



Revitalising the Silk Road: Connecting People and Economies in the Muslim World

A World Islamic Economic Forum
Special Commemorative Publication 2011

A young boy with dark hair, wearing a white t-shirt and blue jeans, is sitting cross-legged on a paved surface. He is holding a black mobile phone to his ear with his right hand and resting his head on his left hand. He is smiling and looking down at the phone. The ground around him is covered with a large, colorful chalk drawing of the Earth, showing continents in yellow and oceans in blue. The word "Connected." is written in white text in the upper right corner of the image.

Connected.

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Special Message

As Patron of the World Islamic Economic Forum (WIEF) Foundation, I would like to record my sincere thanks and gratitude to HE President Nursultan Nazarbayev, the Government and people of the Republic of Kazakhstan for hosting the 7th WIEF in this beautiful capital city of Astana.

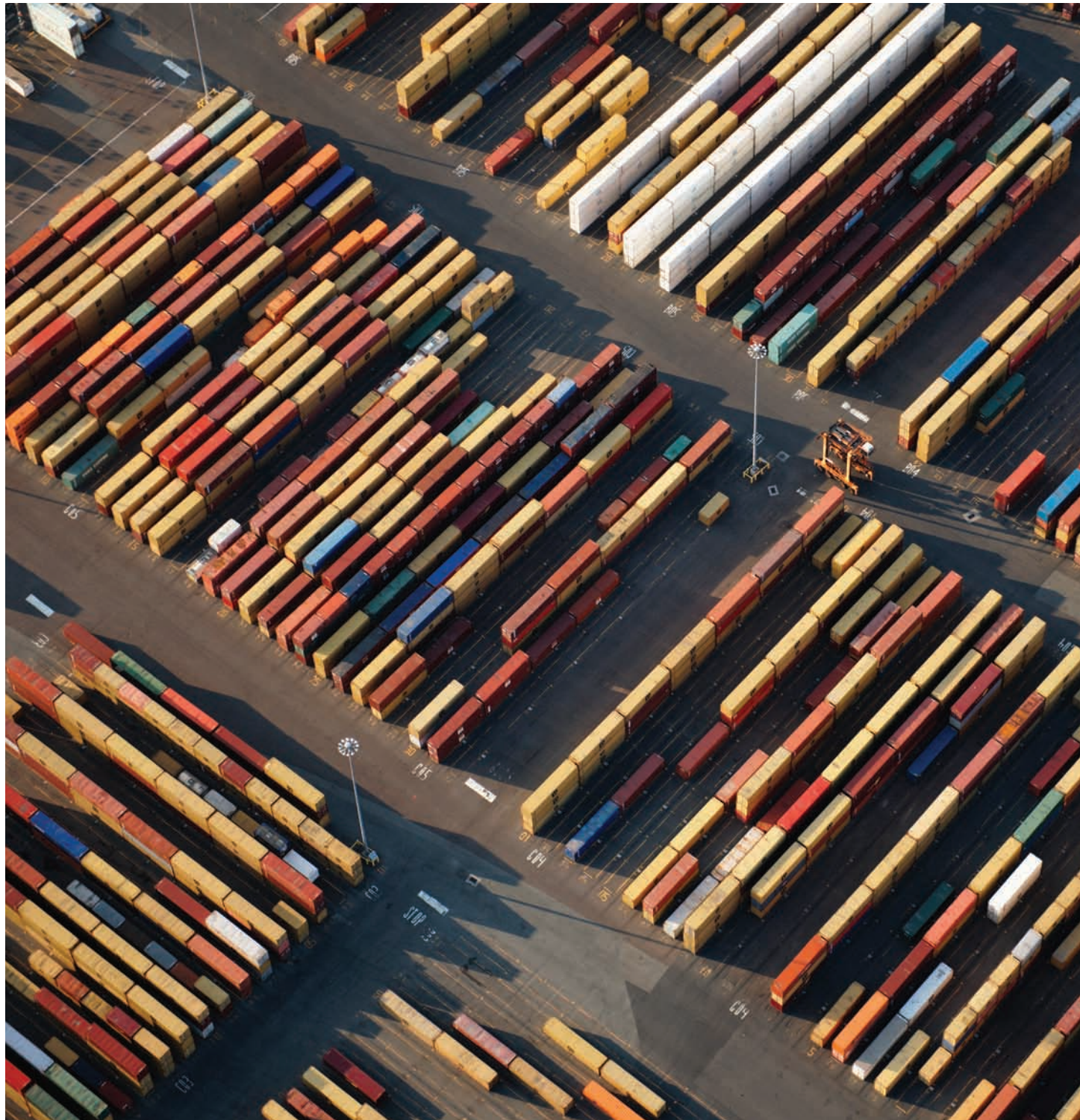
I believe that it is most timely that the 7th WIEF is held in the Republic of Kazakhstan, a rapidly developing economy that is the pride and envy of many in the Central Asian Region. It is indeed a measure of the Republic's economic progress and dynamism that foreign participants are attracted to attend the Forum with a view to seeking whatever business and economic opportunities that exist. This is, after all what this Forum is about and it is my sincere hope that concrete and tangible business deals could be concluded through the connectivity and interactions provided by the Forum.

I am personally glad to be able to participate in the Forum which has proven over the years, since its inception, to be a useful platform for discussion and dialogue for all level of participants representing more than just OIC member countries. I am also gratified to see the wide range of significant issues included in the Forum so as to meet not only the specific requirements of our host but also the wider interest of participants attending the Forum.

I note with pleasure that the WIEF is now more than just a Forum, with various programs and activities carried out by the Foundation, including those that represent the outcome of major recommendations made by our previous Forum. This is indeed an encouraging development as the Forum progressively moves towards becoming a matured platform for constructive dialogue and economic collaboration. I hope the practical dimension of the Forum would continue to be further enhanced for the benefit of all those associated with the WIEF and I look forward to receiving similar important recommendations as an outcome of this Forum.

Finally let me take this opportunity to commend all those involved in producing this publication as background reading and useful source of reference for issues raised at the Forum. I wish all participants the very best for a successful Forum.

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





Chairman's Foreword

I have great pleasure in welcoming you to the 7th WIEF in Astana, the beautiful capital city of the Republic of Kazakhstan. This is the first time that this Forum is held in the Central Asian region, after our hugely successful Forums in South East Asia, South Asia and the Middle East.

As Chairman of the WIEF Foundation, I wish to convey my sincere thanks and gratitude to HE President Nursultan Nazarbayev, the Government and people of the Republic of Kazakhstan for hosting the 7th WIEF and for the generous hospitality and warm reception accorded to the invited Heads of State/Government, Role Players and Participants of the Forum.

The WIEF Foundation is particularly pleased to hold the 7th WIEF in Kazakhstan, the biggest economy in the Central Asian Region. Blessed with huge deposits of oil and extractive minerals, political stability, investment-friendly policies and sound human capital, the Republic offers tremendous potentials for trade, investment and economic collaboration. I hope that such potentials could be seized by all participants attending the Forum.

The theme chosen for the 7th WIEF is "Globalising Growth: Connect, Compete, Collaborate". We hope that this is appropriate in mobilizing the initiatives, energy, vigor and efforts of all participants including government and corporate leaders, academics, NGOs, the youth and business women to interact and collaborate, where possible, with the common aim of exchanging ideas to engage in business. Connectivity between peoples and nations is indeed crucial to assure success. In this regard I am confident that participants would find the platform provided by the Forum useful for such purpose.

This publication is a manifestation of the ideas set above and should hopefully serve as an important background reading for all participants. I wish to congratulate all those involved, especially the various contributors, in making this publication possible.

Finally, may I wish you all the best for the 7th WIEF in Astana.

A handwritten signature in black ink, appearing to read 'Tun Musa Hitam'.

Tun Musa Hitam
Chairman
WIEF Foundation

“Despite being a landlocked country, Kazakhstan is very much connected to the international community through land and air. Of particular significance is the International Transport Corridor (ITC) North-South Route which links together important economies such as Russia, Iran and India with Kazakhstan by road thus greatly facilitating cargo transportation and capital transfer across national borders.”

Tun Musa Hitam







INTRODUCTION

**Rekindling a Glorious Past,
Securing a Better Future**

Fazil Irwan

Director,
Editorial and Business
Development
WIEF Foundation

**Telling the CEO Story:
Growth Re-imagined**

Chin Kwai Fatt

Managing Director,
PwC Malaysia

Rekindling a Glorious Past, Securing a Better Future



Fazil Irwan
Director
Editorial and Business
Development
WIEF Foundation

Once upon a time, there was an ancient network of trade routes that spanned across a huge part of the globe, connecting the Asian continent - East, South and Western Asia – with the Mediterranean world, as well as North, Northeast Africa and Europe. Not only was there a massive movement of traded goods across these continents in the form of silk, spices, glassware and everything else, but it also came with a similar movement of a variety of people belonging to very different civilisations, who brought with them very distinct cultures.

What was significant about this spectacle was the existence of relative peace and prosperity between these different nations, and along with it, the nascent beginnings of diplomacy and an amazing interchange of cultures. This was the era of Hellenism, the Chinese contact with the Central Asian region, and the rise of Persia and Rome. It was an era where globalisation took shape for the first time on an unprecedented scale in the history of civilisations.

In the 21st century, the Silk Road has merely become a household name that refers to a group of disparate nations, polarized by colonial experiences and disconnected from each other by language barriers and political orientations. One of the few surviving common denominators that still bind a significant number of these nations together is the religion of Islam.

With the world changing ever so rapidly in recent years, the Silk Road nations are brought together once again through the advent of technology and mass media. The surviving denominator of Islam inevitably links together countries who speak starkly different languages and who have experienced completely different histories. Coupled with the vibrancy of international trade, traditional trading lines are once again reconnected and people are starting to know one another beyond their national fences. The Silk Road is now back in business.

However, in the pursuit of achieving a semblance of the Silk Road's many bounties, one must not forget that a civilization is born out of a union of different communities, who not only come together through the necessity of business and trade, but more importantly through the union of

its people; the old and the young, the rich and the poor, the men and women, the traditional and the modern. This is the biggest asset of every community which needs to be nurtured to its fullest potential in order to achieve the reintegration of the Silk Road nations in the next few decades.

In achieving this objective, nations need to invest in its people, especially the critical mass sections of the population namely the working class, comprising the women and the youth. And through the benefit of education, leadership development, cross-border linkages in business and social work, and the unifying framework of Islamic finance, the people and communities of the Silk Road nations can once again rise up to become competitive players in the challenging 21st century.

Thus the concept of this year's book tries to capture the essence of this phenomenon. Through the chapters of this book, the reader can explore some of the main ideas in achieving connectivity between people and economies of the Muslim World.

In the first chapter, we talk about investing in the huge population of the Muslim World, focusing specifically on the youth, women and the working class, as the main drivers of economic growth in the country. The second chapter talks about strengthening the regional supply chain, bringing nations closer to each other through cross-border investment and business linkages. The third chapter explores the unifying capability of the Islamic Finance framework which cuts across geographical and language boundaries. The fourth and last chapter stresses on the importance of education to nurture the next generation of competent leaders of the Muslim World.

We hope that through reading the articles of this book, the reader would be enticed with some ideas of not only bringing different nations together, but more importantly, to develop its people into competent leaders of the near future. We hope that this book, as with the annual Forum which this book will be distributed in, serve as an important platform to bridge the gap between idea and the execution of those ideas. Enjoy the read.

Telling the CEO Story: Growth reimagined

Chin Kwai Fatt
Managing Director
PwC Malaysia

CEOs' confidence is back - say CEOs in PwC's 14th Annual Global CEO Survey. Chief executives were nearly as confident of growth this coming year as they've ever been in our survey.

The situation then (the last quarter of 2010): CEOs faced a global business environment still recovering from the worst economic crisis in 75 years. Their view was that the depths of the crisis were behind us and stability was returning to most parts of the world.

The situation now (the first quarter of 2011): The general pattern is expected to be robust. But the recent turmoils in the Middle East and Northern Africa and its impact on oil and food prices, as well as the recent spate of natural disasters in Japan and other parts of the world, may put a dent to CEOs' confidence and further influence how they view the future.

With much of Europe and North America still confronting the lingering effects of the downturn, many businesses in search of sustainable economic growth are focusing their sights on emerging markets - where economic recoveries are stronger and higher growth expected.

In our survey, 'Growth reimagined', we explored the areas CEOs see growth coming from in 2011 and just how they plan to achieve it. This survey focused on how businesses are constructing new strategies following the global financial crisis, which had significant impact on economies the world over and is reshaping economic growth, regulation, capital markets - even consumer behaviours.

To capitalise on these changes, we need to reimagine growth. This means, reimagining the way we do business which requires greater innovation or creative thinking in the way we develop our value chain, our products and services and the way we reward our people.

So are conditions now right for growth? “Things will get better,” they seemed to be telling us a year ago. Sure enough, things got better.

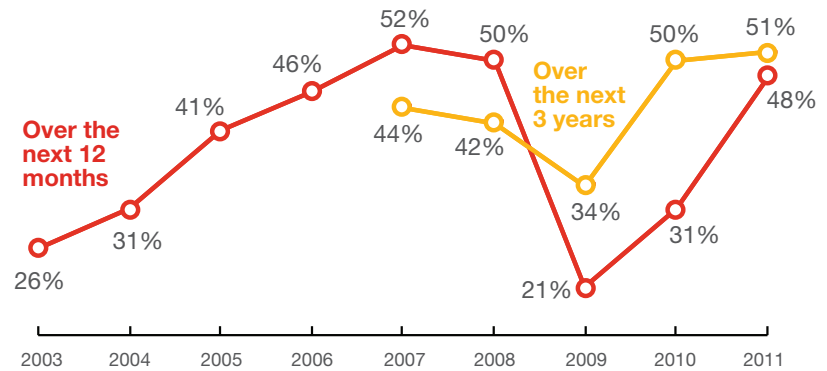
CEOs honed their cost discipline during the recession, preparing themselves for when global growth returned. Now, CEOs have set their targets on more immediate growth.

We surveyed 1,201 CEOs from 69 countries around the world. Almost half or 48% said they were very confident of growth in the next 12 months. That's a significant 31% increase from last year, and is similar to the 50% reached in 2008, before the financial crisis.

Confidence levels are rising virtually across the board, whether we slice our respondent's businesses by how big they are, what sector they're in, or where they're based. Renewed

confidence is spread across all continents, with CEOs in India, Austria, Columbia, Peru, China, Thailand and Paraguay particularly upbeat about near term growth. However, CEOs in Western Europe were the least confident with the exception of German CEOs.

CEOs very confident about company's prospects for revenue growth



Source: PwC, 14th Annual Global CEO Survey, Jan 2011

Base: 2011 (1,201), 2010 (1,198), 2009 (1,124), 2008 (1,150), 2007 (1,084), 2006 (not asked), 2005 (1,324), 2004 (1,386), 2003 (989)

Looking ahead, we see two distinct growth trends and three strategic focal points for business strategies.

Two distinct growth trends

- multi-speed global recovery underway
- emerging markets drive future growth

Although the centre of economic and industrial power is moving to the East, large developed economies still have their attractions. With customers today looking for both quality products and value, developed markets that focus on quality and innovation are still competitive suppliers on the world stage.

Strategic focal points for growth

- innovative
- talent
- collaboration

Aside from geo-political and economic considerations, our survey shows that CEOs are applying a different lens to these three focal points that have always been top of their agenda. Let's see how they plan to do it a little bit differently this time.

Innovation – making it local, putting customers at its centre. This is the new face of innovation, which CEOs are embracing.

The first focal point - innovation - is a long-term building block for any company. Most CEOs are already responding to a rise of middle-class consumers in emerging economies by developing products and services tailored to those high-growth markets while also looking to serve the changing needs of more mature markets.

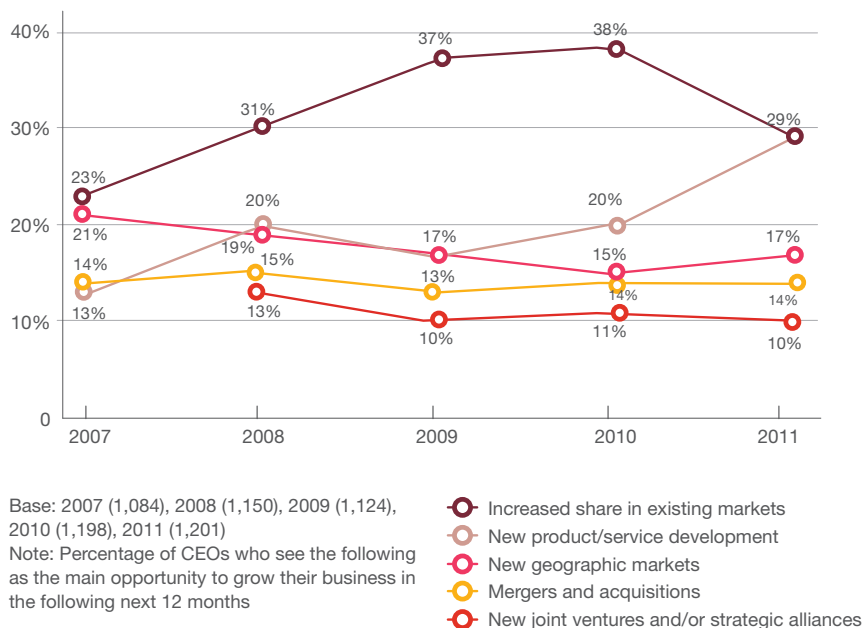
How are they doing it? First off, they start with the customer. Many are bringing their innovation activities closer to their customers by giving them a say in their design offerings. Some CEOs are literally moving development processes to customer locales, in order to get closer to them. They're creating products for faster-growing markets, in those markets, and then distributing them worldwide. This is what we call '*reverse innovation*'.

Beyond that, a lot of ideas link to the idea of '*open innovation*' - this involves more employees, more partners and even customers in the development process. A consumer goods business looking to expand in India, for example, is focused not only on shipping the best possible

product out of its facilities, but also on where it is best designed, and on how to package, distribute and sell it into a changing marketplace. Innovation can take place at each stage, with different partners.

It won't be easy. But CEOs are making changes at all levels of their organisations to make sure they can take advantage of incremental innovations, as well as breakthroughs.

CEOs have a new commitment to innovation in the next 12 months



Source: PwC, 14th Annual Global CEO Survey, Jan 2011

Talent – top of CEOs agenda now. Growth opportunities, especially in emerging markets, prompt changes to talent strategies.

Talent is a second strategic focal point. As they look across their organisations, CEOs fear they won't have the right talent to compete effectively as recoveries take hold. At a time of high unemployment in parts of the world, and large numbers of recent graduates in others, CEOs are reporting concerns on skills mismatches. A lot of investment in talent over the past few decades has been made in economies that are now facing slower growth. Whether that talent can understand and adapt to the realities of faster-growing emerging markets remains to be seen.

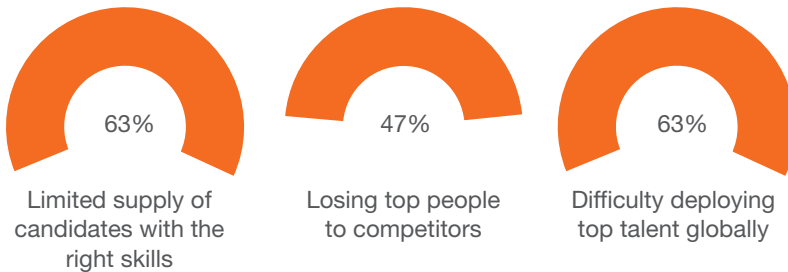
But CEOs are not going to wait and see. They're planning to deal with this talent deficit now. Their strategies? Reaching out to their employees by understanding their wants and needs – whether for career development opportunities or flex-time for work-life balance – and factoring those into employment agreements.

As the role for business is well recognised when it comes to leadership development and on-the job training, CEOs also expect to work with governments to develop workforces, beyond their own employees.



The people strategies

- Use more non-financial rewards to motivate staff
- Deploy more staff to international assignments
- Work with government/ education systems to improve skills
- Incentivise young workers differently
- Change policies to attract and retain more women



Asia Pacific CEOs' top talent worries

Collaboration – CEOs are taking on a shared agenda with government in areas deemed critical for business growth.

The third strategic focal point is a more effective collaboration with government in areas deemed critical for business growth. Education and workforce health, IP protection and infrastructure development are all part of a shared agenda with governments to maintain competitiveness.

Shared agenda acknowledges how businesses are taking a broader view of their roles and responsibilities and the connection between competitiveness and social well-being. Issues such as climate change and poverty reduction, are not being 'outsourced' to government. CEOs recognise that equal commitments need to be made by both the public and private sectors. If these issues aren't tackled, their operations will be constrained over the long-term.

CEOs also clearly state the importance of infrastructure for competitiveness. Those in infrastructure-related sectors such as engineering, construction and utilities, as well as banks, reported increased commitments of their own. But CEOs overall believe it's the government's job to build and maintain transport links, power and telecoms grids, and the water supply. As one of the CEOs said, 'In the absence of infrastructure, economic opportunity declines for everyone.'

Similarly, businesses expect government to take more of a lead to ensure financial sector stability, reflecting a post-crisis view that market mechanisms alone may not be enough.

Collaboration: A shared agenda with government

- Improving the country's infrastructure
- Creating and fostering a skilled workforce
- Ensuring financial sector stability and access to affordable capital
- Reducing poverty and inequality
- Innovation and safeguarding intellectual property

Profile

Chin Kwai Fatt

Managing Director
PwC Malaysia

Taking a sustainable long-term view, extending beyond profits.

Our survey findings suggest that CEOs are beginning to take the long-term view for sustainability. They know that they will reap great value from getting talent, innovation and government partnerships right.

Governments too have high expectations and want to trust that the business community is playing a crucial role in society's development. If the business community can rise to meet these expectations, its license to operate will be secure.

The bottom line? CEOs who recognise that their approaches can create broader value for society - extending beyond profits, or products and services - have the best chances of growing impactful and sustainable businesses, which span generations to come.

This article is an adaptation of PwC's 14th Annual Global CEO Survey (January 2011)



Chin Kwai Fatt is the Managing Director of PwC Malaysia. He has more than 30 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 (MIA) and the Malaysian Institute of Certified Public Accountants (MICPA).





Chapter 1

INVESTING IN THE CRITICAL MASS: WOMEN, THE YOUTH AND THE WORKING CLASS

Investing in Women

Raushan Sarsembaeva

President of the Association of Business Women of Kazakhstan and Member of Political Council of the National Democratic Party “Nur Otan”, Kazakhstan

For many years, women of the Orient primarily played the role of a homemaker. Only within a family could a woman see herself fulfilled. However, times have changed and women now have different interests, goals and tasks.

In present Kazakh society, a woman manifests herself harmoniously in every area. She is a wife, a mother, a friend and a sister, but at the same time she is a successful person both as a social personality and as a professional.

From the early days of Kazakhstan's independence, issues such as supporting motherhood and childhood, development of women entrepreneurs, and gender equality have played a central role in the gender policy of the country.

At the 1st Convention of Women of Kazakhstan that took place on March 5, 2011, the Head of State,

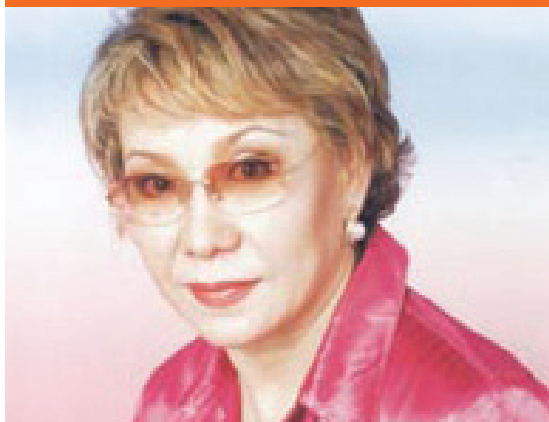
Nursultan Nazarbaev noted that the State is ready to take unprecedented measures to ensure that women get access to the decision-making level. The country will adopt a specific action plan so that the share of women in management positions reaches 30%, up from its current 10%.

As a testament of this resolve, women's political clubs are already functioning in the region, there is a network of republican schools of political leadership, and human capital being formed by active women who are the most suitable for socio-political work.

Profile

Raushan Sarsembaeva

President of the Association of Business Women of Kazakhstan and Member of Political Council of the National Democratic Party “Nur Otan”,
Kazakhstan



Raushan Sarsembaeva is President of the Association of Business Women of Kazakhstan, which in its 15 years of activity has been key in assisting in the expansion of economic and political opportunities for women; thus helping raise their social status and promoting ideas of gender equality. This organization has become an international partner of the Global Summit of Women.

She is also a Key Member of the Political Council of the NDP “Nur Otan” and on their initiative in 2009 she organized a Forum of Female Organization of Kazakhstan, where she was elected as chairman of the “Alliance of the Female Organizations of Kazakhstan” of NDP “Nur Otan” that unites 18 republican Non-Government Organizations.

In 1999, a political party “Political Alliance of Female Organizations of Kazakhstan” was formed. It was later renamed to the Democratic Party of Women of Kazakhstan and Raushan Sarsembaeva was its head until 2002. She has received a Doctorate of Social Science in social structure, social institutions and processes; adding to an extensive list of educational and professional achievements. She has also been awarded with the State award of “Kurmet” order, as well as Anniversary Medals for the 10th Anniversary of Independence of the Republic of Kazakhstan, 10th Anniversary of the Parliament of Kazakhstan, and a medal of the 2nd Grade of “Atameken Union” in 2008.

Women’s development in economics is a priority direction in social modernization of the country. After all, they make up 4.2 million out of 8.5 million of an economically active population. At the same time women’s contribution to GDP has increased from 36% to 39% between 2005 and 2009 - prompting Kazakhstan to adopt a program for developing women entrepreneurs throughout the period of 2009-2015.

There is a separate program for micro-financing of the rural population including women in rural areas. Professional training with further job placement is also organized for unemployed women.

Women’s break-through to the political arena: competitive development on the job market and in entrepreneurship are the key aspects in changing women’s status in the society. These two trends are mutually connected and complement each other. Efficiency in these programs is achieved with direct involvement of the state through the National Committee for Women’s Affairs and Family, and the Demographic Policy of the President of the Republic of Kazakhstan with the active support of the female movement in the country.

Talent in Corporate Malaysia

Wan Mohd Firdaus
Wan Mohd Fuaad
 Founding Director,
 The Institute for Democracy
 and Economic Affairs (IDEAS),
 Malaysia

There is a Malay saying which goes “Hanya Jauhari mengenal Manikam”. It translates as “only the jeweller would know a real jewel”.

In today’s corporate world, the real jewel is the talent that drives organisations and companies forward in its day-to-day running.

For many business analysts, a good investment bank such as Goldman Sachs, or a good strategic management consultancy like McKinsey, are only as good as its people and its talent.

Top companies around the world are fighting a constant battle to attract top talent to join their organisations. Once they do, the company will further strive to ensure that they are able to retain that talent for as long as possible. Like jewels, real and valuable talent is rare. Maybe out of 100 good and reliable employees, only one has real talent. Talented people are hard to come by, and when they do, they can make long lasting positive changes to their respective organisations or companies.

It is very important to understand the fact that not all good employees are talented employees. Companies have to go the extra mile to find those one or two real talented people and bring them into their organisations.

A problem that is common to most companies, especially in Malaysia is that there isn't a common mechanism that can be tapped to scout for talent, especially talent at a very young working age below 30.

Sometimes, the problem is compounded by the issue of those managers who are tasked to look for talent, and they themselves are not talented people.

Hence, the Malay saying of “Hanya Jauhari Mengenal Manikam” is apt to describe the conundrum faced by companies, whereby, to find talent one must acquire talented people themselves and hire them as managers to find other talent.

There isn't enough talent to come by for every company in Malaysia. Furthermore, the most talented people usually lead the finance or strategy teams. However, they rarely are tasked to lead the human resources team or the human capital team. More often than not, because a company's human resources or human capital team is led by “non-talented” people, they are not able to identify the “real talent” for the company:

Only “real talent” will recognize other talent.

Malaysia, like all other developing countries in the world, is doing its best to produce as many talented young people as possible; and it is doing its best to retain them as well. Malaysia spends almost RM200 million per year to send its most talented and smartest to the top universities around the world. However, the question is: How can companies find this pool of talent?

Malaysian students in the UK congregate under various Malaysian societies in numerous universities. There is a coalition of Malaysian students in the UK under an umbrella organisation called the UK and Eire Council for Malaysian Students (UKEC). The UKEC has somewhat become the centre of congregation for talented young Malaysian students in the UK and Ireland.

UKEC organises various activities such as its UKEC Graduan Careers Fair in London and Projek Amanat Negara in London. It also pioneered the Malaysian Student Leaders Summit, which is an annual nation-building summit held in Kuala Lumpur.

These types of organisations are crucial talent pools for companies. They enable companies to easily identify talented young people to recruit after graduation to work for them.

When the UKEC talent returns to Malaysia, it assembles under a different organisation called Young Corporate Malaysian (YCM). YCM is a business club for young people between the ages of 21 to 30 comprising of young bankers, lawyers, accountants, engineers, and various other professional backgrounds. YCM organises a fortnightly CEO series featuring top Malaysian CEO's; this series serves as a great networking and learning platform.

A lesson learnt from organisations such as UKEC and YCM is that talent attracts other talent, and as such, this leads to a congregation of talent. Sometimes it is not necessary to attract talent through financial or material incentives, but rather, attracting talent can be achieved by simply providing a conducive environment where there are other similarly talented people within a particular organisation.

This is also evident in certain high performing organisations. One such organisation in Malaysia is PEMANDU, which is now leading the Malaysian Government's Economic and Government Transformation work. PEMANDU attracts talent not because of the financial package it can offer, but because there is a perception of talent congregation and the ability for new talent to learn from them. Talented people are usually hungry for more 'know how' and of course, along the way, they also pick up the 'know who' as well.

Every developing country would strive if its community of talent adopts the model of UKEC, YCM or PEMANDU, which gathers and unites talent at a very young age. This would ensure that Malaysian companies have a constant flow of talent from this pool. This will in turn have a positive spill over effect on the organisation and bring about positive change.

If a country succeeds in ensuring that truly talented people are entrusted to look out for and nurture other talent, it can be assured that the country is on the right nation-building track. After all, a nation is only as good as the people running it.

Profile

Wan Mohd Firdaus
Wan Mohd Fuaad

Founding Director,
The Institute for Democracy and
Economic Affairs (IDEAS), Malaysia



Firdaus, Founding Director of the Institute for Democracy and Economic Affairs (IDEAS), was educated at SRK Sultan Ibrahim Satu Pasir Mas, SRK Sri Subang Jaya and Sek Men Agama Persekutuan Kajang. He then went on to study Law at the University of Nottingham and Lincolns Inn London (BPP School of Law). He is currently Special Officer to the Chief Minister of Johore, Malaysia, handling the portfolio of Iskandar Regional Development Authority.

He was a national delegate for Nottingham University to the National Union of Students, and Chairman of UKEC (UK and Eire Council for Malaysian Students) from October 2005 to October 2007. As Chairman of UKEC, he established the first Malaysian Student Leaders Summit (MSLS), which has become a major national event.

Investing in the Youth and their Contribution to the Economic Wellbeing of the Country: Kazakhstan's Experience

Nurlan Uteshev

Executive Secretary, “Zhas Otan”, the youth wing of the National Democratic Party “Nur Otan”, Kazakhstan

It is no secret that investing in human capital is a significant factor for sustainable economic growth. To be precise,

qualified human resources have an impact on a country's scientific and technical progress, which in the opinion of many economists is the sole condition of steady welfare improvement.

Understanding the issue of investing and all its details gives the state a powerful incentive for economic development.

Economic investment in the youth is not so different from investing in any other asset. The state can also count on receiving returns for its investment in the future, and for the youth. This investment will increase opportunities in the society.

From this point of view, the best instrument is to give proper education that provides a foundation to the younger generation for future performance. Kazakhstan's experience of working with the youth in this direction demonstrates understanding of all patterns of this process.



Kazakhstan made its first step in the area of higher education on the initiative of the Head of State, Nursultan Nazarbaev; adopting the “Bolashak” program in 1993, which gave the youth an opportunity to study in leading educational institutions worldwide and apply the knowledge obtained for the welfare of the state. The scale, uniqueness and the great socio-economic effect of the program created a positive image for Kazakhstan in the eyes of the world.

The understanding that quality education had to be built from the primary school level occurred during the same time when Kazakhstan gained its independence. The joint initiative of Kazakhstan and Turkey showed the entire country that one could obtain world-class education here. Kazakh-Turkish Lycées have been suppliers of the intellectual elite of Kazakhstan for many years now - thus building the base for future prosperity of the Republic.

Intellectual schools of the First President have become an important part of Kazakhstan’s educational system: they absorbed the best world experiences and created their own educational model that is distinctly different from the rest. The main goal of these schools is preparing competitive managers for various areas. Today’s graduates of the intellectual schools can be rightfully considered future state leaders.

The Nazarbaev University started to support the course of reforms in the Republic. The University’s goal is to become an educational institution with a strong and modern scientific infrastructure, targeted to carry out innovative activities. The University engages the best national and international researchers, providing them with all the necessary conditions for the creative work.

Today, education is the cornerstone of Kazakhstan’s policy-making. Nothing will give the youth as many opportunities as an education that offers an in-depth understanding of the global picture.

By investing in the youth we ensure scientific and technological progress, without which the modernization of economics and creating innovative ideas would not be possible and as a result, sustainable development of the country would not be possible.

Profile

Nurlan Uteshev

Executive Secretary, “Zhas Otan”,
the youth wing of the National
Democratic Party “Nur Otan”,
Kazakhstan



Nurlan Uteshev was born in 1977, in Almaty. He graduated from Kazakhstan State Law University, with a specialty in jurisprudence. He then worked as a lecturer and became Head of educational work and spiritual development at his Alma Mater.

To most people he is known as the Vice President of the popular game show KVN Super League. He considers his work as an Executive Director of OUL “Kazakhstan Youth Congress” a turning point of his life-which is connected with the youth in terms of policy-making of the country. He continued his work as a Director of the Department for Educational Work and Youth Policy of the Ministry of Education and Science in Kazakhstan and obtained an extensive experience in the area of state youth policy implementation.

In 2008, he was invited to the central bureau of NDP “Nur Otan” for the position of the Director of the Department for Youth Policy and External Affairs. Today, he is an Executive Secretary of the Youth Wing “Zhas Otan” of the National Democratic Party “Nur Otan”. He was awarded Laureate of the State Youth Award “Daryn”. He also awarded with Anniversary Medals “10 Years of Constitution of the RL” and “10 Zhyl Astana”. In honour of the party’s 10th anniversary, he was awarded with a gratifying letter from the President of the Republic of Kazakhstan, Nursultan Nazarbayev. He is married and has two sons.

When Social Meets Business

Kamal Mouzawak

Founder of Souk el Tayeb,
Lebanon

Considering a new species of social entrepreneurs that must “do well” and “do good”. The concepts of entrepreneurship and social rarely used to meet; however, in spite of this, we started to hear about a new species called social entrepreneurs.

Entrepreneurs normally belong to the business world, and that usually means income generation and profitability. In other words, the “doing well” side of life. And from time to time businesses “buy a conscience” through Corporate Social Responsibility (CSR) activities.

The world of NGOs, charities and welfare associations deal with social and environmental involvement. However they rarely have a clue about income generation or economic

sustainability, and are usually fueled by funds and donations. This is a world interested in “doing good”.

Today, there is a new notion of social entrepreneurs that is about combining the best of both worlds; the world of environmental and social responsibility, and the business world of income generating, management and organizational skills, in other words, doing both “well” and “good”. The modest adventure known as Souk el Tayeb (SET), illustrates this case. Conceived in 2004, Souk el Tayeb is a weekly farmers’ market that was created to preserve food traditions and the culture of small scale farming in Lebanon, as well as protecting the interests of small local farmers and producers, enabling them to compete fairly in an era of globalized agricultural trade.

SET, by connecting consumers and producers who both value traditional, high quality, and natural products was able to offer farmers a fair price for their goods, while giving them recognition and a better income. They are “doing well” and “doing good”, while providing a way to perpetuate and preserve centuries old food traditions for future generations to enjoy.

The land, its people, history, production, food and traditions underpin the very existence of Souk el Tayeb. Through time, this has evolved from an experimental farmers’ market promoting small scale farmers and producers, to a vibrant organization working on many levels and projects, nationally and internationally to promote and preserve Lebanese food and culinary traditions, rural heritage and natural environment.

This platform grew organically into a meeting place, bringing together people from different regions and beliefs through the same shared goals- celebrating the land we love. These shared goals are about introducing environmentally-friendly practices, encouraging organic and eco-friendly produce to improve the quality of food, life and health. And contributing to local community development initiatives, these included teaching environmental awareness to future generations through educational campaigns such as ‘Souk @ school’ and ‘Souk @ university’. It is also concerning consciousness-raising and promoting the experience of green living through public awareness campaigns such as El Tayeb Press and the El Tayeb Newsletter; and promoting regional and local traditions and food specialties through Food & Feast festivals.

The latest enterprise and development for Souk el Tayeb is Tawlet - the farmers’ kitchen. This is a restaurant where each day a different cook from the Souk el Tayeb family prepares and showcases traditional meals from their region. Dishes such as zenkol, samke harra, kebbeh bassalyieh, maftouleh, reshta are prepared each day with a different cook, a different producer, a different meal, a different story, and a different eating experience that together unites a nation.

More than a mere farmers’ market, Souk el Tayeb, through its various projects became a place to share life experiences and to raise awareness about healthy living through education and information. It is a hub that combines both “doing well” and “doing good”.

SET's initial spark was about "doing good" through human development and to support admirable rural farmers producing high quality traditional products. "Doing well" followed closely after, providing the producers with a platform where there is a demand and purchasing power for their products. For instance: a farmers market in the city, a festival in their village, a farmer's kitchen in the city, along with the means to communicate and promote their products. This went beyond just giving recognition to the producers. It was also about providing income generation and an economic platform. In today's world, this platform is redefining sustainability and profitability.

Sustainability is defined as conserving an ecological balance by avoiding depletion of natural resources. There is no reason why this should not also be about economic sustainability, providing sound and responsible income generating activities too.

And profitability is defined as yielding profit or financial gain. So is it just about figures?

Or should we redefine profitability as a social and environmental responsibility along with improving income, exposure and working conditions?

Regarding our social entrepreneurs, they should not be considered as a species of their own; they should be considered as valuable social experimenters as well.

In Professor J. Gregory Dees' article. "Creating large-scale change: Not 'can' but 'how'", he defends the role of the social entrepreneur while questioning the reaction of society.

He writes, "It takes an ecosystem to solve a social problem. Social and environmental problems are typically rooted in behaviors, norms, institutions, social structures, and policies that no one social entrepreneur and no one social venture can hope to change working alone, Social entrepreneurs may have important

roles to play in their ecosystems, as innovators, catalysts, leaders, coalition builders, visionaries, and the like, but they should not bear the sole responsibility for the success or failure of their innovations to create large-scale change. It is as much a failure of the society in which that social entrepreneur is working, as it is a failure of the social entrepreneur. If our societies fails to capitalize on or harvest the value of the innovations and the knowledge developed by social entrepreneurs, it reveals weaknesses in our institutions and policies".

Ghandi said "Be the change you want to see. Be the change you want to see in the world." Change often needs a spark or an initiator, and then it must move from an individual's responsibility, to a community, to a societal or national interest. That is what we tried to achieve and continue to fight for with Souk el Tayeb.

Profile

Kamal Mouzawak

Founder of Souk el Tayeb,
Lebanon



Kamal Mouzawak is a food and travel writer specializing in traditional, healthy and organic living. After extensive work and research of local culinary traditions, recipes and ingredients, Kamal co-presented a successful TV show about his work called “Sohtak bel Sahenn” or “Health in the Plate”. The show had a strong impact on many people, especially pushing producers towards a responsible production.

The need of a market emerged and “Souk el Tayeb” was formed in June 2004, for local, natural, traditional and organic food products, from producers to consumers. Souk el Tayeb is a producers-only market; gathering farmers, producers and cooks from all parts of Lebanon, to share fresh fruits and vegetables, mouneh, and home cooked food.

Regional food and tradition festivals were launched in 2007. “Tawlet”, one of the latest development projects, is the producers’ coop kitchen, in which a different producer or cook from a different region, prepares typical food specialties.





Chapter 2

STRENGTHENING THE REGIONAL SUPPLY CHAIN: CROSS-BORDER B2Bs, PPPs AND THE SOVEREIGN FUND

Banking on ASEAN

Dato' Sri Nazir Razak
Group Chief Executive
CIMB Group, Malaysia

The fast-changing dynamics of the global marketplace have made cross-border expansion an imperative for businesses. These changes will be amplified for us in Asia as the great rebalancing shifts economic weight from developed to emerging economies; anchored by India and China.

The sheer scale of these economic giants has made it necessary for Asian businesses to embrace the prospect of an enlarged playing field transcending markets, cultures and practices found within our region.

For CIMB, we recognised the potential of regionalisation and pursued ASEAN as our economic marketplace.

Our decision to focus on ASEAN was based on our knowledge of the region and the inherent advantages we have in understanding the business landscape. Secondly, it was premised on the scale and opportunities fueled by economic integration.

ASEAN is a market of 600 million people of which 87% are still below the age of 50; and it generates a combined GDP of USD 1.5 trillion, and an average per capita income which is higher than that of BRIC* economies.

*Brazil, Russia, India & China



This makes it larger than the EU and South America in terms of population and among the top 10 by GDP globally. ASEAN is also home to the world's largest Muslim majority country, and three of its Muslim majority countries account for a significant 18.5% share of the combined GDP of OIC economies.

The region is also geographically blessed: strategically linking Asia's economic superpowers—the Middle East and India - with China, with whom we also share a thousand years at history in trade and cultural. Today, ASEAN is once again in the right place at the right time, with the right people to benefit from the economic shift from the West to the East.

Regional banks such as CIMB will play an increasingly crucial role in facilitating the global economic rebalancing by catalysing cross-border expansion of trade, investments and commerce. As indigenous components of regional economies, our own prospects are linked to the region's future, by creating a deeper alignment between our actions and the interests of the region.

Equally important, regional banks differentiate themselves from their global counterparts by combining deeper local understanding of regional markets with their cross-border reach and networks. ASEAN, with its tapestry of ethnicities, cultures, languages (over 1,000), religions, political systems, and colonial history, is a

perfect embodiment of a multi-faceted marketplace. As such, its regional banks become valuable partners for businesses as they seek to grow beyond their home markets.

Having successfully established CIMB as an ASEAN franchise, I realised that the moment which felt most rewarding was not when we announced a new merger or won a new award. It was when I was approached by an SME customer from Thailand who thanked me for the advice and assistance that my colleagues from CIMB Niaga (Indonesia) were able to extend, which enabled him to expand his business in Indonesia. That, to me, was creating value not just for our customers, but the public at large.

Profile

Dato' Sri Nazir Razak
Group Chief Executive
CIMB Group, Malaysia

Let me be frank by admitting that exploring new markets can be daunting and almost always challenging but it is something we believe is necessary for businesses to remain relevant, and if done right, it can be very rewarding.

Imagine if hundreds or thousands of ASEAN companies - enabled by an integrated ASEAN economy - take advantage of the economies of scale and enlarged markets, providing wider employment and cheaper better goods for their people. Imagine the opportunities and benefits.



Dato' Sri Nazir Razak is presently the Group Chief Executive of CIMB Group Holdings Berhad. Nazir graduated from the University of Bristol with a BSc (Hons) and obtained an MPhil from the University of Cambridge. He joined CIMB's corporate advisory department in 1989, and was appointed Chief Executive on 1 June 1999. Nazir spearheaded the Group's transformation from a Malaysian investment bank to a leading ASEAN universal bank via several acquisitions throughout the region.

To date, CIMB Group is Malaysia's 2nd largest financial services group and 5th largest in ASEAN with total assets of about USD88 billion. Under Nazir's stewardship, CIMB Group has won many prestigious accolades. In 2010, CIMB Group was recognised by *Euromoney* as Best Bank (Malaysia) and Best Investment Bank (Malaysia), and by *Asiamoney* as Asia's Best Islamic Bank. Most recently, CIMB Group won The Banker's top investment bank award for Asia – the Most Innovative Investment Bank from Asia.

Nazir became the youngest recipient of *FinanceAsia's* "Lifetime Achievement Award" in 2009, and was also named the "Best Top Executive in Malaysia" by *Asiamoney* in 2009 and 2010.

Attracting Investments to the MENA Region

Badr Jafar

Executive Director,
Crescent Petroleum Group,
UAE

The Islamic World has two great assets available to it: a large young population of working age and a large reserve of capital available to invest. Yet currently, both of these resources are being woefully under-utilised. Youth unemployment is high, especially in the MENA region, which has the highest rates of youth unemployment in the world at 24% of the 15-24 year old population. Meanwhile, abundant capital from the region's resource-rich states is often invested outside of the region into assets offering low returns. The negative economic and political consequences of the status quo are there for all to see.

The youth often feel disengaged from society because of their economic isolation. A lack of effective inward economic investment increases the vulnerability of the region to external economic shocks; both are potential sources of serious instability. There is a need to find a mechanism to channel the latter asset, capital, to the former, labour; thereby creating a more robust, self-sustaining, vibrant regional economy and engaged polity.

The barrier to this flow of capital, jobs and economic development is twofold: regulatory and infrastructural.

Extensive state involvement in many facets of the region's economy often squeezes out the private sector. State-owned companies are often excessively dominant; greater private sector involvement would encourage competition and hence, reflect a more productive and positive economy. Meanwhile, overly heavy, poorly structured, and inconsistently applied regulatory policies hamper

the ability of the private sector to deliver, even in the areas where it can operate. Only three MENA countries are ranked among the top 40 countries in the world for ease of doing business. Also, according to the World Bank, only two MENA countries are among the top 40 countries in the world that provide policies to protect investors; and no MENA country is ranked in the top 40 countries in the world that have policies in place to enforce contracts (see table below).

Global rankings of MENA region countries for Ease of Doing Business

	Ease of doing Business Rank	Starting a Business	Dealing with Construction Permits	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business
Saudi Arabia	11	13	14	1	46	16	6	18	140	65
Bahrain	28	78	17	29	89	59	14	33	117	26
UAE	40	46	26	4	72	120	5	3	134	143
Qatar	50	111	30	58	138	93	2	46	95	36
Tunisia	55	48	106	64	89	74	58	30	78	37
Oman	57	76	70	21	128	93	8	88	104	72
Kuwait	74	141	91	90	89	28	9	113	114	61
Egypt	94	18	154	93	72	74	136	21	143	131
Yemen	105	57	50	53	152	132	146	123	34	90
Jordan	111	127	92	106	128	120	29	77	129	98
Lebanon	113	103	142	111	89	93	36	95	122	122
Morocco	114	82	98	124	89	154	124	80	106	59
Iran	129	42	143	156	89	167	115	131	49	111
Palestine	135	173	157	76	168	44	28	111	93	183
Algeria	136	150	113	165	138	74	168	124	127	51
Syria	144	134	134	80	168	109	110	120	176	95
Djibouti	158	175	125	140	176	179	60	38	160	137
Iraq	166	174	102	96	168	120	54	179	141	183

Source: World Bank, Doing Business Report 2011

The infrastructure base of many Muslim countries is noticeably below the levels necessary to be truly competitive in a global economy. Only 25% of the population of the Middle East North Africa (MENA) region had internet connectivity in 2010 - far below the levels of Europe (58%), North America (77%) or China (32%). While some countries, such as Bahrain and the United Arab Emirates, have achieved very high levels of internet connectivity, the challenge is to expand this access to the region as a whole. Additionally, very few industrial players, state or private, in the region are leading players in the technology sector. This sector is a key growth driver towards the growth of the global economy.

It is up to the governments of the Islamic World to initiate change, and create and foster a business environment that is more conducive to capital investment and job creation.

A larger role from the private sector is an essential ingredient in achieving this change, but the private sector can only grow when the public sector, government, gives it the latitude to do so.

It is crucial for the state to give latitude for the private sector to operate. However, it is important, that the state is in the position to coordinate the establishment of the modern physical and intellectual infrastructure necessary to maximise economic output. Educational provisions, for example, is a critical part of the infrastructure solution, but one that ultimately can only be resolved if the state gets the necessary standards to ensure excellence. At the same time, however,

private sector players are the best people to implement the government's physical and educational infrastructure plans.

Hence, defining the optimal role that each the state and the private sector should play is essential. Public Private Partnerships (PPPs) are one of the tools to achieve this. It should be noted that the key is not in the form of the partnership, but rather the terms on which its cooperation is agreed upon, with both state and private partners appropriately incentivised to deliver the best results.

We can also observe the variety of economic conditions in Muslim countries signifying the resources necessary for success in one country is located in another. This is particularly true for capital allocation in the MENA region, in the sense capital may be most productively allocated within the region's less developed countries.

This equally applies to the movement of goods, people and intellectual property. Hence, governments must cultivate not

only a better domestic business environment, but also foster for a better cross-border environment.

A stable domestic regulatory infrastructure for business is a necessary component for attracting foreign investment. This must be complimented with a systematic elimination of barriers to trade - by creating more flexible free-trade unions within the region and possibly even a currency union.

The result of this process will strengthen an inter-regional supply chain, and in turn would maximise economic potential for the Islamic World.

One of the key vehicles in directing inter-regional investment is Sovereign Wealth Funds (SWF) because SWFs are among the largest pools of capital in the region. However, one cannot simply assume that such funds, similar to SWFs, invest in their less fortunate neighbouring countries just out of charity. Despite state-ownership, foreign SWF investments are more similar to private sector investments than many could realize or appreciate.

Hard economic facts generally determine SWF investments, and where they don't, returns often suffer. This is to be expected, given that the SWF's responsibility is mainly and typically to maximise long-term returns for the parent country of that SWF. That is how SWF's operate when investing outside of the region. Hence, if they are to redirect their capital to within the country or region, one should expect SWFs to operate on the same basis. This means that

to attract capital those countries in the region most in need of investment, and the jobs generated from it, must have in place a regulatory infrastructure conducive to private sector investment, which will in turn attract SWFs alongside private players.

Solely relying on securing SWF investment through tight government channels rather than through open market competition, is likely to result in a much less productive outcome. SWFs for their part must be prepared to adapt their investment practises to concentrate more on the growth opportunities close to home. Often this will require more active management of investments than sticking to their traditional focus on more passive investments in OECD equity and debt securities.

As the Executive Director of Crescent Petroleum, one of the forefront companies in the international oil and gas sector, my personal experience of doing business in the region gives me confidence in the great economic potential that people in the region have. Yet, much work is needed to bring this potential to fruition.

Crescent's core business is in the petroleum sector, an industry where state and private players have to work particularly closely together. Crescent Petroleum, a Sharjah-based company, also invests in several different MENA countries. I have first-hand experience of the importance of ensuring that both state and private players have clearly defined, balanced roles; and I can say that cross-border trade is not held back in the MENA region.

I can also share the benefits of cross-border investment are tangible and real. A prime example is Crescent Petroleum's production and development work in Kurdistan, Iraq, where it has provided jobs and fostered

economic growth directly through its E&P activities; and indirectly, by boosting local industry through the provision of reliable and affordable natural gas and power.

Crescent Petroleum intends to expand its cross-border investments in the region's future and believes that many others will follow. However, it does not believe that the region will be able to achieve its full economic potential without focusing more on reforms to support private enterprise. At the regional level, i.e. MENA, a likely solution is to have more coordination of trade policies, currencies, and other initiatives. At the national level, it will involve tackling the historic weaknesses of the MENA region in its regulatory and legal structures - for instance, its reputation for poor enforcement of contracts.

I would set out the following as the key criteria for a suitable investment environment in which domestic reforms and cross-border trade cooperation should aim to achieve: stability, transparency, consistency, equality and proportionality.

If countries can establish a reputation that their fiscal code and laws are not subject to sudden change, are applied duly and equally to all and are fair, then they will prove attractive to investors and capital will follow.

Fortunately for the region's most underdeveloped countries, those most in need of foreign investment, these measures do not require a large capital outlay to deliver. However, they do require heavy and sustained political commitment. Nevertheless, I have confidence that the region will rise to the challenge and I look forward to the opportunities and benefits that this will bring.

Profile

Badr Jafar

Executive Director,
Crescent Petroleum Group, UAE



Badr Jafar is Executive Director at the Crescent Petroleum Group of companies, headquartered in the United Arab Emirates for over 40 years and with offices worldwide. He also serves as CEO of Crescent Investments, the Group's project investments division, and as Chairman of Gas Cities LLC. He is also actively involved in business development in Dana Gas PJSC, the Gulf region's first and largest listed private sector natural gas company, and serves on its International Advisory Board. He serves as Chairman of Pearl Petroleum, a partnership between Crescent Petroleum, Dana Gas, OMV of Austria and MOL of Hungary.

Mr Jafar is an active member of the Young Presidents' Organisation, serving as Board Member for the YPO Emirates Chapter. He also co-founded Pearl Initiative, a venture between the Gulf Region of Middle East and the United Nations Office for Partnerships to promote a culture of transparency and accountability. He is a member of the Synergos Arab World Social Innovators (AWSI) Program Board of Governors. He is also a member of the Business Advisory Council of the American University of Sharjah; as well as Chair of the Alumni Advisory Council of the Cambridge University Judge Business School; and a board member of their International Advisory Board. Mr Jafar was recently honoured as a Young Global Leader by the World Economic Forum.





Chapter 3

ESTABLISHING A COMMON DENOMINATOR: THE ISLAMIC FINANCE PROJECT

Islamic Banking in Kenya - Chase Bank's Experience

Iman A. Hussein
Head of Islamic Banking
Chase Bank (K) Ltd, Kenya

Overview

Islamic banking, once regarded as an exotic but not very practical system, consigned to the outer fringes of the global industry, is now moving steadily into the stronghold of conventional banking and attracting attention from its non-traditional base.

The Islamic banking industry is growing at a breakneck speed of 15% to 20% per year. More significantly, research has shown that within the next ten years, the industry is likely to capture over a half of the savings of the 1.6 billion Muslims. With an estimated USD 1 trillion of Islamic wealth within the international financial system; Islamic banking is not only a good opportunity, but a necessity for global financial institutions.

African Overview

Africa is probably the second most Islamised continent in the world with most of its Northern countries fully Islamic. In many Islamic countries, the 'modern-European' mode of banking has been shunned for condoning of interest (usury). **Clearly, Islamic banking in Africa has a big untapped niche; with over 50% of the population in Africa being Muslim, Islamic banking services are bound to grow at a very fast rate. This will ensure clients are satisfied both financially and spiritually. In this case, demand is not the issue but supply is.**

Kenyan Experience

In Kenya, Islamic banking products have also attracted non-Muslims interested in just and socially-responsible financing. This is a testimony of the vast potential of Islamic finance in Kenya - which should be tapped. Out of Kenya's population of 38 million, Muslims are approximately 30%, about 12 million, while the whole of East Africa has a sizeable Muslim population of between 30 million to 40 million.

This rush to Islamic finance could not have come at a better time; when traditional sources of capital, that is Foreign Direct Investment (FDI) from Europe and America is being reduced. Banks see this as an excellent opportunity to increase their capital base thus increasing their lending and deposit taking capacity.

Kenya has emerged as the "leader of the pack" when it comes to Islamic finance in East Africa and has the potential of becoming a hub for this region. Although Islamic banking in Kenya has made tremendous progress, there is still vast potential especially in rural Kenya where majority of Muslims remain "unbanked".

Chase Bank (K) Ltd

Chase Bank is a privately-owned conventional bank with an Islamic window incorporated in Kenya in 1996 and has been in existence for the last 15 years. Chase has a core competency in relationship banking and successfully launched its Islamic Window in 2009, and branded it Chase IMAN. The Bank's focus is in growing the Small and Medium Enterprises (SME) sector in the country and to continually deliver a unique banking experience modelled around a one-stop financial solutions product offering. The Bank's business culture revolves around the core values that all our staff live by, which are: passion, innovation, engagement and being socially responsible.

Chase IMAN

Chase Bank, through our Shariah compliant arm - Chase IMAN - has delivered a full bouquet of Islamic Finance and banking activities and opportunities. Our current focus however is to fully penetrate the Kenyan market initially.

Chase Bank recognizes that Women and the SME sectors are a fundamental and integral part of the economic growth process; having said that, Chase IMAN has positioned itself as the preferred Islamic SME and women bank. We specifically tailor our products to suit the needs of SMEs and women in the country to ensure that they benefit from the various financing options.

In tandem with the overall bank's strategy, Chase IMAN has focused on providing Shariah compliant solutions to women and SME in both urban and rural Kenya, aimed at creating equal opportunities and better living standards across the country.

Our product offering is sound; catering for the needs of individuals, corporates and SMEs alike. More focus is also on women and faith based accounts that have been designed to suit all banking needs without any prejudice. Today, anyone can enjoy the benefits of Shariah-compliant Banking, a mode of banking that has been available in other parts of the world.

Since the Bank began offering Shariah-compliant banking, we have witnessed an impressive uptake of Islamic banking services within the Bank. The same has been witnessed in the country with the tremendous growth in the financial services sector. Our customers over the months have requested for more, therefore prompting us to continually innovate our liabilities and asset products which we provide under our Islamic brand - Chase Iman.

With the growth of Islamic banking, we see an emerging area of specialized banking; and it will be instrumental for us going forward to offer guidance as well as educating the public especially those in the rural areas. At Chase IMAN, the guidance and counsel that the Shariah Advisory Board offers us ensures that we are able to comply with the regulations set within Shariah and Islamic banking on the whole.

In conclusion, there is a great opportunity for Islamic banking in East Africa and Kenya in particular. There is a dire need to create avenues for Shariah-compliant investment opportunities for Islamic banks, development of “non-vanilla” products, as well as educate regulatory authorities and Muslim communities on Islamic banking.

We have indeed witnessed interesting times for Islamic banking in Kenya, and Chase Bank is humbled to have been part of this experience, and from our learning's add value to the Islamic banking industry.

Profile

Iman A. Hussein

Head of Islamic Banking
Chase Bank (K) Ltd, Kenya



Iman holds a Bachelor of Economics degree in Mathematical and Statistical Economics from Rhodes University, South Africa. She also holds an Association Cambiste Internationale (ACI) qualification for Treasury Dealing, as well as an Islamic Finance Qualification (IFQ) from Chartered Institute of Securities and Investments. Iman has been in the banking industry for 8 years, and is responsible for driving Shariah-compliant business within the bank, as well as providing leadership and mentorship to the execution of the bank's Islamic Banking Strategy.

Under her leadership, the bank has grown its Islamic business tremendously and provided employment opportunities for young Muslims who are continually gaining experience in Islamic Finance and shaping the industry in Kenya.

Achieving Global Standards in Islamic Asset Management

John A. Sandwick
Independent Consultant
Islamic Wealth & Asset
Management, Switzerland

The vibrant economies of the Muslim World are marked by one important characteristic - an unusually high savings rate. Global savings in highly developed OECD countries average well below 10% of GDP, but in most developing Muslim countries, savings are often 20% or more.

One of the first priorities of development economists in terms of advising emerging-market governments is to get financial intermediation right. That means organizing financial intermediaries should efficiently channel capital from savers to users of capital. Banks are the first step, as they take in deposits and make loans; however, as economies mature they need a more sophisticated means of financial intermediation.

Capital markets are the next step toward a more efficient economy. Companies, projects and governments issue securities for conventional debt and equity needs, i.e., bonds and stocks. These securities efficiently allocate savings in a developing economy, considerably more so than banks alone can achieve.

In many developed and developing economies the mutual fund industry grows in parallel to the capital markets. In fact, one can issue IPOs all day long, however, without any professional institutional buyers this will not be very successful. The mutual fund industry, parallel to other long-term savings institutions such as pension funds and insurance companies, ensures that there is the capacity to absorb new securities issued into the capital markets on efficient terms.

Countries that don't have long-term investors such as a domestic mutual funds industry often find themselves victims of random, volatile capital markets, sometimes at the mercy of "hot money" from foreign investors. Savings cannot be efficiently allocated to capital markets, and through them to the private and public sector users of capital without the kind of disciplined focused investing we see common in mutual funds worldwide.

Mutual funds serve as a common currency between savers and users of capital. Savers worldwide can and do buy and sell investment funds as if they were a currency, i.e. a means of savings and a means of exchange.

Mutual funds are an advanced and efficient means to channel capital from savers to users of capital, and they are generally available in small amounts. Mutual funds democratize savings by allowing even the humblest person to gain access to top investment managers. They permit savers to target their investments to meet the specific goals of the saver, including his or her risk appetite.

Mutual funds play an important role in advancing economic efficiency in developed and developing economies.

Conventional mutual funds worldwide total over 65,000, which are available in all investment styles for all asset categories. Globally, total Assets Under Management (AUM) in mutual funds have crossed above US\$20 trillion. Combined with Modern Portfolio Theory, which tells us to diversify our savings across the four classic asset categories; Money Market, Fixed Income, Equities and Alternative Investments. The universe of conventional mutual funds fulfils the needs of savers who seek to save today and achieve their investment goals tomorrow.

Countries like the United States and France have achieved very high penetration rates for mutual fund ownership; with AUM in mutual funds being as high as 100% of GDP. However, some developing countries have also reached respectable levels of mutual funds AUM to GDP, such as in Thailand (18%) and Brazil (20%).

High level of assets in mutual funds by a broad base of investors translates to an economy that has achieved a very important goal - the storage of household savings in an efficient diversified fashion. In a very direct sense, this reduces the burden of government-sponsored retirement schemes, thus the popularity of tax-deferred mutual fund investing worldwide.

In the Islamic banking space, however, there is much to be done. There are several ways to look at the underdeveloped nature of Shariah-compliant mutual funds.

One ought to consider that the total assets in the Islamic banking industry today are around US\$1 trillion, however it is estimated at least 80% of that amount is recycled through derivatives markets in London in what is called the commodity murabaha.

The Shariah-compliant mutual fund industry numbers with not more than 800 funds, slightly more than US\$80 billion AUM, is equal to about 8% of the assets in the Islamic banking system. Penetration of mutual funds in a country like Saudi Arabia is less than 2% of GDP.

By any measure, the amount of Shariah-compliant mutual funds is small. If one considers the high savings rates common in predominantly Muslim countries, it is clear that the industry must grow and grow quickly. Policy leaders in Muslim countries need to address this issue, stimulating the growth and development of Shariah-compliant mutual funds.

Sources put professionally managed savings worldwide at around US\$75 trillion. We can easily assume at minimum 4% of that is owned by Muslims, let's say US\$3 trillion. Compare that to the maximum US\$80 billion in Shariah-compliant funds, or barely more than 2.5% of professionally managed Muslim savings.

If we assume we could convince 40% of Muslim savers to convert to Shariah-compliant investments, we would have around US\$1.2 trillion in professionally managed

assets. If 40% of that is invested into Shariah-compliant mutual funds (meaning 16% of the estimated amount of today's professionally managed Muslim savings), the total volume would be around US\$480 billion in AUM, or six times the volume of Islamic mutual funds today.

In other words, there is enormous potential for growth in the Islamic mutual funds industry. But we need to, at the same time, stimulate the origination of Shariah-compliant securities.

What are securities? Earlier we described them as bonds and stocks in conventional capital markets; bonds are sold by governments, projects and corporations to finance new developments such as roads, bridges, factories and stadiums. The total volume of bonds outstanding worldwide is around US\$82 trillion. They are an ideal investment for investors seeking lower risk; since bonds are guaranteed and carry a fixed rate of return (we call them fixed income securities).



Muslims of course cannot buy bonds. The fixed rate of interest is haram, or prohibited, however the ingenuity of the Islamic banking sector has given us sukuk, or sak in the singular: a sak has ownership or control over an underlying asset that provides a flow of cash, which is perfectly acceptable in Shariah. Consider, for example, modern commercial jet aircraft like a Boeing 747. An airline often doesn't own the planes it flies, they are most often leased from aircraft owners. Leases are ideal vehicles for Islamic finance, called an ijara. Sukuk issued against an aircraft lease, a sukuk ijara, provide regular lease payments to the sukuk holders and carry uncontroversial fatwa.

Aircraft are just one form of long-term fixed assets; there are many others, including highways, ports, bridges, office buildings, railways, shopping centers and many more. One has to ask, how many long-term fixed assets are in the Muslim World, and what is their combined value? Among these, how many are financed using sukuk ijara?

The answer is, not many.

Total sukuk issuance at any point in time rarely exceeds US\$100 billion, little more than 0.10% of the total amount of bonds issued worldwide. This seems at odds with the vibrancy, growth and fast economic development of much of the Muslim World. Clearly, the sukuk market can grow, and by significant volumes.

Therefore, it is not surprising that the fixed income portion of Islamic mutual funds is paltry. Outside the more highly developed Malaysian market, one can only count about five or six sukuk funds in the world today, with none having more than US\$100 million in AUM. Given that about 40% of professionally managed wealth worldwide is in fixed income securities, one could conclude we need up to US\$1.2 trillion in sukuk funds but the current volume is not even US\$200 million.

The other type of security most preferred by investors is stocks, or shares in companies. The total value of all shares in all world markets is around US\$55 trillion, with around 45,000 companies listed on one or more exchanges. The Dow Jones World Index comprises something like 5,500 of those companies, but has close to 80% of world market capitalization (companies with small market capitalization generally do not make it onto world or regional equity indexes).

The Dow Jones World Islamic Index comprises around 2,700 of the 5,500 company listings in the conventional index, but accounts for over 50% of global market capitalization of all listed companies - a respectable representation. Absent from the Islamic version are of course conventional banks, insurers, highly indebted companies and those active in haram businesses.

In short, the equity part of Shariah-compliant investing is in better shape than fixed income, with over 250 total funds available, representing the majority of Islamic mutual funds.

Profile

John A. Sandwick

Independent consultant

Islamic Wealth & Asset Management,
Switzerland

There are over 60 Islamic equity mutual funds with more than US\$25 million AUM, which is good, however if 35% of globally managed wealth is invested in equities today, one can conclude that 35% of Muslim-owned wealth should be in Shariah-compliant equities. Again, if we assume that we can convince 40% of Muslims to convert their professionally managed wealth into Shariah investments - 40% of which would be invested in Islamic mutual funds; we can count a total potential demand for Islamic equity mutual funds at more than US\$400 billion. We are far short of that mark.

Muslims save, just like everyone else in the world, but they have a higher proclivity for saving.

Muslim economies in general are moving fast, with economic growth rates of 5% or more, which is common in OIC-member countries. Muslims need to mobilize capital in the most efficient means possible. Mutual funds offer a disciplined form of professional investment, and are ideal in the storing of long-term national savings.

We can see the Islamic asset management industry needs to grow to meet the needs of Muslim economies worldwide.



John A. Sandwick did his undergraduate studies at Georgetown University, and has a Master's in Development Banking at The American University.

In 1978-79, he worked in the U.S. Senate, and afterwards in the law firm Chadbourne & Parke. From 1984 to 1989, he was a director at Middle East Policy Council; and from 1990 to 1993, at REM Capital Corp; in 1993, he moved to Deutsche Bank; and in 1995, to Credit Suisse. Mr. Sandwick was managing director of Encore Management S.A. in Geneva from 1998 through 2009. He is now an independent consultant specializing in Islamic wealth and asset management.

Mr. Sandwick created several Islamic asset innovations, including a sukuk fund, sukuk basket participation note, Saudi REIT and a European corporate sukuk. Mr. Sandwick was the first to develop Islamic wealth management solutions for the private banking industry.

Mr. Sandwick has been published often in Arab media on investment and finance; and speaks frequently at conferences and seminars on Islamic wealth and asset management.

Islamic Finance in Advancing Muslim Economies

Raja Teh Maimunah
Global Head of Islamic
Markets, Bursa Malaysia

The recent financial crisis left many frustrated, if not angered at a financial system that not only failed the masses, but is also causing prolonged economic vulnerability in many countries.

Interestingly, since then, Islamic finance has gained traction globally as Islamic banks have been seen to be more resilient to the crisis than their conventional counterparts. Whilst Islamic banks are not entirely shielded from the effects of the crisis since they operate within the same economies as conventional banks; they have been spared from the main brunt of the credit meltdown in the financial system primarily due to the prohibition under Shariah in the employment of excessive leverage and speculative activities. Financial regulators are now calling for a new financial architecture to prevent such occurrences in the future

by devising tighter regulations and enforcement of market discipline. In some instances, Islamic finance has been quoted as a model 'worth looking into'.

Islamic finance, in the contemporary sense, is approximately 30 years old: with the birth of the Islamic Development Bank and the first modern commercial Islamic bank (Dubai Islamic Bank) in 1975. The industry has come a long way since then, and the size of the Islamic finance industry is said to stand at about USD 1.139 trillion (Source: Global Islamic Finance Report 2011), with a growth of about 10% per annum in the last decade. Assuming the industry continues to grow at the current rate, it would have a potential market size of USD 4 trillion.

However, despite the impressive growth in the last decade, the concentration of growth has largely been in seven countries i.e. Iran, Saudi Arabia, Malaysia, UAE, Kuwait, Bahrain and Qatar; which account for approximately 90% of the aforementioned USD1.139 trillion Islamic finance assets. This means that the vast majority of Muslims worldwide have yet to be served by Islamic finance or they are mainly served by conventional banks.

The financial system has undoubtedly played a crucial role in the growth of the developed economies. Access to funds is perhaps the most critical element in facilitating growth and development of enterprises. However,

for many Muslims, access to banking services is difficult due to a myriad of reasons, including holding on to

their beliefs in avoiding interest-based banking. Studies have suggested that many Muslims have remained unbanked for this reason.

It has also been suggested that a number of Muslims have opted to park their money under mattresses and in pillows for safety, rather than depositing them in a conventional bank so as to avoid interest.

There are 57 Islamic countries (members states of The Organization of the Islamic Conference - OIC) spanning over four continents and approximately 1.6 billion Muslims i.e. almost a quarter of the world's population. Yet there is no single Islamic country today that can be classified as 'developed'.

The inaccessibility to funding by many Muslims is one of the reasons growth and development in Islamic nations are inhibited; which can be addressed by Islamic finance. The unique attribute of Islamic finance is the element of risk-sharing and partnership, which is the epitome of enterprises.

Islamic finance propagates equity and justness in banking; it promotes risk sharing and business cooperation to serve the wider population. Islamic finance distinguishes between serving the interest of stakeholders and shareholders; and between profit making and profiteering.

The need for Islamic nations to adopt and embrace Islamic finance has never been greater. The world witnessed the worst financial catastrophe in human history with the collapse of large financial institutions and the subsequent bailout thereof by governments. Trillions of dollars were wiped out in the world markets; people lost their homes, their jobs and businesses.

This brings us to the philosophy in Islamic finance. The central features of Islamic finance that many are familiar with are the prohibition of usury or *riba*, investments in non-permissible activities, and transactions involving *maysir* (speculation or gambling). In addition, there is also a prohibition on entering into a transaction that has an element of uncertainty on the subject-matter or *gharar*. An example of this includes trading in something that one does

not own. In contemporary finance, this means that naked trading of derivatives is disallowed (though writing a derivatives contract for hedging purposes may be deemed permissible).

The philosophy simplified is ‘funding the real economy’. It would not be an exaggeration to say that the recent crisis could have been averted had the world adopted this principle. As the massive liquidity shortfall seen during

the crisis was undoubtedly caused by excessive leverage and speculative activities including the infamous dealings in sub-prime mortgage papers. Those activities can hardly lay claim to having funded the real economy. It seemed that conventional financial markets were driven primarily by profit maximization at all costs.

Profits derived from such activities were privately held in the hands of a few. However, when the soup hit the fan, the losses were socialized. Simply unjust.

Despite this, a large number of Islamic nations have not embraced Islamic finance with greater vigour and commitment.

There are those who contend that Islamic finance is not quite an established industry, therefore they are taking the wait-and-see approach for the industry to mature before contemplating it. The irony in that approach is that it would take an even longer period of time for it to come to any meaningful size if market participants remain small, thus inhibiting growth and maturity of the industry.

As a young industry, it is not without growing pains. One of the biggest challenges that Muslims face today is that many Islamic countries still do not have enabling legislations for Islamic banks to operate. Amongst the

changes that would need to be adopted are tax laws, which can be the bane to any meaningful progress of the industry. (Note: Islamic banking transactions are likely to attract taxes in most jurisdictions e.g. stamp duty, capital and real property gains tax, namely on sale, and buy-back or lease-back contracts). Consistent throughout many jurisdictions, this has been a challenging hurdle to cross as many countries fear that amendments to such laws would result in loss of revenue.

Paradoxically, a number of non-Islamic nations have recognized the commercial opportunities the industry presents and have undertaken the required changes in their laws to enable the offerings of Islamic financial products and enhance their positions as financial centres. Educating lawmakers and regulators in Islamic countries on Islamic finance and its impact on both societies and national revenue is thus paramount to ensure that misconceptions and fears are being addressed at the highest levels.

Another major challenge the industry faces is the lack of tools to effectively manage liquidity.

Managing liquidity is arguably the most critical element in the risk management framework of the financial industry. Managing short-term Islamic liquidity is especially challenging for Islamic banks due to the absence of an international Islamic money market.

Furthermore, due to limited maturity profiles of instruments, asset/liability maturity mismatches amplifies the quandary. Perhaps what is most stark is the limited number of counterparties to trade with, as connectivity between Islamic banks is narrow, since they are mostly small in size and operate in insular markets.

Greater participation by Islamic nations will undoubtedly enhance the vibrancy of the industry and consequently, deepen the Islamic financial markets. With more nations adopting Islamic

financing e.g. sukuk to fund public infrastructure, there will be more supply of instruments of different maturity profiles in the market to facilitate liquidity management. (Note: The size of the sukuk market as of 2010 is said to be USD 130 billion. The total global bond market as of 2009 is estimated to about USD 83 trillion). The establishment of new Islamic banks will enhance the number of players within the industry, and thus expand the network and global connectivity required to deepen the Islamic money markets. This will in turn facilitate the growth and development of the Islamic economies as Muslims worldwide have greater access to funding.

Other challenges the industry faces include the quality and transparency of financial reporting, and differing standards of disclosure across jurisdictions, as well as legal enforceability on Islamic financing contracts. There are also some concerns on the diverse Shariah opinions, which have resulted in distribution and pricing inefficiency in the financial markets and confusion amongst consumers on product validity in terms of compliance with Shariah principles.

It is heartening to note however, that there has been much progress in the industry to attempt to address its

challenges; namely, in achieving higher governance and uniformity in regulatory standards and transactional documents as well as in managing liquidity. Amongst the initiatives to date include the establishment of the following international standard setting bodies:-

- a) The Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). Its mandate is to enhance accounting and auditing standards for the industry by issuing accounting, auditing, governance, ethics and Shariah standards for Islamic financial institutions and the industry.
- b) The Islamic Financial Services Board (IFSB). It promotes and enhances the soundness and stability of the Islamic financial services industry by issuing global prudential standards and guiding principles for the industry, broadly defined to include banking, capital markets and insurance sectors.

- c) International Islamic Financial Market (IIFM). It is a global standardization body for the Islamic capital and money market segment of the Islamic financial services industry. Its primary focus lies in the standardization of Islamic financial products, documentation and related processes.
- d) The International Islamic Liquidity Management Corp (IILM). It is a collaborative effort by 11 central banks or monetary agencies, as well as two multilateral organisations to assist institutions offering Islamic financial services in addressing their liquidity management.

The abovementioned international standard-setting bodies were all established through a collective effort of various governments and regulatory authorities. Such initiatives are exemplary, and there is hope that it will inspire greater collaboration between Islamic nations to further the cause in developing Islamic finance.

While practitioners and proponents of the industry would concur that the industry is still very much at a developing stage with many hurdles to cross, it is important that Islamic nations collectively contribute to the development of Islamic finance to hasten the speed of growth and development of Islamic economies.

Profile

Raja Teh Maimunah

Global Head of Islamic Markets,
Bursa Malaysia



Raja Teh Maimunah is the Global Head of Islamic Markets of Bursa Malaysia and has over 18 years of banking experience focusing on Investment Banking and Islamic Finance. Prior to joining Bursa Malaysia, Raja Teh was the Chief Corporate Officer and Head of International Business of Kuwait Finance House (Malaysia). Prior to that, she was a Director at Unicorn Investment Bank of Bahrain.

She also served at RHB Investment Bank (then RHB Sakura Merchant Bank), where she was responsible for the establishment of the Investment Banking division and CIMB Investment Bank (then Commerce International Merchant Bank) where she covered debt and equity origination and equity sales. She has also served at Pengurusan Danaharta Berhad (Malaysia's national asset management agency tasked to restructure the banking sector following the Asian financial crisis) and her early professional years at KPMG Peat Marwick Consultants. She holds an LLB (Hons) Degree from The University of East London.

Raja Teh is also the Advisor on Islamic Finance and Banking of the World Islamic Economic Forum (WIEF) Foundation and a Member of the Islamic Finance Committee within Malaysian Institute of Accountants (MIA).

Introducing Islamic Banking to Central Asia

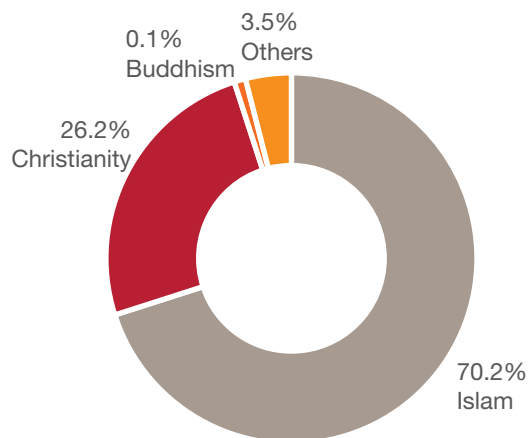
**Alexander Kottmann &
Timur Zhursunov**
Directors
PwC Kazakhstan

Kazakhstan, the ninth largest country worldwide and an anchor of stability in Central Asia, has seen a steady increase of its wealth over the past two decades. Thanks to its vast natural resources, the country is a primary target for international investors. Its former capital city, Almaty has also become an economic hub and is home to the most advanced financial services industry in Central Asia.

However, the financial crisis had an adverse impact on Kazakhstan's banking system and some of its banks only survived because of support from the national government. With the restructuring of the banking industry, now is an opportune time for the entry of new players and products.

Fertile ground for growth of Islamic finance

Kazakhstan Population by Religion



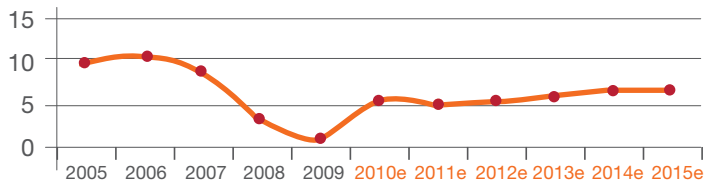
Source: The Agency of Statistics of the Republic of Kazakhstan, 2009 Census

Of Kazakhstan's 16 million inhabitants, almost two thirds are ethnic Kazakhs, and are mostly Muslims.

Since Kazakhstan gained independence in December 1991, the country has been politically stable, unaffected by the ethnic or religious turmoil observed elsewhere in Central Asia.

According to the International Monetary Fund (IMF), the country's gross domestic product (GDP) per capita amounted to USD 8,326 in 2010. This is the second highest GDP per capita value across the Commonwealth of Independent States (CIS), topped by Russia only. It also exceeds the GDP values of some of the member states of the European Union (EU), namely Romania and Bulgaria. And Kazakhstan's economy is expected to grow at a rate of 5% to 6% over the next few years.

Kazakhstan: Growth Rate of GDP in Percent



Source: IMF
e - estimate

Kazakhstani banks were not spared from the effects of the recent financial crisis. Despite the measures that have been taken to restructure some of the local banks, low credit portfolio quality is still a critical risk factor. Credit conservatism further reduces the banks' credit activity. Presently, many of the established players are occupied with poor loan portfolios or restructuring. This environment of debt restructuring is conducive for the entry of new market players with different types of banking products and the introduction of Shari'ah compliant banking products in Kazakhstan.

Islamic banking as an alternative source of financing

What's the difference between Islamic and traditional banking, one may ask. According to the Islamic Development Bank, there are a number of principles that need to be adhered to for compliance with Shari'ah rules and principles. The most important is the prohibition of interest ("riba") and extreme uncertainty ("gharar").

Key principles of Islamic banking

- Prohibition of interest (riba) in all financial transactions.
- Prohibition of extreme uncertainty (gharar) – gharar is the sale of probable items whose existence or characteristics are not certain due to their risky nature, which makes the trade similar to gambling.
- Entitlement to returns is due to liability of loss and vice versa.
- Obligations of trust (amanah), covenants (uqud), interdiction against unlawful (haram) earnings and expenditures, fraud of giving less than due in measure and weight (tatfif), and unjust enrichment (akl mal al-ghair bi al-batil).

Source: Islamic Development Bank, Questions and Answers

Although Islamic banks may offer a wide range of services - many of which are comparable to the products offered by conventional banks - the mechanisms to generate revenue are different.

Will Islamic banks prosper in Kazakhstan?

The Government of Kazakhstan recognises the importance of Islamic finance as a strategic development tool for the country. There are plans for Kazakhstan to become the regional centre for Islamic Finance in the CIS in the near future. With this in mind, the Regional Financial Center of Almaty city (RFCA) and other relevant authorities developed an Islamic Finance Development Road Map for 2010 – 2012.

The Kazakhstani Islamic banking industry is very young. When it started in 2009, Kazakhstan did not have any provisions for regulating the industry. Since then, a series of legislative amendments were introduced to regulate its banking activity. These include laws on banking, the national bank, licensing and the securities market as well as Kazakhstan's tax code.

The Kazakh National Bank introduced several guidelines on accounting rules for certain types of Islamic banking transactions. Additionally, the Kazakh Banking Law was amended to include certain restrictions and/or privileges specific to Islamic banking, while the Kazakh Securities Law introduced several types of Islamic securities.

One of the most critical drivers for the development of Islamic banking is the concept of “tax neutrality.” Tax neutrality refers to conditions under which taxation terms for Islamic banks would be equal to those of conventional banks. If these terms are not equal, Islamic banks would be negatively impacted due to higher taxation, making their banking products and services less competitive.

Kazakhstan has taken several steps towards addressing this by introducing provisions in their tax legislation. For example, the tax law now defines taxation terms for two types of Islamic securities: Islamic lease certificates and Islamic participation certificates. These clarify that income derived by banks on Islamic lease certificates should be taxed as interest. On the other hand, income derived

on Islamic income participation certificates should be viewed as dividends. The tax law also clarifies that income derived by individuals on Islamic investment deposits should be exempt from personal income tax. These are big regulatory strides for Kazakhstan's Islamic finance industry.

Yet, there are still a number of challenges that need to be resolved. The range of these challenges is broad. However, there are a few areas which could be quick wins that would be welcomed by the international Islamic banking community. These include tax implications surrounding two of the most widely used and easy to market Islamic banking products: Commodity Murabaha and Wakala Deposits.

Current legislation does not define taxation terms for Commodity Murabaha, which refers to trade finance as a trade intermediary.

The absence of this definition creates an issue of recoverability of value added tax or VAT (currently at 12%), which affects customers who take up Commodity Murabaha transactions). A similar issue would also be faced by Islamic banks. Similar products by conventional financial institutions, however, don't face the same disadvantages.

Similarly, Wakala Deposits are not defined for banking or for tax purposes. This means the Islamic bank's fees charged on this product will be subject to VAT. Again, this puts Islamic banking in a disadvantaged position compared to conventional banks, whose fees on similar types of transactions would be exempt from VAT.

One more example concerns property registration. Under Kazakh legislation, the title for a real estate asset acquired by an Islamic bank and intended for further on-sale, has to be registered in the bank's name first. This leads to a "property tax" (currently 1.5% of the asset's book value) to which the financial institution would be exposed to while it holds the asset. Upon disposal of the asset to a client, the Islamic bank would then have to re-register the title in the customer's name, creating additional costs and operational complications.

There are also a number of

regulatory issues around sukuk (corporate bonds) that are currently being widely discussed in Kazakhstan. The principal challenge is that under current legislation only Islamic banks, the state agricultural company Kazagro, and the sovereign wealth fund, Samruk-Kazyna and its subsidiaries can issue sukuk in Kazakhstan. Investors, however would also like to see the Kazakh Government and privately-owned companies being allowed to issue sukuk directly. In addition, Kazakhstan does not have sufficient regulations on Islamic insurance, which are also critical in the successful launch of sukuk. We understand that the government has been working on the underlying legislative amendments as they aim to issue sovereign sukuk by the end of 2011.

There are many more things to consider as Kazakhstan develops its legislation to accommodate Islamic banking. However, addressing the regulatory challenges would help position Islamic banking on equal footing with conventional banking, and should be given priority.

Prospects

Will Islamic banking be accepted in Kazakhstan? The answer to this question can only be determined by market forces. Obviously, the acceptance of Islamic banking products will depend heavily on competitive pricing. As we have seen, pricing can only be competitive if the relevant regulatory and tax burdens are removed, levelling the playing field for Islamic and conventional banks. If these conditions are met, there are healthy growth prospects for Islamic banking in Kazakhstan. This will propel Almaty, Kazakhstan's financial hub, towards becoming the central gateway for Islamic banking across CIS, and in particular, Central Asia.

Profile

Alexander Kottmann

Director

PwC Kazakhstan



Alexander Kottmann has over 13 years of experience in financial services. He recently relocated from Berlin, Germany, to Almaty, Kazakhstan, and is now PwC Kazakhstan's Financial Services Leader. He holds a degree in Economics from the University of Freiburg, Germany, and qualified as a Certified Public Accountant in New Hampshire, USA.

Alex, who specialises in risk management and banking regulations, has wide experience in leading banking and other similar financial services assignments in Germany and Poland. These include recurring assurance work, due diligence work and consulting assignments. He has also led several consulting projects for central banks in developing countries.

Profile

Timur Zhursunov

Director

PwC Kazakhstan



Timur Zhursunov is PwC Kazakhstan's Tax Financial Services Leader and also leads the tax practice on Islamic Finance and Banking. With over eight years of professional consulting experience, Timur has developed a deep knowledge and expertise in, among others, cross-border tax structuring, managing tax compliance and reporting, transfer pricing, mergers and acquisitions and tax litigations.

Timur plays an active role in a number of working groups, assisting the Government of Kazakhstan with taxation reforms. He has also led consulting assignments for some of the largest international and Kazakhstani banks. His recent assignments include feasibility studies for two Islamic financial institutions planning to start operations in Kazakhstan.





Chapter 4

CREATING TOMORROW'S LEADERS: LEADERSHIP SUCCESSION AND A COMMON EDUCATION STANDARD

Enhancing the Rising Generation of Muslim Civic Leaders around the World

Nadia Roumani

Founder and Director
The American Muslim Civic
Leadership Institute

Brie Loskota

Managing Director
The Center for Religion and
Civic Culture, University of
Southern California

In most Muslim societies around the world, the Muslim youth are encouraged by their parents to pursue professions that will provide upward mobility, prestige, and financial security. In many instances, these goals are often fulfilled by pursuing careers in medicine, engineering, business, or law.

The youth and emerging professionals are rarely encouraged to explore careers that are dedicated to serving their communities and fostering the betterment of society overall. However, these values of service, community and good work are at the very core of Islamic beliefs and principles.

Those who do choose this career path are too few in number to meet the overwhelming needs of the communities they seek to serve. Overtaxed and under-supported, these individuals are subject to high rates of burnout, which is creating a void in Muslim global leadership.

A healthy society consists of a responsible government, dynamic business sector, and robust civil society.

These three sectors must operate in balance in order for society to flourish and serve the diverse needs of all citizens; however, in many Muslim societies around the world, these three sectors are imbalanced. The civil society sector is highly under-resourced; and in many Muslim majority countries the sector and related work are confined to the narrow category of “charities”. The limited definition confines this sphere of activity to social service provision to meet basic needs, but ignores the creativity and plurality of work that could be harnessed for meaningful social change. As

a result, there is little investment in the strategic development and expansion of these types of endeavours; and even lesser encouragement and support of those working in the field.

This environment means that one of the most valuable resources in the Muslim community is being sorely underutilized; namely, the skills, talents and passions of young people who believe they can play a part in changing the world for the better. For these young adults, the lack of strong civil society institutions means that they do not have a clear path to harness their energy and in some cases, they may even face direct resistance and scepticism about the value of their work.

Furthermore, when those few who decide to pursue careers in civil society, they tend to find themselves in organisational contexts that lack mentorship, resources, and support necessary for making their organisations effective and their institutions sustainable.

They have pushed their communities, despite fears, to actively engage and work in conjunction with others to address social issues that they have not previously addressed, including fair housing, healthcare, immigration reform, and the rising rates of criminal recidivism. These issues, which affect segments of the Muslim community and a much broader cross-section of Americans, are serving as focal points for coalition building.

Through collaboration, ground-breaking leaders have demonstrated that creating partnerships can empower Muslims and provide a constructive voice in the democratic process in America.

Despite these positive steps, there remains a lack of resources, mentors and programmes to support the rising generation of leadership even in the American context. Therefore, it is important to invest in a generation of Muslim leaders who possess both a unique ability to navigate the secular and religious worlds, and

effectively build partnerships and consensus within both the Muslim community (especially across different ethnicities, schools of thought, and socio-economic communities), and with non-Muslim organizations addressing similar concerns. It is imperative that this emerging generation is equipped with skills and visibility to ensure that they can serve as models for the broader American-Muslim communities and as a source of education for non-Muslim Americans.

Investing in emerging leaders will not only increase their effectiveness in their daily work, but also equip them in building strategic and sustainable institutions that last well beyond the lives of the founders. A common and oft repeated mistake is to build institutions around charismatic leaders and specific personalities, such that the organizations disintegrate when that leader is no longer involved. Instead, institutions must be built so that they can serve the needs of communities over the long-term and weather changes in leadership and staff.

Work also needs to be done to empower a generation that is striving to build institutions of

excellence that will serve both Muslim and non-Muslim communities, while simultaneously ensuring that their particular constituents feel as though their own values and unique identities and experiences are maintained. Finally, there ought to be a focus on professionalization, so that those working in the field feel as though their career paths are valued and their contributions are seen as part of the very fabric of a healthy society.

In 2006, we founded the American Muslim Civic Leadership Institute (AMCLI) to address the on-going crisis of leadership within Muslim communities in the United States. AMCLI, housed at the University of Southern California and works in partnership with Georgetown University, aims to build the capacity and leadership potential of emerging Muslim civic leaders in America between the ages of 25 and 40.

During the nine-month programme, fellows enhance skills, visibility, and networks to help their communities move from the margins to the mainstream through civic engagement.

The programme aims to strengthen a critical mass of Muslim civic leaders and provide

them with the resources needed to create collaborative and innovative work that addresses issues of common concern.

It is our belief that this process will ultimately give voice to the previously unheard majority of thoughtfully engaged Muslims in America.

This model not only strengthens individual leaders, but also aims to build a healthier ecosystem of leaders and organisations working in tandem, rather than in isolation. The model is not specific to Muslims in America; it can be applied to Muslim communities and other groups around the world where there are emerging civic leaders who are under-supported and over-burdened. If these unsung heroes are not actively supported and recognised, a precious asset will be overlooked and the existing void in leadership will continue to widen.

Profile

Nadia Roumani

Founder and Director
The American Muslim Civic
Leadership Institute



Nadia Roumani is the Co-Founder and Director of the American Muslim Civic Leadership Institute (AMCLI). Nadia has been involved with research projects and initiatives with USC, Chicago Council on Global Affairs, and the United Nations Alliance of Civilizations. Nadia is also the consultant program officer for the Doris Duke Foundation for Islamic Art's Building Bridges Program. Nadia has consulted for the Four Freedoms Fund, Rothschild Foundation, Asian Americans/Pacific Islanders in Philanthropy, Ford Foundation, Carnegie Corporation of New York, and Jewish Funds for Justice.

She was also served as a senior associate at the Carnegie Council on Ethics and International Affairs, assistant director of the Initiative for Policy Dialogue, and as a junior associate in Joseph Stiglitz's office at the World Bank from 1999-2000.

Nadia is a term member of the Council on Foreign Relations. Nadia received her master's degree from Columbia University's School of International and Public Affairs, and a B.A. from Stanford University.

Profile

Brie Loskota

Managing Director
The Center for Religion and Civic
Culture, University of Southern
California



Brie Loskota is the managing director of the Center for Religion and Civic Culture at the University of Southern California. In this capacity, she oversees the strategic planning and daily operations of an interdisciplinary research center that conducts 25 research and community-based projects each year. Ms. Loskota is a frequent speaker and writer on topics such as interfaith dialogue, faith-based human services, and religious identity among Millennials. She is a regular contributor to Trans/missions, the USC Knight Chair blog on media and religion.

Ms. Loskota is Co-Founder and Special Advisor to CRCC's American Muslim Civic Leadership Institute. She received her M.A. degree from Hebrew Union College - Jewish Institute of Religion in Los Angeles, studied Hebrew at Hebrew University in Jerusalem, and completed her B.A. in history and religion from the University of Southern California.

Coalition of Moderates

Imam Feisal Abdul Rauf
Founder of the Cordoba
Initiative

“How will we feed the additional 3 billion people? Many of whom will be in the Muslim World?” asks one of the Cordoba Initiative’s Muslim Leaders of Tomorrow (MLT).

In the last 20 years, the world population grew from 3 to 6 billion, yet the world expanded its food supply to accommodate this growth. How did it do this? This is largely in part due to cheap energy that was mostly provided by the Muslim World.

In the next 20 years, the world population is projected to grow to 9 billion. One of Cordoba Initiative’s Muslim Leaders of Tomorrow, Mehamood Hosein, Managing Director of Boston Asia Capital, says that we Muslims who sit on the world’s

most important reservoir of cash and energy resources must create new ways to profitably harness our intellectual capital in order to fulfill humanity’s needs.

His partner, Hossam al-Jabri, Executive Director of the Muslim American Society, points out that it is time that American Muslims ask what they can and should do for America, instead of asking what America should do for them. He argues, that because every prophet came addressing all of mankind – “Ya Qawmi” or “O my people” – and their message and solicitousness was not just to their followers, but to all of their community; whether they were of the same faith or not.

To this end, they are creating major energy, educational and social development projects in a city near Boston, aimed at showcasing a partnering of intellectual capital with the Muslim World's resources - to help fulfill the future needs of the world.

With almost 80% of Muslim nations' population under the age of 45, it is impressive to see how this generation of young Muslim men and women will influence enormous change across the globe.

This generation is tired of the politicization and hijacking of their faith. They are ready to partner with anyone prepared to embody the Prophet's mandate to be a "Mercy to (all) of Mankind".

Instead of complaining about the status of the world or the cruelty of enemies, they are committed to changing the world and win their enemies over with love and mercy. They are ready to help the needy, create jobs, build more businesses, declare a "War on Illiteracy" and help the world find outer and inner peace.

They seek to do this by aligning their lives with the wishes of the Creator. Ready for an inner revolution of peace, they ask: "Will YOU join us?"

Cordoba Initiative's networking of the MLT network coalesced a growth from 125 to over 1000 young leaders - making it the largest peer-to-peer Muslim leadership group in the world.

MLTs have been invited by media outlets to comment on a myriad of issues pertaining to the Middle East and Muslim life in America. Among the most recognized MLTs include Mona Eltwahawy, Eboo Patel and Ethar El-Katatney. They and others have been especially vocal throughout the uprising in Egypt and have written and appeared in many media outlets such as CNN, Aljazeera and the New York Times.

Recently, MLTs have stood up against US congressional hearings seeking to marginalize and discriminate against American Muslims. Sami Elmansoury hosted the "I am a Muslim Today TOO" rally, which drew various celebrities, political leaders and faith organizations; hundreds of media outlets covered this initiative.

The Muslim World faces a pivotal period of challenge and transformation, brought upon largely by the Muslim youth's rise. Capitalizing on the wave of energy spreading across the Arab and Muslim World, Cordoba Initiative's MLTs have become a positive force for long-sought-after change. Today's dynamic Muslim World is primed to leverage its manpower as well as its great financial and natural resources. Likewise, with debates over theological interpretations, social identities, integration, marginalization, pluralism, democratic transformation and globalization taking center-stage in the Muslim World and the West, it is critical that young leaders seeking positive and peaceful solutions are cultivated to create effective change in their communities.

MLTs are asking and finding ways to contribute to the development of their societies. The 21st century is the age of opportunity for the Muslim World; and MLTs are excelling in sectors of science, technology, medicine and financial architecture. By bridging existing divides between the Eastern and Western world, MLTs are claiming full ownership of their future.

As the MLT intellectual pool deepens, the world is bound to recognize that the Muslim youth are a true partner in global development and can offer vast business and investment opportunities for the non-Muslim World.

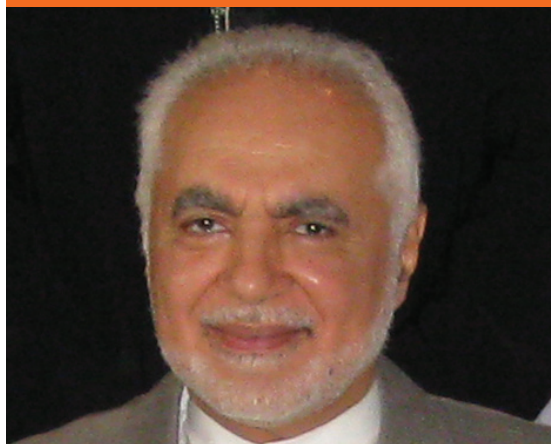
The MLT Program is in a perfect position to provide young Muslims with the tools to articulate what it means to be both; authentically Muslim and proud citizens of their respective nations. Cordoba emphasizes that, as a tradition that seeks to be relevant for all times and places, the expression of Islam must adapt even while the essence remains the same. Exposed to modes of communication unprecedented in any other generation, MLTs are ready and equipped to use the social media tools that have become the face of the revolutions in their countries as a network-bridge with other young and ready leaders around the world.

Profile

Imam Feisal Abdul Rauf

Founder

The Cordoba Initiative



Imam Feisal Abdul Rauf is Chairman of the Cordoba Initiative, an independent, non-partisan, and multi-national project that works with state and non-state actors to improve Muslim-West relations. In this capacity, he provides innovative solutions to those areas where conflict between Islamic and Western communities undermines local and global security.

Under Imam Feisal's leadership, the Cordoba Initiative's programs craft strategic avenues for approaching divisive Muslim-West tensions. Among these programs, are the Muslim Leaders of Tomorrow (MLT), Women's Islamic Initiative in Spirituality and Equity (WISE), and the Shariah Index Project.

Imam Feisal balances his international responsibilities with his dedication to local and national concerns. In 1997, he founded the American Society for Muslim Advancement (ASMA). As Imam of Masjid al-Farah, a mosque twelve blocks from Ground Zero in New York City, he preaches a message of peace and understanding between people, regardless of creed, nationality, or political beliefs. Born in Kuwait and educated in England, Egypt, and Malaysia, Imam Feisal holds a Bachelor of Science in Physics from Columbia University in New York and a Master of Science in Plasma Physics from Stevens Institute of Technology in New Jersey. He speaks English, Arabic and Malay.

Creating Tomorrow's Leaders

Dato' Freida Dato'
Mohd Pilus

Founder, Cempaka Schools,
Malaysia

This is an enormous topic worthy of a tome. It has three distinct components:

1. How to create tomorrow's leaders
2. How leadership can pass to another generation peacefully
3. How education, or its most common elements, may be expressed as guideline

I shall attempt to touch upon the topic very briefly, from insights gleaned over three decades of experience in private education.

Background and History

Education systems, like species and institutions, evolve over time. They are shaped by the social, religious, political, and economic environments of the time. To place them in perspective, to get an idea of how we got to where we are today, I shall touch very briefly on the Islamic system and the broad Western secular system - two important strands that dominate the education landscape today. Understanding them is important if we wish to suggest strategies for a 21st century education.

Islam came to the Arabian peninsula in the 7th century CE. From the beginning, it placed a premium on knowledge ('ilm) and education. The Islamic system

began with the teachings of the Quran at its core, in the spirit of a symbiosis of religious instructions and knowledge – of revealed knowledge, and earthly acquired knowledge. The earliest schools (in either a mosque, a home, or an open space) were conducted, in what became known as a kuttab, by the pious and learned mu'allims. It spread to the various corners of the Islamic empire, evolving into larger and more formal institutions (as in Cairo's Al Azhar University) as well as to the many madarassas as found in the Muslim World today. These institutions developed and flourished, in Bagdad and Islamic Spain, and elsewhere in the Muslim empire. They were the shining centres of learning of the time, in theology, philosophy, astronomy, architecture, medicine, the arts and the sciences, which was during a period when Europe languished in the Dark Ages.

The Islamic education system gradually declined with the fall of the Islamic empire, under weight of western military and cultural onslaught. In its decline, it lost its self-confidence.

It retreated from the broad-band learning that included the arts and the sciences, to the old comfort zone of pure religion and rote learning. Enormous emphasis is being placed on rote-learning and tafseer (i.e. interpretation of the teachings of the Quran in the context of local and current situations). And what we see in many Islamic countries today is the result of that loss of confidence and decline. Hundreds of millions of young students in many Islamic countries are being brought up in this environment today.

Among the top 100 universities in the world, not one is an Islamic university. Among the top 50 countries in the world - as measured by per capita income, intellectual freedom and scientific development, and transparency of governance - not one is an Islamic country. That is a measure of the problems faced by many Islamic countries today. And this, clearly, is a serious challenge to the creation of tomorrow's leaders.

Although, Western secular education has not been perfect either. It had its roots in the ancient Greek academies, well over two thousand years ago; Greek education was secular (it predated Christianity by several centuries), and it focused on philosophy

(logic, ethics and aesthetics), mathematics, astronomy, poetry and drama. It pondered the core issues of the basis of reality, truth, goodness, justice, and the best means of governing ourselves without resort to supernatural beliefs and edicts. It took humanity out of ignorance and superstition to the daylight of reason and self-reliance.

A thousand years later, the convert emperor Constantine banned Greek education, and began the tradition of education based on Christian beliefs and values. Broadly, this Church-centred education lasted for another thousand years, until the European Age of Enlightenment, and the Industrial Revolution, nudged it towards greater emphasis on the empirical sciences and technology, and creeping secularism. It harnessed energy to power industry and transport, and sought to understand the workings of the new Industrial State through the study of economics and political science. The spread of democracy, liberalism, and a more enlightened social conscience, were the final forces that shaped Western secularism in its final form today.

These two strands are important determinants that explain education as found today.

From being a minor activity of society, education has moved in modern times to centre stage. It has become the supplier of skilled manpower to manage the modern industrial state, and the provider of solutions to the ills of society.

From a charitable activity, to the spreading of knowledge and perpetuating a set of beliefs, education is called upon to provide a roadmap to a more prosperous and just society.

Current Problems

The world is beset with a whole host of problems - from international issues of wars, nuclear weapons proliferation, global warming, economic exploitation, and the uneven relationship between strong and weak nations - to the national issues of marginalized minorities, bigotry, discrimination, and unequal opportunities.

Can these be laid at the door of education? Is this a failed promise of education, or is it an unavoidable part of the human condition?

I would tend to think that the answer rests somewhere in between.

History has left us a legacy of great complexity involving economic and resource disparity, not to mention racial, religious and cultural differences. These are complicated and difficult issues that education alone cannot even begin to solve. They require a tsunami of change in leadership of the different countries, and a tenacious wish among the people involved to solve them; for instance, the abolition of slavery, many thought it could not be done. It will take great leadership, and the commitment of many to solve them.

How does one pave the way for leadership succession?

Seamless leadership succession can only be done in the context of a democratic society. For all its imperfections, **a liberal democracy is the only known system that can facilitate peaceful leadership or regime**

change. Countries that are not democratic, that are governed by dictators, are hard and brittle; they can break down in violence under the pressure for change. Therefore, I cannot think of a more important set of pre-existing conditions than liberal traditions and institutions like free elections, rule of law, an independent judiciary, a free press, and a sense of civic duty and responsibility among the people. Without these there can be no liberal democracy, and leadership succession will always be fraught with violence - à la carte.

What then are the guidelines, as demanded by the topic under discussion?

A new, and presumably young and idealistic, leadership needs to be equipped with skills to redirect and navigate a new regime. It is trite, but nevertheless true, to say that we live in a smaller, interdependent, interconnected world. It is important then, that the future generation of leaders are freed of the old hatreds and prejudices based on race, culture and creed. We have too many lethal weapons in too many hands today, and a

long way to go to improve our collective economic and social

wellbeing. **We need a new generation of leaders thoroughly schooled in technology and the promise of a world rich in diversity.**

Here, an educational system needs to provide the skills and the new ethics for the new leaders, if they are to govern with some of the wisdom of Plato's philosopher kings. However, we live in a venal world. Schools and universities have to be the bastion of intellectual integrity and academic excellence. It is here that future leaders should learn the ingredients of personal and public ethics. Not just good schools and universities; we also need social checks and balances, such as a free press, a vigilant public, and the rule of law.

Finally, as guidelines required by the topic, I wish to touch upon a few issues that the new generation of leaders need to manage with more effectiveness.

Education

Fossil fuels are found in abundance in several Islamic countries, yet, the population remains poor. They are deprived of such basic necessities, for instance: personal security, a decent education, health care, and economic and

social well-being. **In a few countries, education is held back on purpose, out of concern that a literate public will question the actions or the legitimacy of their rulers, while in other countries, education is simply not a national priority. Clearly, the energy and talent of the people should be released to power economic growth and social development.**

In this respect, I would suggest a new priority: girls should be given priority and quality education. I say this not because I am a woman, but because this is at the very core of change. There needs to be a redress of past gender neglect. This makes much sense for the following reasons:

- (a) Females make up half of a country's population, many of whom are greatly talented. These talents need to be released to power a nation's technological, economic and social development.
- (b) Girls will grow up to be mothers. A mother is the pillar of the home, and the major influence in the upbringing of her children. An educated mother, for example, is not likely to urge her children to be suicide bombers; on the contrary, she will be most likely to influence more fruitful

pathways for her children; **a nation of educated mothers will have an immeasurable influence for good.**

- (c) In many Islamic, and non-Islamic countries, females have been traditionally marginalized and exploited. In many countries they have lost the most valuable part of their personality - their self-respect. The condition that allow this exploitation is ignorance.

A redress of the national agenda, one that will offer quality education for girls, is therefore urgent and necessary.

Concluding Thoughts

A Society Should Not Mimic Another

There is a tendency for a country (A) to look up to another country (B) for recipes of “best educational practices” to transplant in its own country (A). This is both a mistake, and an affront to that country’s (A’s) own capacity and talent.

It is a mistake because a country’s set of problems is unique to that country. No “recipe” from another country can ever address those problems effectively or intelligently. It is up to each country to delve into its special problems, its own “heart of darkness”, with honesty and intelligence, and come up with its own solutions.

It is an affront, because it shows a lack of confidence in its own human resource to examine its problems and come up with its own home-grown solutions. In the long term it is pernicious, because it will cap and limit a society’s capacity for its own development and growth.

No “One-size-fits-all” Solution

Broad guidelines are useful, but there are no specific solutions that suit every country. Each country must examine and recognize its own unique fingerprint, and design solutions to solve its own problems. This task cannot be outsourced.

No “Knee Jerk” Reaction to Problems.

There is always a temptation to react with a reflex, and conclude that social problems can be solved with “more education” or “more religion”. This happens all too often. Such social problems can have their roots in other places, at home with the parents, or in ill-conceived work places, or the influence of modern entertainment. In such cases, for example, “more religion” is never the right answer.

Profile

Dato' Freida Dato' Mohd Pilus
 Founder, Cempaka Schools, Malaysia



Dato' Freida Pilus is an established and respected Malaysian educator. She founded Cempaka School in 1983, and today, Cempaka represents a stable of elite schools in Malaysia. She has been instrumental in transforming private school education into one of the fastest growth sectors in the country's service industry.

She obtained an Honours Degree from Universiti Malaya, and an MBA from the National University of Malaysia; she then served in the Ministry of Foreign Affairs, Ministry of Education, and the Prime Minister's Department. Cempaka Schools has won an unrivaled three Gold Awards for Excellence from the Ministry of Education.

Dato' Freida's community service activities include serving on several important councils and associations. Her awards include Woman of the Decade of the 80's, Anugerah Usahawan Wanita in 2007, National Women's Entrepreneur in 2008, Ernst & Young Woman Entrepreneur in 2009, and the Tribute to the Women of Malaysia Award in 2010. In 2011, she was awarded the title of Dato' Paduka Negeri Sembilan.





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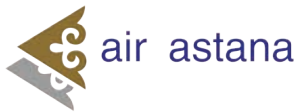
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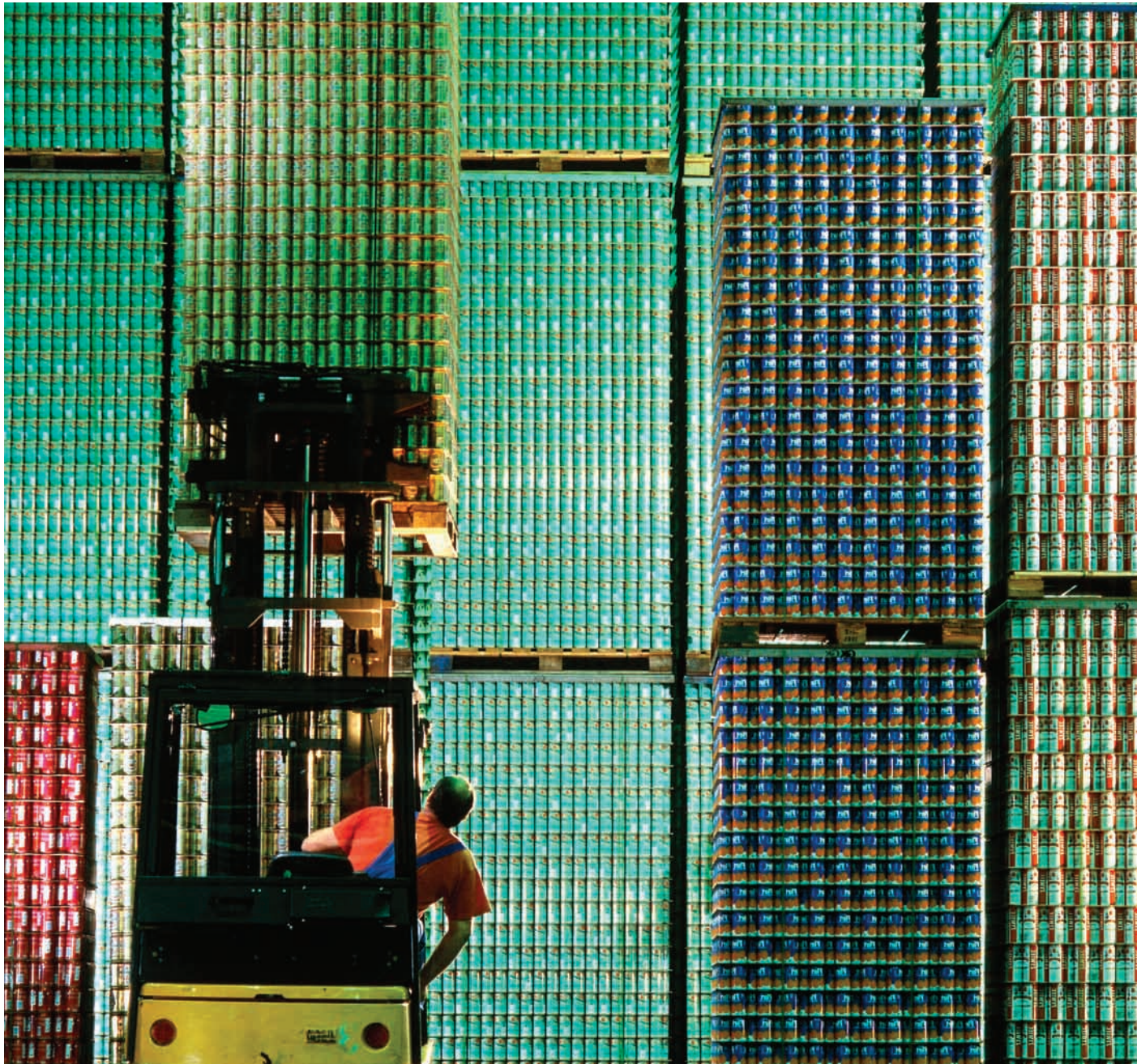
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'Every Drop Matters' is a joint social initiative of The Coca-Cola Company and UNDP to provide safe drinking water system via 2,2 km pipeline to the Kok-Ozek village, Almaty oblast. UNDP arranged a series of educational trainings to secure water efficient use, hygiene and sanitation among local 1,500 residents, high school students and medical clinic personnel who eventually created 'El Suy' (People's Water) water users cooperative.

COCA-COLA BYLGARY DOP

The Coca-Cola Company teamed with Football Federation of Kazakhstan to set up 'Coca-Cola Bylgary Dop' (Leather Ball) football championship among 300,000 students from 5,000 high schools. This initiative is based on Live Positively platform of The Coca-Cola Company to promote active lifestyle among youth. UEFA named this nationwide tournament Most Valuable Grassroots Event in the world.





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National Olympic Committee of Kazakhstan annually celebrates the Olympic Day where The Coca-Cola Company provides various beverages to the thousands of the Olympic Day Run participants in Astana, Almaty and other regional centers of Kazakhstan. The Coca-Cola Company enjoys partnership with International Olympic Committee since 1928.

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The Coca-Cola Company pioneered a social humanitarian project 'Asyl Mura' ('Precious Heritage') with Central Archive of Films and Sound Records and Public Social Fund 'UMS' Agency' to make a contribution to Kazakh culture.

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