast in prayer, and practice regular charity; to fulfil the contracts which ye have made; and to be firm and patient, in pain (or suffering) and adversity, and throughout all periods of panic. Such are the people of truth, the Allah-fearing."

The key to virtue and good conduct is a strong relation with God, who sees all, at all times and everywhere. He knows the secrets of the hearts and the intentions behind all actions. Therefore, Islam enjoins moral behaviour in all circumstances be it in worship or muamalat activities (financial transactions); God is aware of each one when no one else is. It may be possible to deceive the world, but it's not possible to deceive the Creator.

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4. Contribution of the Islamic worldview towards corporate governance, 2003-2004
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6. Morality and Ethics in Islam, 2009

"Morality in Islam addresses every aspect of a Muslim's life, from greetings to international relations. It is universal in its scope and in its applicability."

Profile

Datuk Mohamed Azahari Kamil

Chief Executive Officer
Asian Finance Bank Berhad

Datuk Mohamed Azahari, 48, graduated from the Institut Teknologi Mara (UiTM) in Shah Alam with a Diploma in Banking in 1980 and subsequently obtained his BBA (Finance) from the Western Michigan University in 1982. He obtained his MBA (Finance) from the Central Michigan University in the US in 1984.

He started his career with the Malaysian French Bank in 1984 as a Credit and Marketing Officer, after which he joined Malaysian Industrial Development Finance Berhad in 1985 as a Project Officer. In 1988, he joined MIDF Corporate Consultancy Services Sdn Bhd as a Manager, Public Issues and Marketing. From 1989 to 1992, he was attached to Bapema Corporation Sdn Bhd as a Senior Manager, Investment and Corporate Planning. From January 1993 to May 1993, he was the Assistant General Manager of Business Development for Island and Peninsular Berhad. From June 1993 to March 1994 he was attached to Kimara Equities Sdn Bhd as an Executive Director, after which he joined PB Securities Sdn Bhd in April 1994 as a Corporate Institutional Dealer until October 1994.

In November 1994, he established JMF Asset Management Sdn Bhd assuming the role of Managing Director. In September 2005, Amanah Raya Berhad acquired 70% of JMF-Asset Management and Datuk Mohamed Azahari was appointed Managing Director of the newly-formed entity AmanahRaya-JMF Asset Management Sdn. Bhd. In June, 2008, Datuk Mohamed Azahari took on the role of Managing Director and Chief Executive Officer of AmanahRaya Investment Bank Ltd, Labuan. Thereafter, Datuk Mohamed Azahari is the first Malaysian to be appointed as Chief Executive Officer of Asian Finance Bank, the third foreign Islamic Bank, on August 20, 2008.

Chapter three

Resources today and tomorrow

THE PROMISE OF BIOTECHNOLOGY: INVESTING IN THE FUTURE

Sheriffah Noor Khamseah Al-Idid

Former Special Officer
to the Science Advisor,
Prime Minister's Department,
Malaysia and Innovation Advocate

"America gets more than half its economic growth from industries that barely existed a decade ago - such is the power of innovation, especially in the information and biotechnology Industries."

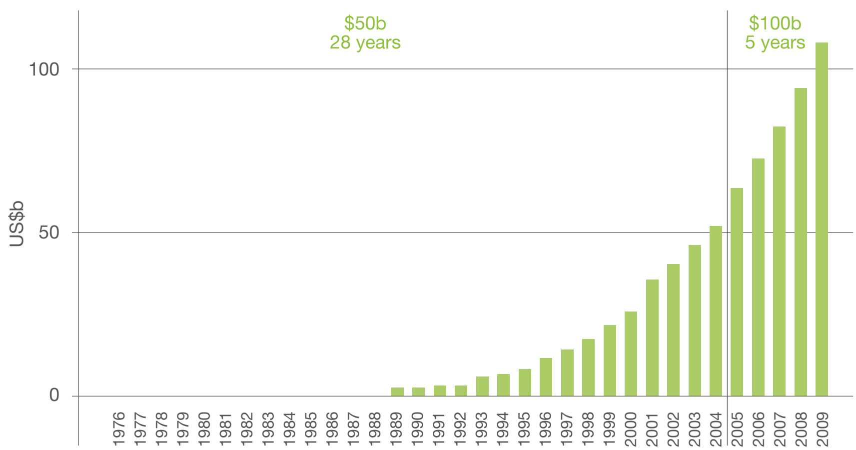
The Economist, April 2001

A Business Case for Biotechnology – A Multi-Billion Dollar Business

US$89.7 billion revenue was charted by publicly traded biotech companies in 2008, a growth of 12% from the previous year, of more than US$80 billion in 2007. This update was released by Beyond borders: Global Biotechnology Report 2009, launched at the annual BIO International Conference, BIO 2009 held in Atlanta, USA. This report charts the development of the industry in the prior year, 2008, as well as key trends. Revenue was US$73.4 billion in 2006, US$63.1 billion in 2005 and US$54.6 billion in 2004. The biotechnology sector is expected to become a US$100 billion industry before 2010. (Fig 1a)

Fig 1a: Global Biotech Revenues from 1989 - 2009

Biotech is on track to become a US$100 billion industry by the end of the decade



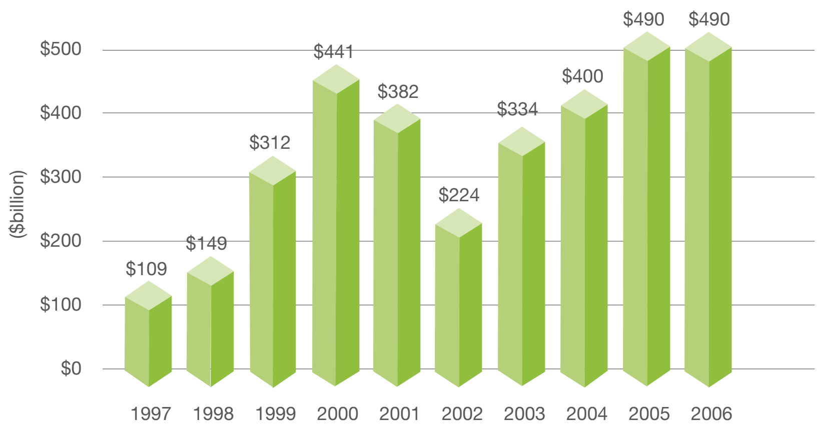
Source: Ernst & Young. Forecast assumes 14 percent annual growth rate and no major acquisitions of biotech companies.

The US continues to trailblaze the biotech sector generating US$66.13 billion, an equivalent of 73.8% of the total biotech revenues in 2008, followed by Europe with revenues of US$16.5 billion (18.4%), Asia-Pacific US$4.97 billion (5.5 %) and Canada US$2.01 billion (2.2%).

A Business case for Biotechnology – Large Market Capitalization

In comparison to other economic sectors, biotechnology has achieved astounding market capitalization (see Fig 1b). The US biotech market cap increased from US$109 billion in 1997, and after dipping slightly in 2001 and more in 2002 had surged to US$500 billion in 2007 for the first time in its history, setting this new mark on 17 April, 2007.

Fig 1b: Historical Biotech Market Capitalization 1997- 2006



Source: Burrill & Company

In view of the significant revenues generated by well as the enormous market capitalization of biotechnology companies, there is thus tremendous business and economic imperatives for Islamic companies and nations to venture and invest in biotechnology, and in particular for governments of Islamic nations to strive to develop and promote a vibrant ecosystem that supports biotechnology business and industry comprising agricultural biotechnology, medical/health biotechnology, industrial and environmental technology. In Europe these sectors are respectively referred to as Green Biotech, Red Biotech and White Biotech.

The Socio-Economic Case for Biotechnology

The biotechnology sector, a multibillion dollar global industry, continues to arrest the attention of government, industry and investors, globally and nationally. Although it is high risk in nature and is capital-intensive, biotechnology offers the potential of creating new jobs, new companies and enhancing economic growth for nations and governments as well as attractive high returns on investments for businesses and investors. In addition to economic growth, world leaders are also turning to biotechnology to address other basic issues. With the global population expected to escalate to 9 billion by 2050, many are turning to solutions promised by biotechnology to address global shortages of food, energy and clean water. Additionally governments are also investing in biotechnology to help offset rising healthcare costs driven by aging populations.

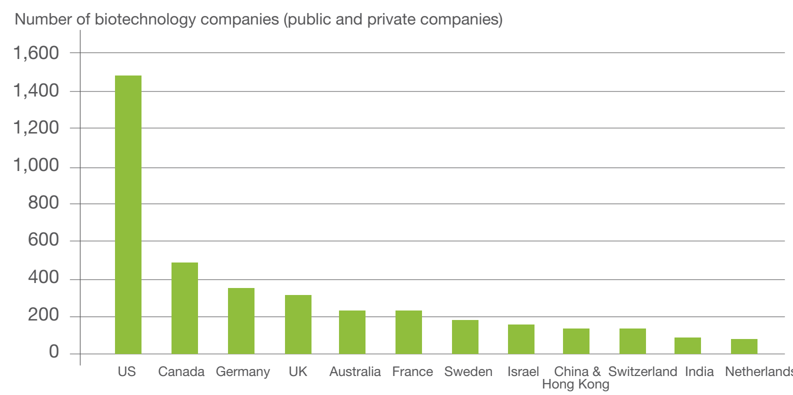
Thus in tandem with global development, many Islamic countries could consider shifting from their present natural resource and agriculture based economies to knowledge based ones as part of a strategy to enhance economic growth, in addition to reducing and eradicating poverty and unemployment.

Top Ten Biotech Countries

In its Global Biotech Report; 2005 Ernst &Young had ranked countries by the number of biotechnology companies, and listed the 12 Top Biotechnology Countries (as shown in Fig 2a). The United States is the leader followed by Canada, Germany, United Kingdom, Australia and France. Other Asia-Pacific countries amongst the top 12 biotech countries include China and India.

Fig 2a: Top 12 biotechnology countries in 2005 by Ernst & Young

Global census: Top 12 biotechnology countries



Source: Ernst & Young

The United States is a trailblazer in the biotechnology sector which is largely driven by innovation. As researchers and scientists compete to establish and promote innovation to create revolutionary and blockbuster biotech products, sufficient food and energy supply, regional and national governments are simultaneously pursuing to attract international and local biotech companies and investors to locate, operate and invest in their nations and regions (see Fig 2b) through establishing dynamic National Innovation Ecosystems that support innovation in research and development (R&D) in financing as well as at the firm and national level. Additionally great efforts have been put in to build and establish successful biotech clusters and biotech hotspots.

Fig 2b: Biotechnology a Global Business Investment

The global biotechnology clusters map. Countries coloured in brown rank highly in the Growth Competitiveness Index 2004–2005, World Economic Forum. Black circles represent selected biotechnology and life-sciences clusters

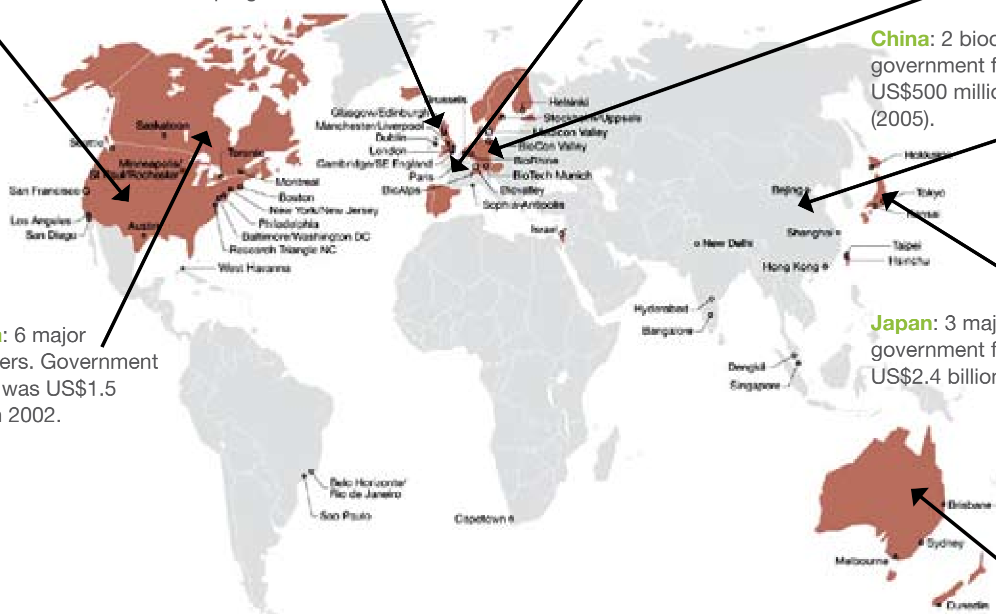
USA: 2 largest bioclusters in the world & 7 other major clusters. Billions of dollars in funding.

UK: 3 major bioclusters & 4 emerging clusters. US$3 billion in government funding for new programme.

France: 10 biopoles (clusters) & 8 genopole. Government to provide US$500 million for company creation.

Germany: 4 bioclusters government investment of US$900 million for 2001-2005.

China: 2 bioclusters government funding up to US$500 million for Agbio (2005).



Canada: 6 major bioclusters. Government funding was US$1.5 billion in 2002.

Japan: 3 major bioclusters government funding up to US$2.4 billion in 5 years.

Australia: 5 clusters government funding include US$2.9 billion over 5 year

Source: Andrea Rinaldi EMBO reports 7, 2, 133–136 (2006. Figure adapted from image supplied by William Hoffman, MBBNet, University of Minnesota, Minneapolis, MN, USA. Bioclusters information from New Economy Strategies, 2003; The Brookings Institution Center on Urban and Metropolitan Policy, 2002 and article on Global Bioclusters published in Biospectrum issue 12 August 2003

"We have to devote the necessary resources to scientific and technological research and development, including biotechnology. We must further encourage innovation among our people and ensure that we introduce new developments into our productive activities."

Thabo Mbeki
President of South Africa

Strategy for the Islamic Countries : Action agenda for establishing and promoting innovation and investments in biotechnology for enhanced economic growth

Technological revolution fueled by three areas of innovation: information technology, biotechnology and nanotechnology have not reached the shores of many Islamic countries and the industrial sector in a large number of Islamic countries is growing at a very slow pace as many of these countries rely mainly on an agro-based economy.

In view that Modern Biotechnology has revolutionized a number of the economic sectors including agriculture, health and industrial sector as well as contributed significantly to enhancing economic growth for many nations that have invested in and developed this sector, it is imperative that Islamic nations strive to develop and invest in this strategic sector.

Presently there are significant efforts underway by Islamic countries to develop and promote biotechnology, and this is indeed evident from many regional and international forums and dialogues, including Islamic Conference of the Ministers of Higher Education and Scientific Research, ISESCO, COMSTECH, OIC General Secretariat, Islamic Development Bank (IDB), OIC Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC) that have deliberated on the need as well as earmarked biotechnology for investments and development.

However many Islamic countries are still confronting a number of constraints and challenges in their efforts to build a vibrant biotech industry. As a consequence, many Muslim countries rank relatively low in innovation as well as in biotechnology.

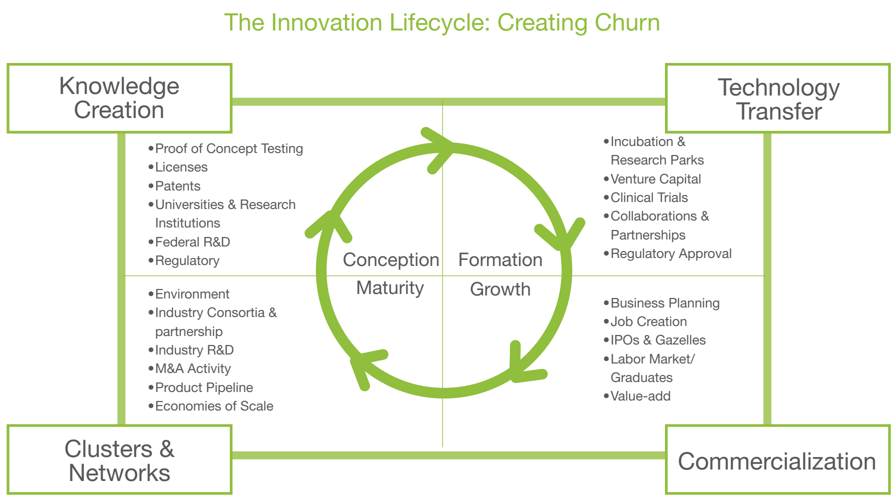
Thus there is a critical imperative for Islamic countries to review best practices in biotechnology and in innovation to develop and promote these as a strategic means to help shift their economies from a low income to an innovation-led and higher income economy.

To set the stage for achieving success in this sector would require Islamic nations to review the best practices adopted by selected countries advanced in this sector. This section below offers an insight on the prescription for success to promote and develop the biotechnology sector.

1. Establishing Innovation in Biotechnology

In recognition that the US trailblazes in the biotech sector which is largely driven by innovation, this section reviews the Biotechnology Innovation Lifecycle developed and advocated by the New Economy Strategies (NES), a think-tank based in Washington DC (see Fig 3a).

Fig 3a: Biotechnology Innovation Lifecycle



Source: New Economy Strategies (NES), USA

How are biotechnology industries built?

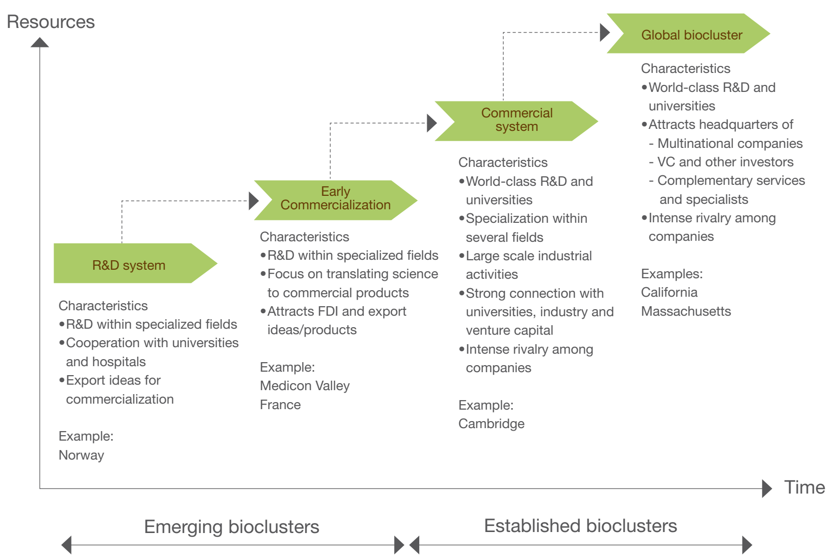
The innovation lifecycle by NES spotlights on the critical components necessary to support and promote the development and promotion of the biotech sector. It is recommended that policy and decision-makers as well as businesses formulate strategies to introduce these critical components to support the biotech sector.

2. Build Successful Biotech Clusters or Biotech Hotspots

A Report titled "The Biopharma Landscape in Norway: Current Status and Future Commercialization Opportunities," 26 September 2007, prepared by the Boston Consulting Group (BCG) had identified key success factors in establishing successful biotech industry after conducting international benchmarking of several established biotech hotspots (see Fig 3b). These include:

Fig 3b: Success within biotech is not an easy task

A stepwise approach is required



Source: Boston Consulting Group (BCG)

1. World-class R&D with applied focus constitutes the base of all bioclusters.
2. Having access to both private and public capital, including seed capital and venture capital is essential to successfully pursuing the best new ideas.
3. A broad supply of research and management talent. The report had articulated that "Successfully bringing a new product to market requires business and life science experience".
4. Collaboration with the triple-helix model encompassing partnership among academia, hospitals and industry being key.
5. Suitable Tax regulation and incentives also contribute towards enhancing success of bioclusters.

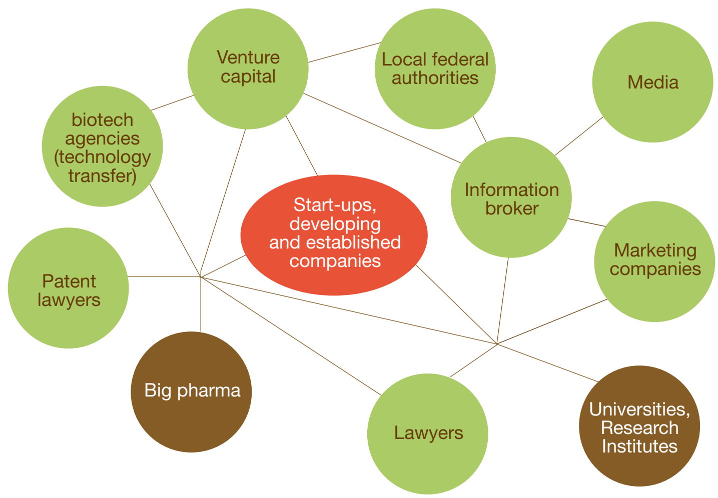
The report had also made comparisons between successful emerging bio-clusters and established bioclusters (see Fig 3b).

3. Establish Networks between Stakeholders of Biotechnology

In addition to ensuring all components of biotechnology innovation as outlined in the Lifecycle are developed and promoted, the NES had also advocated the need to establish networks. On a similar note, BCG had also promoted for a strong connection with universities, industry and venture capital, in addition to establishing bioclusters. Thus forging links and networking with all important biocluster stakeholders is paramount for enhancing success of these bioclusters (see Fig 3c).

Fig 3c: Networking amongst stakeholders is critical to enhance success of bioclusters

The Case for Bio-Clusters



Source: Biotechnology in Europe: An Overview and Examples, focusing on Germany by Armin Rump, Tokyo University, 26 January 2002

It is envisaged that when regions and nations are able to develop successful biotech clusters transforming them into biotech hotspots, these regions and nations will emerge to become preferred biotech investment locations and thus will be able to attract biotech companies and investors to locate, operate and invest in these localities, ultimately developing and promoting a dynamic biotech sector thus generating interest, income and growth for these regions and nations.

Thus Islamic countries striving to develop the biotechnology sector must accord priority in their efforts to establish and promote innovation in this sector and formulate subsequent strategies and game plan to advance this sector aimed at establishing food and energy security, enhancing health and quality of life for the Ummah as well as strengthening economic growth.

Although strategy for development of biotechnology in Islamic countries, as promoted by a number of Islamic forums and dialogues constitutes a significant step forward, in particular for enhancing biotech R&D and promoting the biotech industry, however progress in biotech financing and business development is still trailing behind in many countries and regions.

Presently, new global rules are affecting the movement of people, knowledge, technology and finances and as such, Muslim scientists, businesses, financiers and industrialists should consider creating regional networks and dialogue forums to share best practices and be updated on new financing structures as well as new business models necessary to develop and promote the biotech sector, in their pursuit to shift their economy to a high-income Innovation-led economy. It is thus within this context that I would like to recommend that an Islamic business and industry forum focusing on financing and building biotech business be introduced to provide a strategic platform for achieving such an objective.

As awareness on the financing and business of biotechnology is one of the key factors that can help develop and promote biotechnology in the developing Islamic countries, it is recommended that for the following and subsequent World Islamic Economic Forum (7th Forum and beyond) financing as well as building biotechnology businesses be introduced for discussions and dialogue amongst economic, business, financial and industry leaders and communities, as well as scientists and researchers of the Islamic nations.

Islamic countries striving to develop the biotechnology sector must accord priority in their efforts to establish and promote innovation in this sector and formulate subsequent strategies and game plan to advance this sector aimed at establishing food and energy security, enhancing health and quality of life for the Ummah as well as strengthening economic growth.

Profile

Sheriffah Noor

Former Special Officer
to the Science Advisor
Prime Minister's Department
Malaysia

Ms. Sheriffah, a Physics graduate of the Imperial College of Science and Technology, London University had served as Special Officer to the First Science Advisor to Malaysia's 4th Prime Minister.

She had authored two high-tech financing Strategy reports, Strategy for Enhancing Venture Capital Industry in Malaysia, 1999 and Strategy for Enhancing Business Angel Financing in Malaysia, 2001, which were accepted by the Ministry of Finance and recommendations incorporated into Malaysia's 10-year Financial Sector Plan, launched by Bank Negara.

She had assisted Multimedia Development Corporation (MDeC) in the promotions of the Multimedia Super Corridor (MSC) overseas as well as nationally and MOSTI in the development of the biotechnology sector.

As an advocate of Innovation, Ms Sheriffah has written articles on best practices on Innovation and Biotechnology in The Edge and Malaysian Insider, Malaysian Business and Technology Business Review and is in the final stages of completing her draft books on: (1) Innovation - The Critical Imperative for Corporate, National and Global Competitiveness, (2) Biotechnology International Best Practice and (3) Financing Biotechnology - The Indian Experience.

CALM BEFORE THE STORM: THE PROSPECT OF ALTERNATIVE ENERGY

Syed Ashfaq Peeran
President
AIP Private Power Limited, India

As the years have passed since mankind began using coal as a means for producing electricity by using boilers with steam turbines as prime movers to operate generators, there has been a steady growth of coal as a source of energy. Similarly, as oil production proliferated and natural gas was discovered, this became a second means of utilizing an additional fuel source to generate electricity, and to fuel motor vehicles. With this, the stage was set from the early twentieth century for the world to be seduced by the charm of using cheap sources of energy and convert these to products that improved mankind's quality of life manifold. Just imagine a world without electricity and motor vehicles and you will grasp what I mean.

When I began writing this piece, I thought about it and decided against the usual assistants to an author of such writings – graphs, numbers, statistics and pictures. We are hit with these ad nauseam so, here I am writing the old fashioned way, in a narrative style. I am sure it will work, because the subject is such! Now, back to what I said in the beginning - imagine a world without electricity and motor vehicles and you will grasp what I mean. Then imagine a world where we have no more coal, oil or gas, and that is the 'Perfect Storm'. Will it ever be there? Perhaps not in our lifetimes, but, then again, perhaps not too far away either. I said, no statistics, but, I do need a few simple ones. China and India have commenced their walk towards being developed economies. This walk will turn into a slow run, then a canter and finally a sprint before breasting the tape in the race to be yet another member of the developed societies. What will that mean? Here it is: there will not be enough coal, oil and gas to feed the hunger of the Chinese and the Indians by, take your pick, 2030 or 2040 or 2050. It doesn't really matter, because any of these dates is too close for comfort. Why do I say this? By 2030, 50% or so, of the world will be populated by Chinese and Indians, say 3.5 billion people. Earning US$ 6,000 per capita, a number that even the most conservative of economists will agree is within the realm of reality. This will result in a combined GDP as large as US$ 21 trillion. The USA is a US$ 14 trillion economy today, so, there we have it, 1.5 times USA will be China and India combined, twenty years from today. Are we ready for that? Do we have time to be ready for it? I do not think so.

In the previous paragraph, I have made it look too much like a 'China, India and USA' world. That was simply for emphasis as the picture becomes clearer without too much data. Now, imagine that another 25% of the world has also climbed out of its present state of being undeveloped to being developed. That only worsens the scenario, and that is also a likely outcome. Whether we believe in the impact of CO_2 on the climate or we don't is hardly of consequence in what I am trying to deal with in my statements. What I am stating is that the world just does not have three of the key commodities namely coal, oil and gas in so much abundance to feed the energy appetite of the world as it will be in 2030 or, as I stated 2040 or 2050.

To further reinforce my statements let me also let you know that despite all the developments that have taken place in the fields of electricity and transportation, there has been only incremental improvement in the efficiency of usage of these basic fuels.

Take coal; for every calorie available as raw energy in coal as used for electricity production, only 50% or so is delivered as electricity. The rest is lost in the production cycle. Then, in countries like India, only 60% or so reaches the consumer because of transmission and distribution inefficiencies. Then, what does the Indian consumer do? He uses the electricity to light up his home using an incandescent light bulb that has been the same, with only incremental changes since it was introduced in 1800! Imagine! No imagination for 210 years! This will be immediately put down as an exaggeration. It is. But, statistically there are still more 1800 style light bulbs in use than are fluorescent, compact fluorescent and definitely more than light emitting diodes. It does not stop here. It carries on into inefficient motors, wiring and can you imagine, that mainstay of every Indian middle class home that wants instant hot water for a bath – a 'geyser' which is only a heating element wrapped around with insulation that is then heated using an electric current to heat water.

So, here we have it: **We mine coal to carry it using diesel electric engines in freight trains to then inefficiently produce electricity that is then inefficiently delivered to the consumer who then heats a coil to heat water to have a bath with.** I leave it to you to work out the inefficiency. But, let me help you. For every calorie in raw coal, by the time it is hot water only 0.18 of that calorie reaches the consumer as hot water!

With this, I hope I have established in your minds that it has taken mankind 210 years to reach a point that it has propagated gigantic inefficiency across the globe and made it so cheaply available that mankind is truly addicted to this cheap yet inefficient usage of raw energy.

So, what do we do? In my opinion, we do everything.

We must work to continuously improve the cycle of usage of coal, oil and gas. At the same time we must accelerate the invention of alternates to these forms of energy in every way. The list can be quite long but, let us examine the solution from production side to demand side management. Production of electricity can be from many sources: wind, solar, geothermal, biomass, biogas etc. Similarly, in transport: hybrid cars, bio-fuels, electric powered vehicles, fuel cells and expanded mass transit systems. This multi-pronged strategy is imperative as there aren't enough researchers, research institutions and above all finances to right the wrongs built up over 200 and more years.

Let the discourse on this subject not be subverted by one lobby versus another. There is not enough time for a leisurely debate as to what is the 'best' idea. Rather, the time is for us to embrace all ideas that deliver us from the clutches of dependency on the three major sources of raw energy: coal, oil and gas. How do we go about doing this? Time is a great teacher. Whenever mankind has been hit by a collectively damaging issue, it has risen to the occasion. Let it be so in this case too.

There is an opportunity for all in creating the virtuous cycle of the energy needs of the future. It is contained in that nice word: 'renewable'. The moment you use this as your starting point, the metric for measurement is set. That which can be naturally renewed is renewable. It is as simple as that. So, what is renewable? The first, most obvious choice is: solar. Let us create circumstances in which we encourage all persons who do anything to create affordable and adaptable technologies using solar energy keeping in mind that renewable also means that the raw materials used in propagating these technologies are equally renewable and available cheaply and in abundance. The last thing you want is to replace one shortage with another! The sun is available in abundance, and so we must make sure that we have the harnessing tools and technologies available in abundance. That must be our mission.

The next, which we have around us, but, which, like the light bulb, we have not utilized really efficiently is water. Yes, water as a source of energy. The obvious first use is hydroelectricity. We need to examine whether we are using water truly efficiently in the production of electricity. It is highly doubtful as here, as in the case of the incandescent light bulb, the scale of power plants

The last thing you want is to replace one shortage with another! The sun is available in abundance, and so we must make sure that we have the harnessing tools and technologies available in abundance. That must be our mission.

Syed Ashfaq Peeran

may have become massive, but, the technologies are essentially the same as these were in the nineteenth century! So, there is massive scope for improvement.

Harnessing of the wind is an ongoing project around the world. There is great scope for an even greater, speedier expansion of this resource. It is quick to install and is a well proven resource, but, in areas around the world where it could be harnessed, there are barriers to its entry. These must be addressed and the barriers removed. There must also be a well laid out strategy to replace inefficient wind turbines with more efficient ones by giving incentives to owners of inefficient wind turbines to replace these through renovation and modernization schemes.

In the same manner, we could deal with other resources that are proven and available, but, need to have technology infusion and scaling up. An example is the direct gasification of biomass to use a resource for decentralized generation of electricity. In countries like China and India that have massive agriculture and it is expensive to lay grids to remote areas, this is an idea whose time has come, but, not enough attention is paid to it.

This author has seen the anomaly of diesel being used to power a generator in a cluster of villages to supply electricity whilst the biomass is burnt in the fields to prepare them for the next sowing!

Let me turn to the demand side. In an earlier example (the hot water 'geyser') you saw the worst possible use of electricity is there. That is a pointer to the demand side inefficiencies that need improvement. We need to think this through till we reach a truly virtuous circle: Solar electricity delivered with the least loss in delivery, used with the highest efficiency. Say, solar as a dual source of heating (and cooling) and electricity production and then this solar electricity being used for lighting using the most efficient light sources, light emitting diodes (LEDs).

This can be expanded across the world to create the programmes and incentives to strip away all incandescent light bulbs and replacing these with LEDs. In a similar manner all motors and inefficient prime movers are replaced. Then there are global incentives created to create new technologies to replace all inefficient technologies that use electricity. Similarly, a deep focus on mass transportation would remove the need to expand the usage of automobiles in countries like China and India, where there is a mad race on to manufacture more automobiles. Let me go back to the USA analogy and compare it to the China and India scene in 2030: Every second, a Chinese or Indian adult will own an automobile. That would mean a total of 1 billion automobiles! One does not need to spend too much time with a calculator to know that this will be simply unsustainable. And, this is without accounting for the 1 billion automobiles the rest of the world will have by then if we continue with business as usual. Therefore a deep, deep look at mass transportation solutions is as urgent as the need to look at alternate energy.

So, we have seen that there is a storm in the offing, in an atmosphere of uneasy calm. We have also seen that there are ideas to deal with it, but, is that all? No. Along with this comes the most difficult issue of all. The politics of it and associated with that the social engineering that will be needed to turn people into believers that there is indeed a storm coming and that there are solutions to be developed at a speed that is much faster than what it took to reach this stage of development in the history of mankind. Whichever way this plays out, it will no longer be a problem in isolation or a problem of rich versus poor or of the haves versus the have-nots. This will be everyone's problem, because in a broad sense, the world would have an overwhelming majority of haves and a small minority of have-nots by 2030, 2040 or 2050. I do not believe we have the luxury to wait 200 years for solutions. These will need to come in decades, not centuries.

Given this, and the hope that I have been convincing enough, I believe that by the time you have read this far you would have become a true believer in alternate energy and its efficient usage.

Profile

Syed Ashfaq Peeran

President
AIP Private Power Limited, India

Syed Ashfaq Peeran, (61 years), married, 2 daughters and a son. Masters in Chemistry, worked in the paper industry and fertilizer manufacturing and marketing Company. Set up the first land based marine power plant run on heavy fuel in India.

Briefly advised Swede Corp (Swedish Govt) on country entry before teaming up with a group to set up first private sector port and a large shipyard with Japanese Govt assistance. Simultaneously explored cutting edge technologies in the field of solar (then film) and batteries, new generation for production. Now with another group, currently developing around 10,000 MW of power (thermal, Hydel and other renewable sources), in six states of India in various stages of planning/ implementation.

Have an M.O.U. with one of the top five American Corporations to develop Smart Grid Technologies (to improve grid efficiencies by reducing losses), Solar-thermal and other alternative energy sources. Associated with an organisation running over 200 colleges/ schools for Muslims, another for promotion of Urdu language. Inter faith dialogue and protection of the weak and under privileged are other passions.

A GREENER WORLD: THE BUSINESS ROAD TO CLIMATE ACTION

Dato' Johan Raslan
Executive Chairman
PricewaterhouseCoopers
Malaysia

COP15 or the 2009 United Nations Climate Change Conference in Copenhagen was a great disappointment to many. In my mind, however, Copenhagen was not so much a disappointment as a hopeful reminder. First, the world has never been so aware of climate change issues.

The failure of governments to come to agreement on matters involving complicated policy and financing issues too is hardly surprising – the good news is that this failure reminds those of us in business that we can no longer wait around for political powers to do what is necessary.

Our leaders, still reeling from the global financial crisis unfortunately, do not have the capacity to fast-track climate management measures. Instead, it falls on companies to take the lead in addressing an issue, the repercussions of which, affect our future and our children's future.

"We cannot prevent man made climate damage. Depending on the speed and ambition of our actions, we cannot only stabilise the global climate system but fuel a series of new industrial ventures and create sustainable future economic growth. We still have the possibility to turn climate risks into new opportunities."
Erik Rasmussen
Founder of Copenhagen Climate Council
CEO and Editor-in-chief of Monday Morning

What does a greener world mean?

In my and my organisation's view, being green goes beyond planting trees and recycling. It's about building a sustainable mindset into every aspect of your business and life.

As far back as 1987, the landmark Report of the Brundtland Commission defined sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs"[1]. Or, to borrow a phrase from Walter R. Stahel[2] for businesses, it is about thinking 'cradle to cradle[3]' – in which every portion of a product's lifecycle is created with the aim of ensuring it can be reused over and over again.

I particularly like the cradle to cradle concept, as it resonates with our most basic human instinct to preserve ourselves. Even for organisations which are in the business of making a profit, this is applicable because sustainability is all about ensuring our long-term survival. Add to that the evidence of alarming and potentially devastating consequences of climate change (see table 1), and the call for sustainable business is further accelerated.

Within the PricewaterhouseCoopers (PwC) network, we are taking steps to seriously address climate concerns. PwC UK's initiatives to measure and reduce their climate impact include: ensuring their new state-of-the-art building located at More London Riverside will have 60% lower carbon emissions than a typical compliant office building; reducing energy consumption by 16%; and lowering air travel CO_2 emissions by 20% through increased usage of video conferencing facilities. Sustainability forums to help their supplier chain learn from each other and commit to reductions in their environmental impact are also an ongoing programme[4].

1. The Brundtland Commission, named after its Chair Gro Harlem Brundtland, was convened by the United Nations in 1983 to address concern about the accelerating deterioration of the human environment and natural resources, a problem which was global in nature and required all nations to establish policies for sustainable development. The Report of the Brundtland Commission deals with sustainable development and the change of politics needed for achieving that.
2. Walter Stahel is a Swiss architect who has been influential in developing the field of sustainability.
3. Cradle to cradle (C2C) design is a holistic economic, industrial and social framework that seeks to create systems that are not just efficient but essentially waste free. C2C Certification is a protected term of McDonough Braungart Design Chemistry (MBDC consultants), in which products and services are designed based on patterns found in nature, eliminating the concept of waste entirely and creating an abundance that is healthy and sustaining.
4. Annual Report 2009: Doing the right thing, PricewaterhouseCoopers LLP

Table 1: The impacts of climate change

Floods, droughts, hurricanes
climate change alters the frequency and severity of extreme weather events

40 million exposed to coastal flooding
about half of those affected by flooding reside in major cities like New York and Shanghai, where food supplies, agricultural systems, economic livelihoods and health complications will arise as a result

Potential slowing of global economic output by 3%
Lord Stern predicted that a 2 to 3 degree rise in temperature could cause this, and poor countries would be hit hardest.[5]

50% risk of exceeding 5°C global temperature change
in a business-as-usual scenario

Extracted from "Risk, Responsibility & Opportunity: The CEO's guide to climate action", PricewaterhouseCoopers & Copenhagen Climate Council, 2009

5. Lord Stern (British economist and academic, and Chair of the Grantham Institute for Climate Change and the Environment at the London School of Economics) made this prediction in his Review on the Economics of Climate Change.

The business leader's role

> While governments provide the necessary policy framework (for addressing climate change), the real solutions must come from business.

Yvo de Boer, until recently, Executive Secretary of the United Nations Framework Convention on Climate Change

The fact is, business is both a part of the problem and the solution. Today's business leaders need to contend with the implications of climate change, which continue to evolve as we learn more, while looking out for the potential upside (and yes, there is one). Here are a few suggestions for how:

Seize growth opportunities

Here's the business case for businesses: According to PwC research as part of the Vision 2050 project, the scale of additional business opportunities that might arise as the effect of moving towards a sustainable world could be around US$3-10 trillion per annum in 2050 at today's prices, or around 1.5-4.5% of world GDP in 2050[6].

Yes, tackling the issue of climate change and adapting our business strategies to incorporate sustainable thinking will incur cost. But these are short-term. It is clear that the long-term benefits of avoiding catastrophic climate change consequences will outweigh this immediate pain. And as PwC's 13th Annual Global CEO Survey which surveyed almost 2,000 CEOs worldwide discovers, more CEOs expect that tackling climate change will lead to new products and services for their companies than lead to significant expenses.

So, just how do we capture the opportunities? It is a combination of encouraging innovative thinking; truly comprehending climate change - from its risk and opportunity to the regulatory and technological considerations; and looking at the matter through the eyes of your consumer.

One of South Korea's leading energy providers is creating green plastic from carbon dioxide (CO_2), a main contributor of global warming. Today, they are cooperating with a local university to convert CO_2 into polymer, a raw material for plastic. By capturing CO_2, they aim to reduce carbon emission levels while commercialising environmental-friendly materials. The company's President predicts that they will secure 1,000,000 tonnes of carbon emission each year, bringing them USD5 billion of profit annually.

6. Vision 2050 is a project of the World Business Council for Sustainable Development (WBCSD), in which 29 WBCSD member companies developed a vision of a world well on the way to sustainability by 2050, and a pathway leading to that world. PwC was one of the 29 companies.

Business as influencer

Business leaders have a great deal of power due to our ability to influence the vast web of people our businesses engage every day like our suppliers, customers, employees, investors and regulators.

Many CEOs are already attuned to the significance consumers are beginning to place on organisations' behaviour. Nearly two-thirds of CEOs in Western Europe, Asia-Pacific and Latin America expect to gain reputational advantage from their climate strategies[7].

An example of proactive influencing in action is how one of Malaysia's leading mobile communications companies is working with its suppliers to ensure they are living up to environmental, ethical and responsible business principles. By introducing a code of principles for suppliers, the telco makes sure that its vendors are aligned towards helping the environment and reducing carbon footprint.

If businesses can leverage the unique reach that simply 'being in business' brings, then all businesses – big and small – can make a difference. Small and medium enterprises too have the ability to shape legislation and public thinking, and partner with people in ways that affect positive change. Industry collaboration too is a powerful influencer of change. For example, with the Equator Principles[8], banks commit to responsible project financing where they will not provide loans to projects if the borrower will not or is unable to comply with the respective social and environmental policies and procedures. Financial institutions which adopt the Climate Principles[9], make a commitment to actively manage climate change by minimising their carbon footprint, reducing climate change risks and allowing the development of climate-change related opportunities, amongst others.

7. 13th Annual Global CEO Survey 2010, PricewaterhouseCoopers
8. www.equator-principles.com
9. www.theclimategroup.org/programs/the-climate-principles/

Listen to Generation Y

I also believe that the leader who listens is one who will come away enriched with a different perspective.

In the same way the Internet phenomenon has taken the world by storm, we see today's Generation Y (Gen Y) shaping and changing the way businesses function. It may be a more subtle impact but it is there.

At PwC, we have taken the cue from our 2009 survey of PwC's Gen Y employees. In the survey titled "Malaysia's Gen Y unplugged", our Gen Y told us that sustainability and climate change concerns will significantly influence their choice of employer. Today, our firm has made a start with environmental initiatives which keep our business responsible, our people happy and our office green.

Collaborate to influence policy

A key theme that emerged from the World Business Summit On Climate Change[10] was the crucial need for new alliances or partnerships with government to enable low carbon technology innovation (a low carbon economy is key in minimising the emissions of GHG, a main contributor to global warming and climate change). Even if we are disappointed with the inability of administrations to come to a global agreement, we must recognise that governments are the only party with the necessary scale and resources to push us towards a low-carbon future. Through legislation and regulation, governments exert a stronger influence on environmental practices than any other force motivating businesses[11].

Which is why we business leaders need to flex our vocal muscle. We need to share our ideas with our political leaders and regulators to help them create new policies. These policies must be stringent enough to ensure low carbon requirements, while being flexible and encouraging so that businesses choose to pursue that path. If we do not try, then the failure to combat climate change is as much ours as our government's.

10. On 24-26 May 2009, over 500 business leaders from some 40 countries met with leading experts, government officials and NGO representatives at the Summit in Copenhagen. The objectives were to mobilise private sector engagement in the development of future policy framework on climate change. The Summit was convened by the Copenhagen Climate Council and PwC collaborated with them to produce a summary report of the working sessions for policy makers.
11. Appetite for change: Global business perspectives on tax and regulation for a low carbon economy, PricewaterhouseCoopers, 2009

Our responsibility to Generation Y

We can choose the green and sustainable path to look out for our businesses' own interests, or we can do this because we are responsible leaders who have a regard for how we affect our people and the communities we operate in.

Personally, I would like to do this to ensure that our children, who 20 years down the line will be in the seats we now occupy, will have the same opportunities that I do. I want to leave them with a world which is thriving, not fighting to survive.

Today's Gen Y are tomorrow's leaders. But more importantly, they are the 'game changers', the people who are already shaping the trends we see today. Their affinity for all things green means climate change is not just something to think about. Business must take the lead on climate change, and incorporate it into the fabric of our companies now.

Profile

Dato' Johan Raslan

Executive Chairman
PricewaterhouseCoopers
Malaysia

Dato' Johan Raslan is the Executive Chairman of PricewaterhouseCoopers Malaysia and has experience in audit and business advisory services both in Malaysia and the United Kingdom.

Known for his points of view on corporate governance, corporate reporting, corporate responsibility and sustainability, Johan is a member of the Securities Commission Audit Oversight Board (AOB) Implementation Steering Committee to provide guidance on policies and procedures of the AOB and a Board member and Audit Committee Chairman of Putrajaya Corporation.

A member of the Board of Kuala Lumpur Business Club, Johan also chairs the Institute of Corporate Responsibility, Malaysia, a network of companies committed to advancing responsible business practices. He is also a member of the Board of Trustees of Tun Suffian Foundation.

In recent years, Johan has assisted the Central Bank with its flagship Islamic finance initiatives to position Malaysia as a leading Islamic finance centre. He is a member of the Central Bank's International Advisory Panel of Labuan International Offshore Authority.

An Eisenhower Fellow, Johan is Adjunct Professor of University Malaya, Vice-President of Malaysian Institute of Certified Public Accountants and Council Member of the Malaysian Institute of Accountants. He is a also member of the Institute of Chartered Accountants in England and Wales, and is immediate past Chairman of the Financial Reporting Foundation.

"It takes one person, making one phone call, one meeting, one handshake, to make partnership in the Muslim world a reality."

King Abdullah II of Jordan
4th WIEF, Kuwait, 2008

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Iskandar Malaysia is the best choice for companies to expand their business in Asia, one of the fastest growing regions in the world. It is situated at the crossroads of global trade lanes linking the major emerging economies of China and India. With a knowledge-based workforce, business networks and natural resources, Iskandar Malaysia offers investors opportunities beyond boundaries.

Going where your consumers are

Preparing for a population of 3 million by 2025, businesses in Iskandar Malaysia have access to a domestic market of 7-8 million people, on par with Hong Kong and other economic hubs in Europe and North America. Malaysia received 23 million visitors in 2009 alone, which will put your business in strong stead to access the huge middle class of more than 75 million people in ASEAN nations alone.

"We have a lot of foreign developers and investors who have expressed surprise that we are not better known. They said Iskandar Malaysia is Asia's best-kept secret. We can expect Iskandar Malaysia to have a new wave of investments this year,"

Arlida Ariff, President and CEO of Iskandar Investment.

Investments into the region exceeded initial investment targets by 13 percent, with Iskandar Malaysia achieving US$14 billion total cumulative committed investments from inception in 2006 to end 2009.

In fact, the state of Johor was ranked among the top three most cost-effective investment locations by fDi Magazine's Asian City of the Future 2009/2010. As Ms Arlida explains, "Iskandar Malaysia is a low-risk investment. Start-up costs are probably the lowest in Asia. The cost of land is low, and the cost of living is also low. Generally, for someone who is used to high living expenses, it is a very cost-effective location. And in these times, when investors are risk-averse, Iskandar Malaysia is an attractive proposition."

Iskandar Malaysia's commitment towards building a solid infrastructure, political stability and ease of doing business makes the region a sound investment.

Fast facts on Iskandar Malaysia

- Malaysia's first economic corridor launched in November 2006
- Part of the Comprehensive Development Plan, a 25-year vision to develop the region into a sustainable metropolis of international standing
- Covers an area of 2,217 sq km in South Johor, three times the size of Singapore
- Comprises five flagship zones as focal development points including Johor Bahru City, Nusajaya, Western Gate Development, Eastern Gate Development, Senai-Skudai
- Iskandar Regional Development Authority (IRDA) is the region's regulatory authority responsible for realising the vision and objectives of Iskandar Malaysia

Benefiting from Iskandar Investment's catalytic developments

Businesses setting up in Iskandar Malaysia will benefit from surrounding developments already underway, which are increasing accessibility and human flow to the area. Ms Arlida says, "Iskandar Investment wants to develop new exciting projects where we can create demand to ultimately bring in new investors. We want to encourage both foreign and local businesses to invest in Iskandar Malaysia."

Investment Opportunities and Incentives

The Initial Incentive and Support Package * is designed to encourage and kick-start early investment into Iskandar Malaysia. It offers a variety of both fiscal and non-fiscal incentives to investors.

These incentives include:

- Corporate tax exemption for 10 years
- Companies allowed to source capital globally
- 100% foreign ownership of companies permitted
- Companies able to employ foreign knowledge workers without restriction
- Foreign knowledge workers exempted from import duties and other relevant local duties when purchasing a car

Foreign knowledge workers in Iskandar Malaysia will enjoy the benefit of a reduced 15 per cent income tax rate, one of the lowest in Asia.

* Subject to Approval.

Catalytic Projects initiated by Iskandar Investment

Medini Iskandar Malaysia

A mixed-use urban development in Iskandar Malaysia spearheaded by prominent partners including Mubadala Development Company, Kuwait Finance House and Millennium Development.

LEGOLAND Malaysia

The centrepiece of the lifestyle and leisure developments in Medini is LEGOLAND Malaysia, the first ever LEGOLAND theme park in Asia, set to open in 2012 alongside an extensive shopping mall, hotels as well as other residential and commercial developments.

EduCity

The vision for the education hub is to establish a best in class multi-varsity campus complete with industry-centric R&D clusters, academia-industry action centre, accommodation and recreational facilities as well as first-class sporting facilities including a 12,000-seater stadium and sports complex. When completed in 2011, it will be home to internationally renowned educational institutions like Newcastle University Medicine Malaysia (NUMed Malaysia).

Marlborough College Malaysia

The leading British independent boarding school will cater to the schooling needs of local and international students between the ages of five and 18. It will open its doors in September 2012.

1Medini

1Medini is the first residential property in Medini and is only a stone's throw away from LEGOLAND Malaysia. The first phase of the 1,332-unit condominium, including a 68,800 square feet commercial area for retail businesses, will be completed by 2015.

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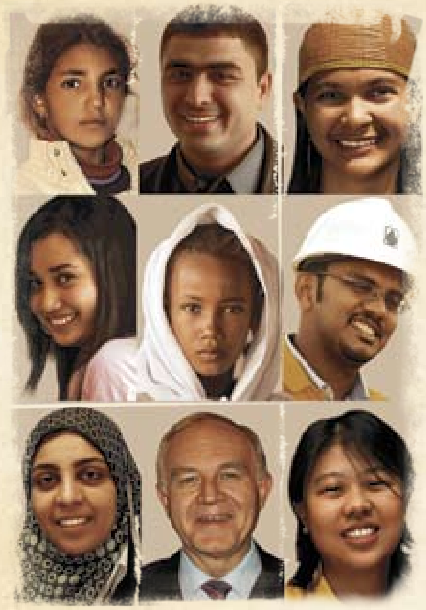

PETRONAS began operations in 1974 with only 18 people without much knowledge and experience in the oil and gas industry. Entrusted with the responsibility to develop the petroleum resources for the benefit of the people and the nation, these pioneers took up the challenge to quickly build capability to drive the organisation forward and responsibly fulfill that trust.

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Driven by people

Propelling this sustainable growth is our capability driven workforce. With people as our most valuable asset, we emphasise the importance of capability building, not just to develop knowledge and skills, but also the right values and mindset to create well-rounded individuals who would be able to rise to the challenges of operating in an increasingly competitive global environment.

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Need to know more about the Equator Principles and how it can be incorporatated into the strategy and credit process? Talk to us.

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