9th World Islamic Economic Forum
Delegate's brief and discussion agenda
29-31 October 2013

Changing world, new relationships

Global Knowledge Partner

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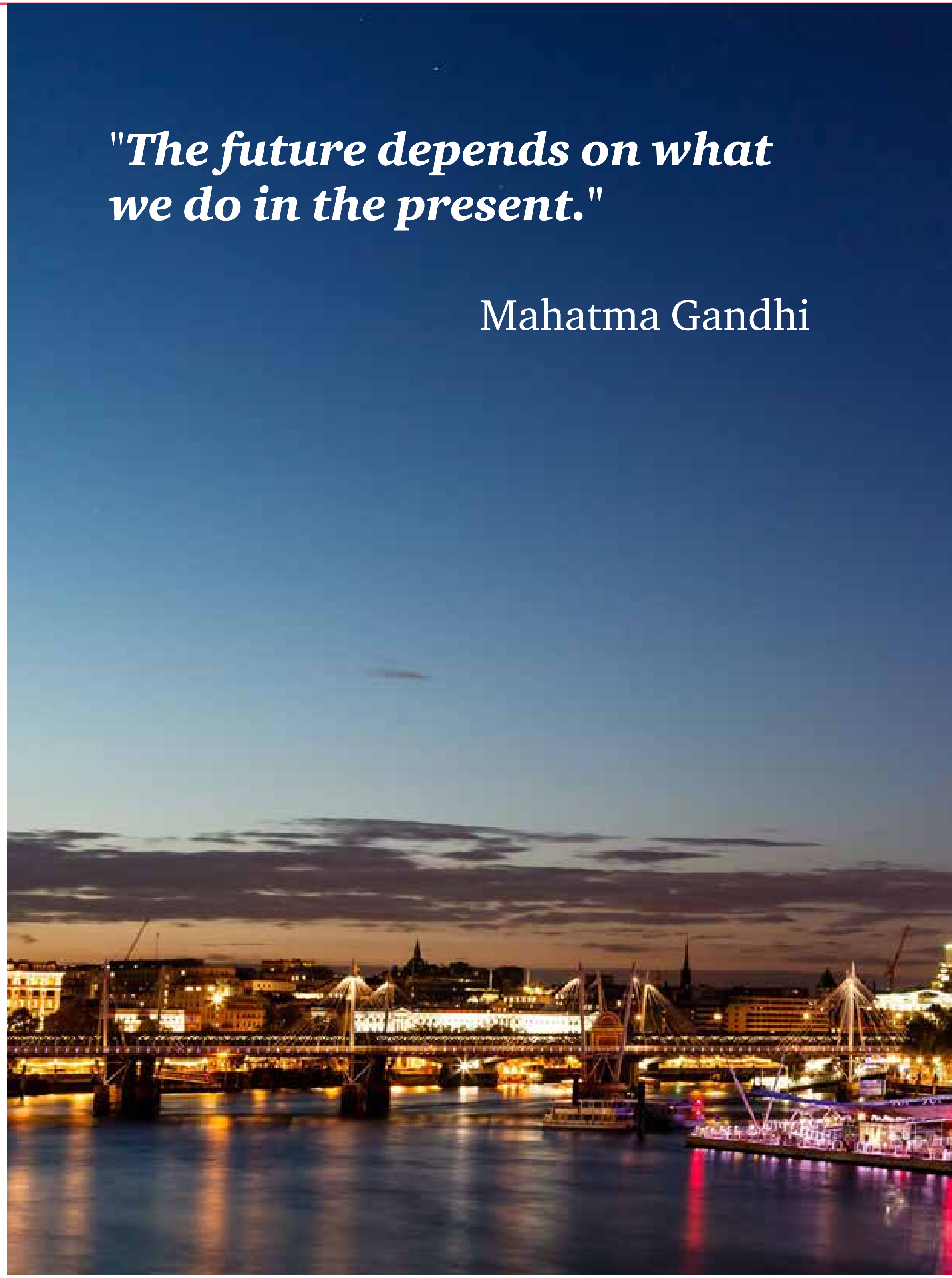
Organiser

WIEF World Islamic Economic Forum Foundation

"The future depends on what we do in the present."

Mahatma Gandhi



Night view of the London Eye and the London cityscape, UK

Foreword

It gives me great pleasure to welcome you to the 9th World Islamic Economic Forum (WIEF) in Excel London on 29-31 October, 2013.

This is the first time that the WIEF is held in a non-Muslim European capital. The choice of this vibrant, cosmopolitan, yet ancient city is no coincidence. London is home to a vast multi-cultural population and a great gateway for trade and commerce, finance, culture, ideas and philosophy, to name a few.

Organising the WIEF in London represents our first step in promoting direct engagement in Europe as much as with it. It is also a continuation of our efforts to build bridges worldwide through business for the greater good of mankind.

We have chosen “Changing World, New Relationships” as the theme of the 9th WIEF. This is reflective of the world we are in. We are in the grip of a massive change. Many are fearful of what the unknown will bring. Some have retreated into a false sense of security with isolationism and even violence. And yet it is in such a changing world that opportunities emerge to transcend those fears and build new relationships for mutual understanding and prosperity.

With 15 prominent Leaders for the Opening Session, 119 Role-players, 11 Plenary Sessions, 11 Masterclasses, 6 Special Programs, 8 Invest Programs, 6 Sponsors Programs, WIEF Expo, MOCAfest, British Business Pavilion, Gala Dinner and Business Networking opportunities, the 9th WIEF promises to be a huge multi-layered gathering dedicated to the promotion of business for the benefit of all participants.

It is our sincere hope that the specially designed topics for Leaders and Ministers as well as those relating to smart cities, transnational education, Islamic finance, online market, youth, the arts and media, halal industry, microfinance, healthcare, global philanthropy, start-ups and empowerment of women that have been incorporated into the Program would serve to satisfy the wide ranging preferences of the geographically diverse participants attending the Forum.

I wish to take this opportunity to record our sincere thanks and appreciation to the British Government including the cooperating Agencies namely, Greater London Authority, the Foreign and Commonwealth Office, the UK Trade and Investment, and London and Partners for the hospitality accorded to the invited Leaders and for the invaluable cooperation and assistance extended to the Foundation in organising the 9th WIEF in London.

We are also grateful to Members of the Coordinating Committee and the WIEF International Advisory Panel, sponsors, partners, the media and participants for their support in ensuring the success of the Forum.

Finally, my very best wishes to all for a productive Forum.

Tun Musa Hitam
Chairman
WIEF Foundation

7 More London Riverside, UK

Foreword

The theme "Changing world, new relationships" encapsulates today's global landscape perfectly. Five years into the global financial crisis, we're all still trying to adapt to the constant economic uncertainty, fiscal pressures and changing regulatory environment.

This changing world order poses both challenges and opportunities. On the one hand, competition from emerging market multinationals will increase steadily over time. These corporations will move up the value chain in manufacturing and expand strongly in areas like banking, where the global financial crisis has hit the West harder than the East.

However, the West maintains a high degree of cultural and knowledge leadership and continues to be home to many of the world's top multinational corporations. What this shift brings about are opportunities for convergence and meaningful collaboration. An example would be the return of interest in Islamic finance where it's seen as an ethical financing option in the recent economic downturn. The attention it garners extends well beyond Islamic countries. For instance in Malaysia, the largest issuer of sukuk and the second largest Islamic finance market, non-Muslims demand more than 50% of its offerings with participation from British, European and Japanese corporations.

Also, with emerging economies fast developing, we anticipate rapid rural to urban migration. This heightens demand for efficient infrastructure and smart cities to support urban population growth. A funding alternative in meeting this demand is to merge the financing expertise of the West and Shariah-compliant financing solutions of the East. Nascent examples of such collaboration would be the Chelsea Barracks and the Shard here in London, where funding has come from Islamic financial instruments.

This Briefing Pack has been designed to highlight key facts, charts and articles in line with the 9th WIEF programme. We hope you find this an easy read, one which provides insights to facilitate robust discussion during and after this forum. We also hope that this 9th WIEF in London serves as a platform to forge partnerships into the future.

Ashruff Jamall
PwC Global Islamic
Finance Leader

Mohammad Faiz Azmi
Executive Chairman
PwC Malaysia

Night view of Petronas Twin Towers in Kuala Lumpur, Malaysia

Programme*

	08.00am – 08.30am	08.30am – 09.00am	09.00am – 09.30am	09.30am – 10.00am	10.00am – 10.30am	10.30am – 11.00am	11.00am – 11.30am	11.30am – 12.00nn	12.00nn – 12.30pm	12.30pm - 01.00pm
DAY 1 TUE 29 OCT 2013	REGISTRATION		OPENING SESSION OF THE 9TH WIEF		LEADERS PANEL: Changing World, New Relationships					
	9TH WIEF EXPO									
DAY 2 WED 30 OCT 2013			PLENARY 2 FACE TO FACE “Smart Cities”		PLENARY 3 DESIGNING THE FUTURE Why do We Need Smart Cities?			PLENARY 4 CENTRAL BANKERS PANEL Harmonising Global Standards on Islamic Finance		
			MASTERCLASS 1 Youth Unemployment and Apprenticeship		MASTERCLASS 2 Financing Options for Start-Up Businesses		MASTERCLASS 3 Transformative Arts		MASTERCLASS 4 Media Strategies	
	9TH WIEF EXPO									
	SPONSORS PROGRAMME									
	MARKETPLACE OF CREATIVE ARTS									
	BRITISH BUSINESS PAVILION									
DAY 3 THU 31 OCT 2013	BUSINESS NETWORKING BREAKFAST			SPECIAL ADDRESS	PLENARY 8 Promoting Transnational Education			PLENARY 9 Women in the Corporate World		
					MASTERCLASS 7 Islamic Capital Market and Infrastructure			MASTERCLASS 8 Islamic Finance and Education		
	9TH WIEF EXPO									
	SPONSORS PROGRAMME									
	MARKETPLACE OF CREATIVE ARTS									
	BRITISH BUSINESS PAVILION									

* As at 1 Oct 2013

During the Forum, there will be simultaneous interpretation through the SIS devices in the following languages - English, Arabic, Russian and French.

01.00pm - 01.30pm	01.30pm - 02.00pm	02.00pm - 02.30pm	02.30pm - 03.00pm	03.00pm - 03.30pm	03.30pm - 04.00pm	04.00pm - 04.30pm	04.30pm - 05.00pm	05.00pm - 05.30pm	05.30pm - 06.00pm	06.00pm - 06.30pm	06.30pm - 08.00pm	08.00pm - 09.30pm
BUSINESS NETWORKING LUNCH		MINISTERIAL PANEL Policy Framework for Growth			PLENARY 1 CEO PANEL Doing Business in a Changing World						GALA DINNER	
BUSINESS NETWORKING LUNCH		PLENARY 5 BANKERS PANEL Internationalising Islamic Finance			PLENARY 6 Capitalising The Online Market			PLENARY 7 Developing Global Connectivity				
		MASTERCLASS 5 Developing Concept of Halal Tourism			MASTERCLASS 6 Global Philanthropy							
9TH WIEF EXPO												
SPONSORS PROGRAMME												
MARKETPLACE OF CREATIVE ARTS												
BRITISH BUSINESS PAVILION												
BUSINESS NETWORKING LUNCH		PLENARY 10 Global Health Challenges			PLENARY 11 Exploring Microfinance in Social Enterprise			PLENARY 12 Face to Face		CLOSING SESSION		
		MASTERCLASS 9 Islamic Finance		MASTERCLASS 10 Social Media		MASTERCLASS 11 Promoting Growth in the Halal Industry						
9TH WIEF EXPO												
SPONSORS PROGRAMME												
MARKETPLACE OF CREATIVE ARTS												
BRITISH BUSINESS PAVILION												

An example of modern dome architecture in Kuwait City

Contents

This Briefing Pack was prepared by PwC for participants of the 9th World Islamic Economic Forum 2013. The pack comprises charts and short articles for the programme's main themes. It is also available online from www.9thwief.org and www.pwc.com/my.

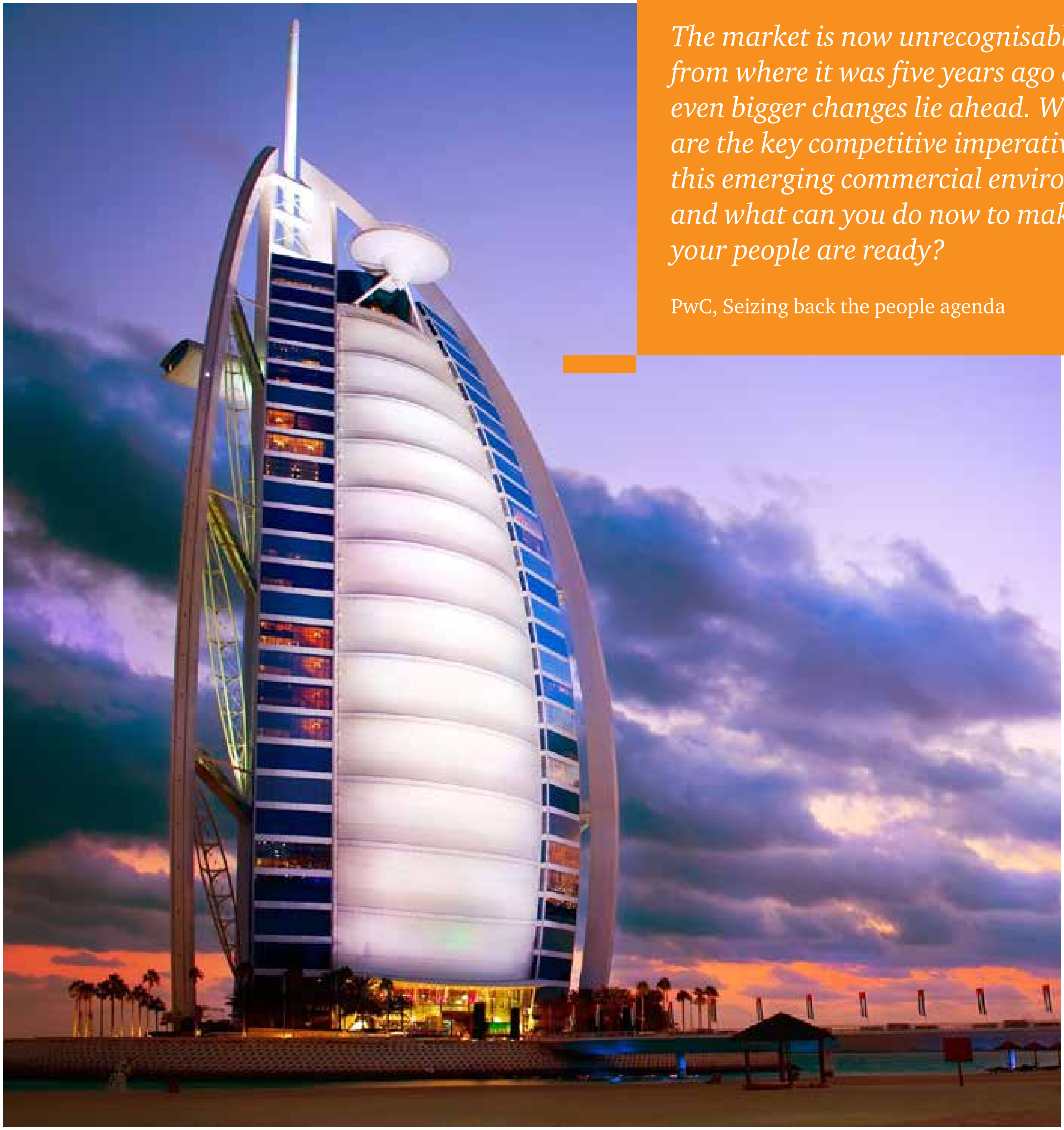
The interior of the Museum of Islamic Art in Doha, Qatar

The global landscape

What does the future look like?

The market is now unrecognisable from where it was five years ago and even bigger changes lie ahead. What are the key competitive imperatives in this emerging commercial environment and what can you do now to make sure your people are ready?

PwC, Seizing back the people agenda



Burj Al Arab Hotel in Dubai, UAE

No organisation can afford to sit back and react to the many challenges ahead. It's time to take control. The time is now.

PwC, 16th Annual Global CEO Survey: The talent challenge

Underlying all these risks are velocity, multiplicity, and interconnectivity - creating a global system where mastering complexities will be the foremost challenge.

Klaus Schwab, Founder & Executive Chairman of the World Economic Forum

I used to say in speeches in my own country, "There's a race to the future and if you stand still, very well is it going to pass you". So you have to have a process of continual change and adaptation, a set strategy but you're continually fine-tuning, adapting, moving it along. You can't stand still.

Helen Clark, Administrator of the United Nations Development Programme

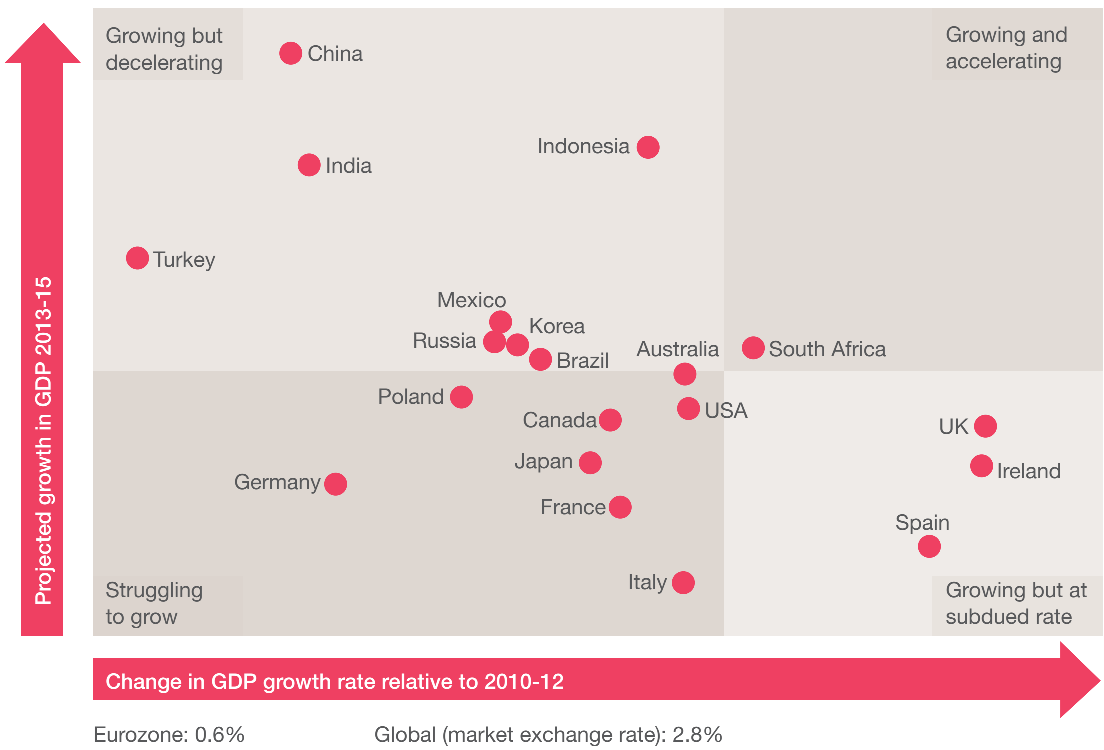
In a risk and regulatory environment that is constantly evolving, to stand still is to move backwards.

PwC, Financial Services (FS) Viewpoint: Let's make a difference

Economic uncertainty

The global growth leader board is changing

After five years of crisis, recession and disappointing growth, the advanced economies may now be approaching the ‘escape velocity’ needed for a sustainable recovery. But there are still risks to this outlook – debt sustainability remains a concern in some Eurozone economies and there are on-going issues of budget deficit reduction in the US, unrest in the Middle East and the softening growth in Asia.



All percentages are projected 2013-15 average GDP growth rates. The horizontal line represents the average global GDP growth rate. The vertical line indicates accelerating or decelerating growth. The tables above form our main scenario projections and are therefore subject to considerable uncertainties.

Source: PwC Economics team analysis (September 2013)

The global economic recovery is still struggling to gather momentum

Debt levels in advanced economies remains high though progress in the healing process is now seen, albeit unevenly. The US and Germany economies have made considerable progress over the past 12 months. More recently, UK, Japan and France are showing positive growth prospects.

In contrast to the story for developed economies, emerging markets have slowed down in the past 12 months, highlighting the need for urgent economic restructuring and reforms.

Progress on the healing process in selected advanced economies

REGION	COUNTRY	PROGRESS	TREND
North America	US	G	↑
North America	Canada	A	→
Europe	Germany	G	→
Europe	France	A	↓
Europe	Italy	A	↓
Europe	Spain	A	↓
Asia Pacific	Japan	A	→

G Considerable progress made since 2008
A Little/some progress made since 2008
↑ Progress made in past 12 months
→ Static in past 12 months
↓ Policy gone into reverse in past 12 months

Source: D&B, "Global Economic Outlook to 2017" (August 2013)

Progress on restructuring in the emerging market

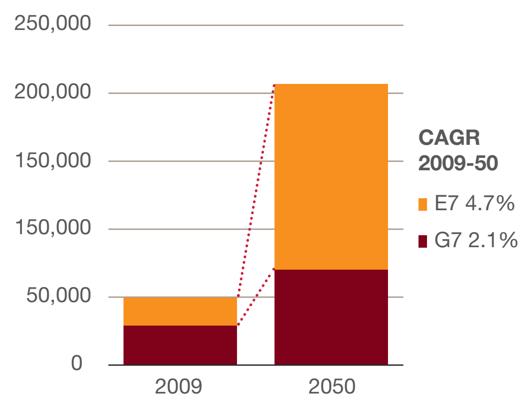
REGION	COUNTRY	PROGRESS	TREND
Latin America	Argentina	R	↓
Latin America	Brazil	A	↓
Latin America	Mexico	A	↑
Eastern Europe & Central Asia	Russian Federation	R	↓
Eastern Europe & Central Asia	Kazakhstan	R	↓
Eastern Europe & Central Asia	Ukraine	R	↓
Middle East & North Africa	Saudi Arabia	A	↓
Middle East & North Africa	Iran	A	→
Middle East & North Africa	UAE	A	→
Asia Pacific	China	A	↓
Asia Pacific	India	A	↓
Sub-Saharan Africa	South Africa	R	→
Sub-Saharan Africa	Nigeria	A	↓
Sub-Saharan Africa	Angola	A	→

A Little/some progress made since 2008
R Reversal/no progress since 2008
↑ Progress made in past 12 months
→ Static in past 12 months
↓ Policy gone into reverse in past 12 months

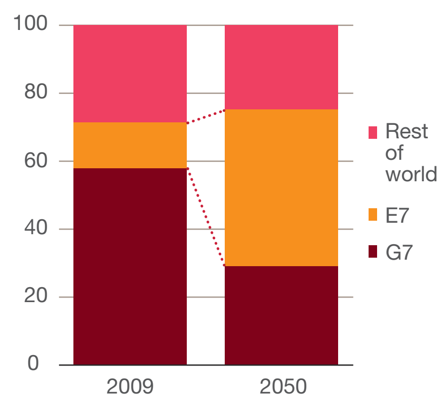
Despite the current softening conditions, the emerging market growth story is still not over yet

The financial crisis has accelerated the rise in economic importance of SAAAME (South America, Africa, Asia and the Middle East) markets as they continue to expand. This is reflected in projections for the growth and eventual size of the financial services markets within the major E7 emerging economies, which are set to overtake their G7 counterparts over the next 20 years.

GDP of G7 and E7 countries at Purchasing Power Parity (PPP), US$ billions, 2009 and 2050



Proportion of global banking assets, % 2009 and 2050



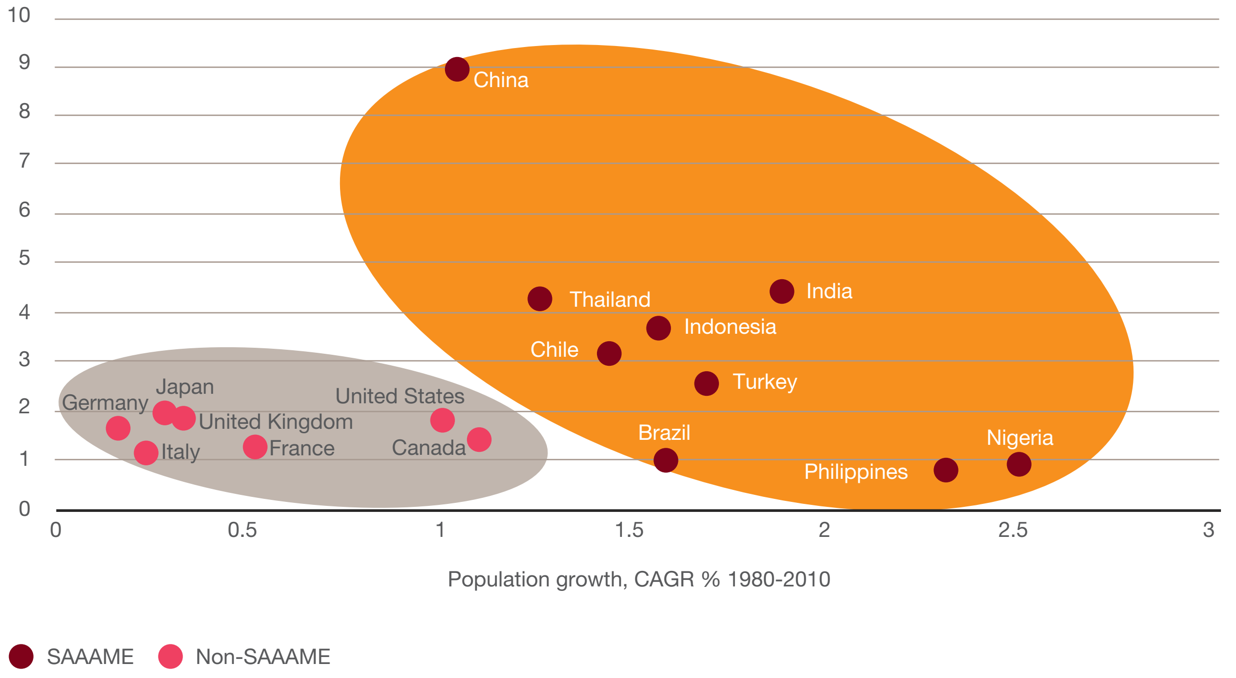
Notes:
G7 - US, Japan, Germany, UK, France, Italy, Canada
E7 - China, India, Brazil, Russia, Indonesia, Mexico, Turkey

Sources: PwC, "World in 2050" (January 2011), "Banking in 2050" (May 2011) and "Project Blue: Capitalising on the rise and interconnectivity of the emerging markets" (June 2012)

The rising middle class and a growing talent base in SAAAME are boosting the region's attractiveness

At present, intra-SAAAME trades are dominated by commodities, but as consumer markets continue to expand on the back of rising affluence, the pattern of trade will be increasingly focused on manufactured goods. Services are also set for significant development, taking advantage of the growing talent base and focus on innovation within SAAAME. Both the number and quality of university graduates within emerging markets are now beginning to rival the West.

GDP per capita growth, CAGR, 1980-2010



Note: GDP per capita is in constant 2005 US$

Sources: UN Population Division; World Bank World Development Indicators; and PwC, "Project Blue: Capitalising on the rise and interconnectivity of the emerging markets" (June 2012)

New patterns of growth

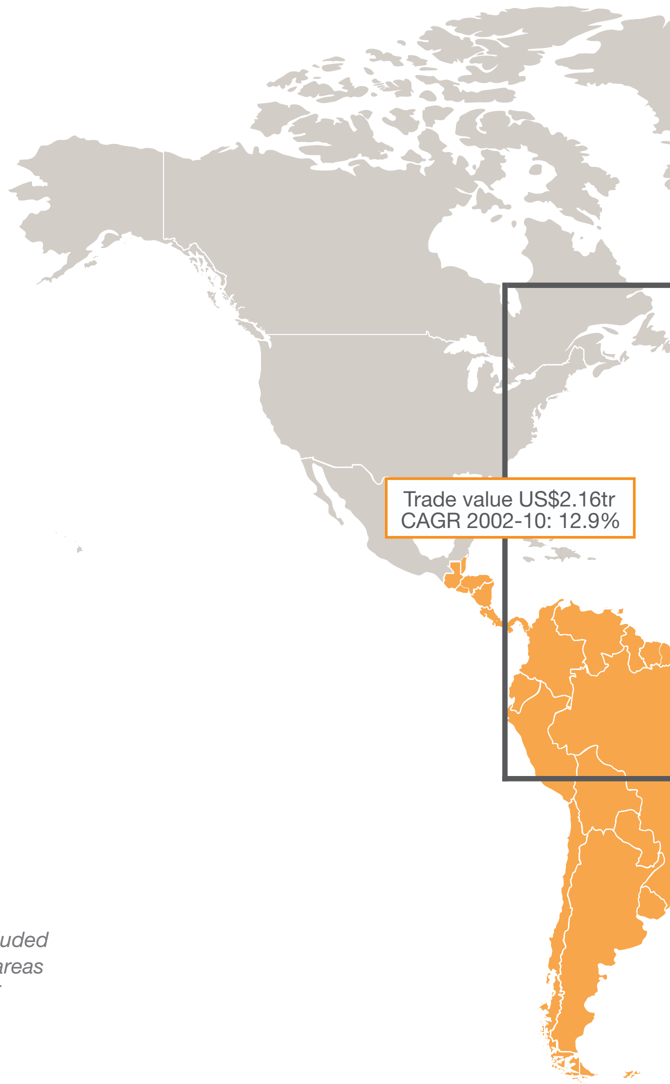
Rapid expansion of intra-SAAAME commerce transforms global trade flows

The increasing interconnectivity of intra-SAAAME trade and investment flows is as significant as the growth and projected size of the emerging markets. These flows are growing much faster than the traditional routes from developed-to-emerging and developed-to-developed markets.

Pockets of particularly high trade growth within SAAAME are noted between Asia and Latin America (25.6%)[1], and between Africa and the Middle East (27.8%)[1].

The characteristics of SAAAME[2] are:

- Large and growing populations
- Growing consumer markets
- Substantial manufacturing capabilities and access to labour
- Well educated professionals
- Abundant natural resources
- Greater access to capital and sovereign wealth funds (SWFs)



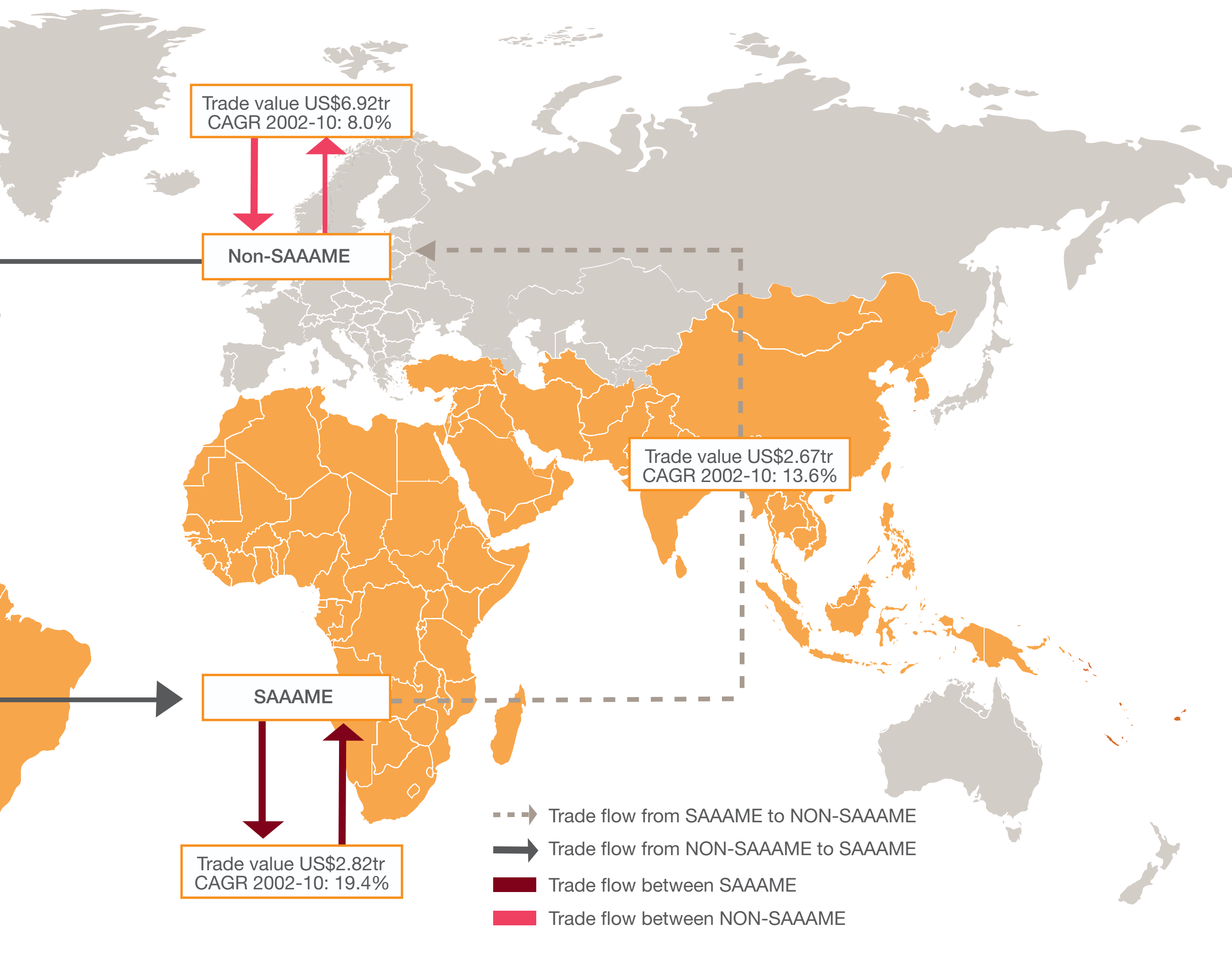
Notes:

[1] *CAGR % 2002-2010*

[2] *Russia and the Commonwealth of Independent States (CIS) have not been included in the SAAAME definition because trade is largely international and/or with Europe. Mexico is excluded as it trades mainly within the North American free trade zone and less with SAAAME. Both areas remain very important growth markets and should be considered in relation to the SAAAME*

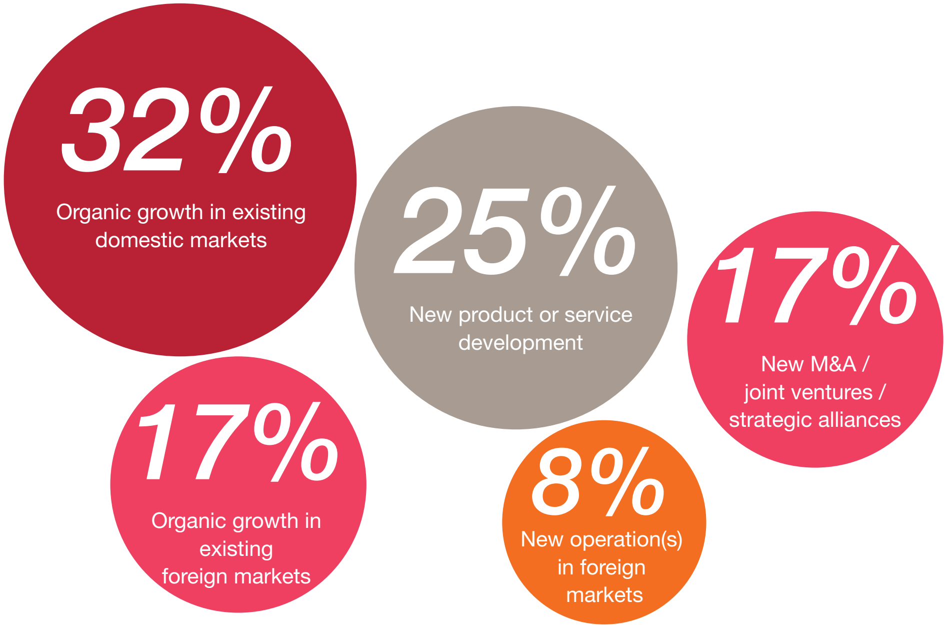
Sources: WTO and PwC, "Project Blue: Capitalising on the rise and interconnectivity of the emerging markets" (June 2012)

Intra-SAAAME trade is growing at 19.4%, much faster than the growth of traditional routes from developed-to-emerging and developed-to-developed markets



How are CEOs planning to capitalise on the opportunities for business growth?

CEOs are pursuing the opportunities for organic growth in existing markets. Nearly half of global CEOs surveyed are pinning their hopes on organic growth in their existing markets and 17% plan to complete M&As or form new strategic alliances. Only 25% are turning to new product and service development.



Q: Of these potential opportunities for business growth, which one is the main opportunity in the next 12 months?

Base: All respondents (1,330)
Note: 1% of CEOs responded 'Dont'know/Refused'

Source: PwC, "16th Annual Global CEO Survey" (January 2013)

To thrive and strive in the current global instability, CEOs and government leaders will need to plan around these mega trends

The changing global environment

The mega trends that are reshaping the global economy and transforming the behaviour of consumers, businesses and governments are clearly interrelated and should not be treated in isolation.

Source: PwC, "Project Blue: Capitalising on the rise and interconnectivity of the emerging markets" (June 2012)

1 **Emerging market opportunity**
- Economic strength
- Trade
- Foreign direct investment
- Capital balances
- Resource allocation
- Population

2 **Demographic change**
- Population growth discrepancies
- Ageing populations
- Changing family structures
- Belief structures

3 **Social and behavioural change**
- Urbanisation
- Global affluence
- Talent
- Changing customer behaviours
- Attitudes to financial institutions

4 **Technological change**
- Disruptive technologies
- Digital and mobile
- Technological and scientific R&D and innovation

5 **War for natural resources**
- Oil, gas and fossil fuels
- Food and water
- Key commodities
- Ecosystems
- Climate change and sustainability

6 **Rise of state-directed capitalism**
- State intervention
- Country/city economic strategies
- Investment strategies
- SWFs/development banks

7 **Global instability**
- Regulatory environment
- Fiscal pressures
- Political and social unrest

Al Noor Mosque in Sharjah City, UAE

A changing society

Page

> ***In developing regions, where 90 percent of the global youth population lives, stable, quality employment is especially lacking.***
>
> International Labour Organization (ILO), Global Employment Trends for Youth 2013

> ***I worry enormously about skills. Statistics from the UK and US on the number of kids studying science, technology, engineering and maths show that we're not actually creating enough people with the necessary skills today to fuel the industry in the future.***
>
> Steve Holliday, CEO, National Grid Group PLC, UK

> ***Like human beings, cities have priorities and needs as represented by the views of citizens, NGOs, private sector companies and academics, which should translate into action programmes by city governments and local authorities.***
>
> Hazem Galal, PwC's Global Leader for Cities and Local Government Sector

37 cities will have 10 million or more citizens by 2025

Urban migration

Population shifts into cities

Population shifts will have a strong influence on where organisations will do business over the coming decades. Much of the population growth over the next 30 years will be concentrated around urban areas in the emerging economies as these countries begin to mirror developed economies.

New cities are initially selected by the government, which through tax incentives and grants become a fertile site for companies. Housing, schools and hospitals soon follow and a new thriving city, ripe for multinationals, is born.

Population of urban centres with 10 million inhabitants or more

Rank – 2011	Population
1. Tokyo, Japan	37.2
2. Delhi, India	22.7
3. Ciudad de México (Mexico City), Mexico	20.4
4. New York, USA	20.4
5. Shanghai, China	20.2
6. São Paulo, Brazil	19.9
7. Mumbai, India	19.7
8. Beijing, China	15.6
9. Dhaka, Bangladesh	15.4
10. Kolkata, India	14.4
11. Karachi, Pakistan	13.9
12. Buenos Aires, Argentina	13.5
13. Los Angeles, USA	13.4
14. Rio de Janeiro, Brazil	12.0
15. Manila, Philippines	11.9
16. Moskva (Moscow), Russian Federation	11.6
17. Osaka-Kobe, Japan	11.5
18. Istanbul, Turkey	11.3
19. Lagos, Nigeria	11.2
20. Al-Qahirah (Cairo), Egypt	11.2
21. Guangzhou, China	10.8
22. Shenzhen, China	10.6
23. Paris, France	10.6

Rank – 2025	Change	Population
1. Tokyo, Japan	→	38.7
2. Delhi, India	→	32.9
3. Shanghai, China	↑	28.4
4. Mumbai, India	↑	26.6
5. Ciudad de México (Mexico City), Mexico	↓	24.6
6. New York, USA	↓	23.6
7. São Paulo, Brazil	↓	23.2
8. Dhaka, Bangladesh	↑	22.9
9. Beijing, China	↓	22.6
10. Karachi, Pakistan	↑	20.2
11. Lagos, Nigeria	↑	18.9
12. Kolkata, India	↓	18.7
13. Manila, Philippines	↑	16.3
14. Los Angeles, USA	↓	15.7
15. Shenzhen, China	↑	15.5
16. Buenos Aires, Argentina	↓	15.5
17. Guangzhou, China	↑	15.5
18. Istanbul, Turkey	→	14.9
19. Al-Qahirah (Cairo), Egypt	↑	14.7
20. Kinshasa, Democratic Rep. of the Congo	New	14.5
21. Chongqing, China	New	13.6
22. Rio de Janeiro, Brazil	↓	13.6
23. Bangalore, India	New	13.2
24. Jakarta, Indonesia	New	12.8
25. Chennai, India	New	12.8
26. Wuhan, China	New	12.7
27. Moskva (Moscow), Russian Federation	↓	12.6
28. Paris, France	↓	12.2
29. Osaka-Kobe, Japan	↓	12.0
30. Tianjin, China	New	11.9
31. Hyderabad, India	New	11.6
32. Lima, Peru	New	11.5
33. Chicago, USA	New	11.4
34. Bogotá, Colombia	New	11.4
35. Krung Thep (Bangkok), Thailand	New	11.2
36. Lahore, Pakistan	New	11.2
37. London, United Kingdom	New	10.3

Note: The orange arrows indicate changes in cities ranking in 2025 compared to 2011

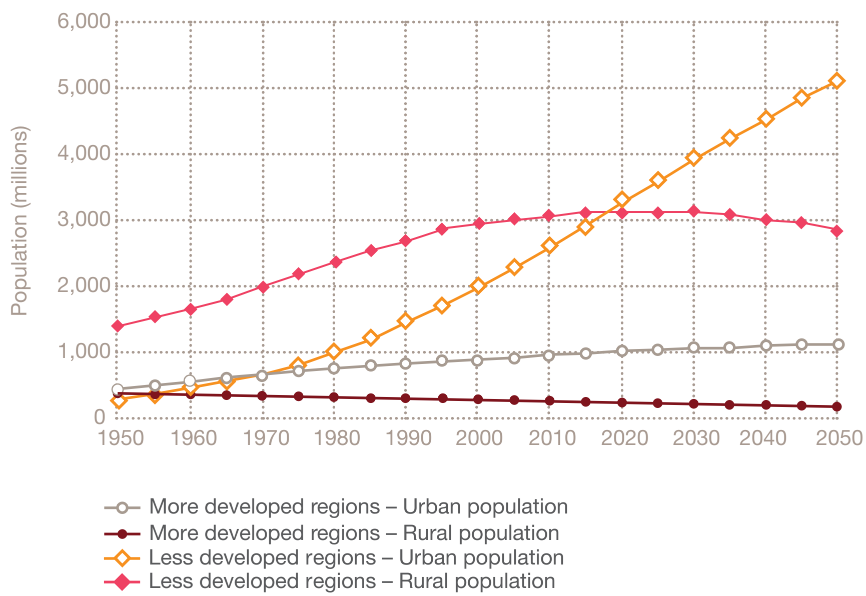
Sources: UN Department of Economic and Social Affairs, Population Division, "World Urbanization Prospects 2011 Revision" (April 2012) and PwC, "Talent mobility 2020 and beyond" (November 2012)

World urban population to increase from 3.6 billion in 2011 to 6.3 billion in 2050.

By 2050 the world's urban population will likely be the same size as the world's total population was in 2002

Virtually all of the expected growth will be concentrated in the urban areas of the less developed regions, whose population is projected to increase from 2.6 billion in 2011 to 5.2 billion in 2050. The urban population in more developed regions is projected to increase modestly, from 1 billion in 2011 to 1.1 billion in 2050.

Urban and rural population trends 1950-2050



Sources: UN Department of Economic and Social Affairs, Population Division, "World Urbanization Prospects 2011 Revision" (April 2012) and PwC, "Talent mobility 2020 and beyond" (November 2012)

The change in cityscapes is imminent

"Vision without action is a daydream. Action without vision is a nightmare."

Japanese proverb

Making it happen

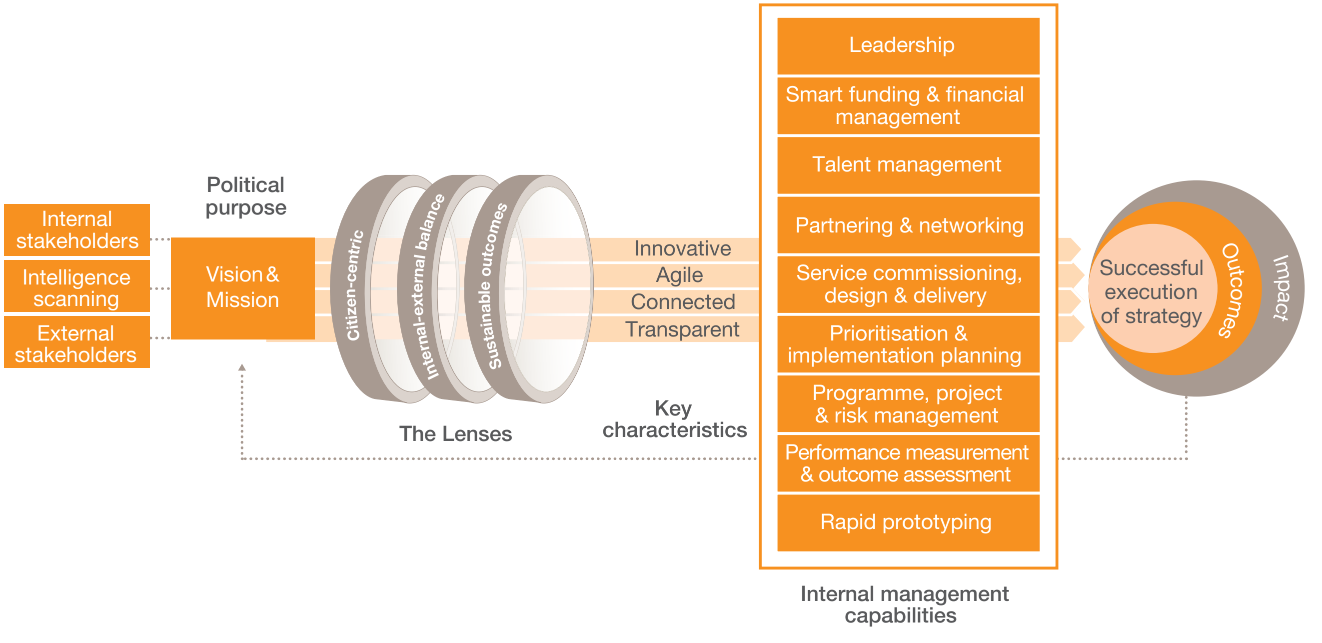
The most pressing challenge facing many cities today is how to turn vision into reality – delivery is what really matters. The chart shows factors that are vital for the execution of a city's strategy and the realisation of its vision. Leadership – top level sponsorship – is an absolute requirement but, on its own, is also not a panacea. All stakeholders – internally and externally – need to have a clear, ambitious and widely shared vision. Collaboration across city boundaries may also be required to achieve meaningful economic development outcomes – especially where administrative boundaries are adjacent.

Source: PwC, "Good growth for cities" (November 2012)

Governments and public sector leaders have a key role in projecting a clear and vibrant picture for the future

The leading public body of the future

A number of elements need to be aligned to create the desired public body of the future. It has to be one that is adaptive to its circumstances and ready to deliver its defined purpose in the face of a world in constant change. It needs to act and behave like a living organism, adapting to change and evolving to address society's needs as they develop.



Source: PwC, "Future of government" (June 2013)

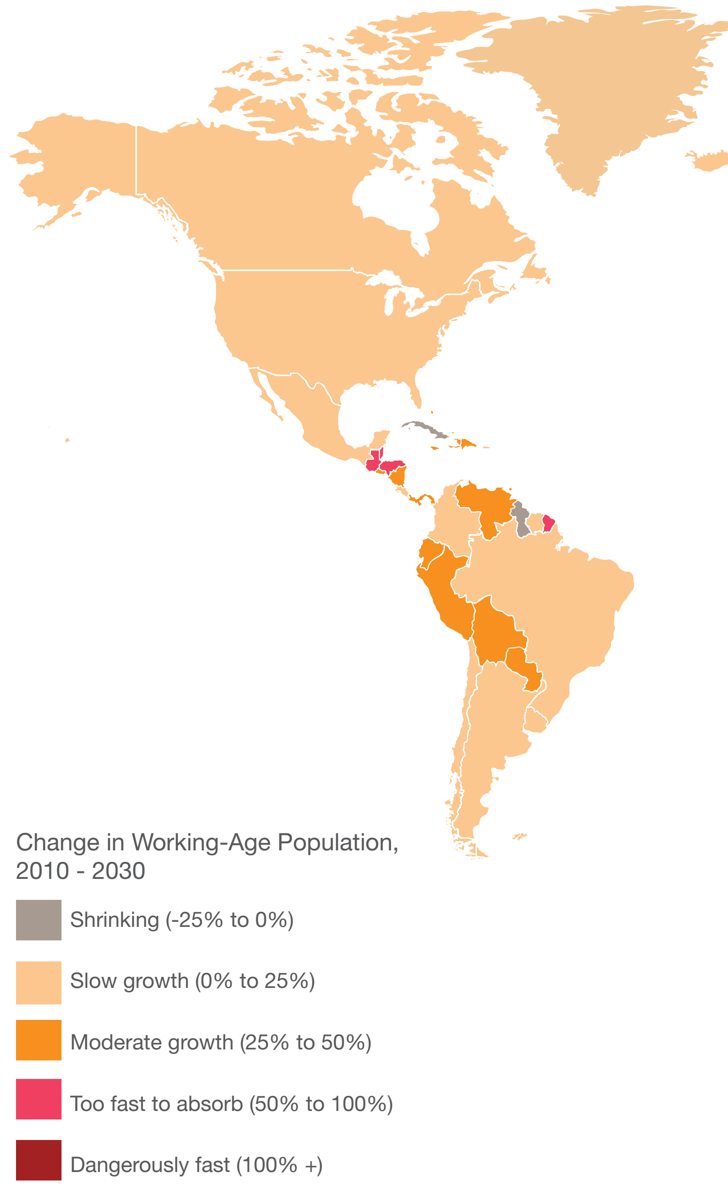
Shifting demographics

Imbalanced working age population projected

Europe's working-age population is projected to decline by 10%, or nearly 50 million by 2030. Less developed countries are projected to see a work-force gain of nearly 1 billion, with about half of that occurring in Asia and nearly 40% in Africa.

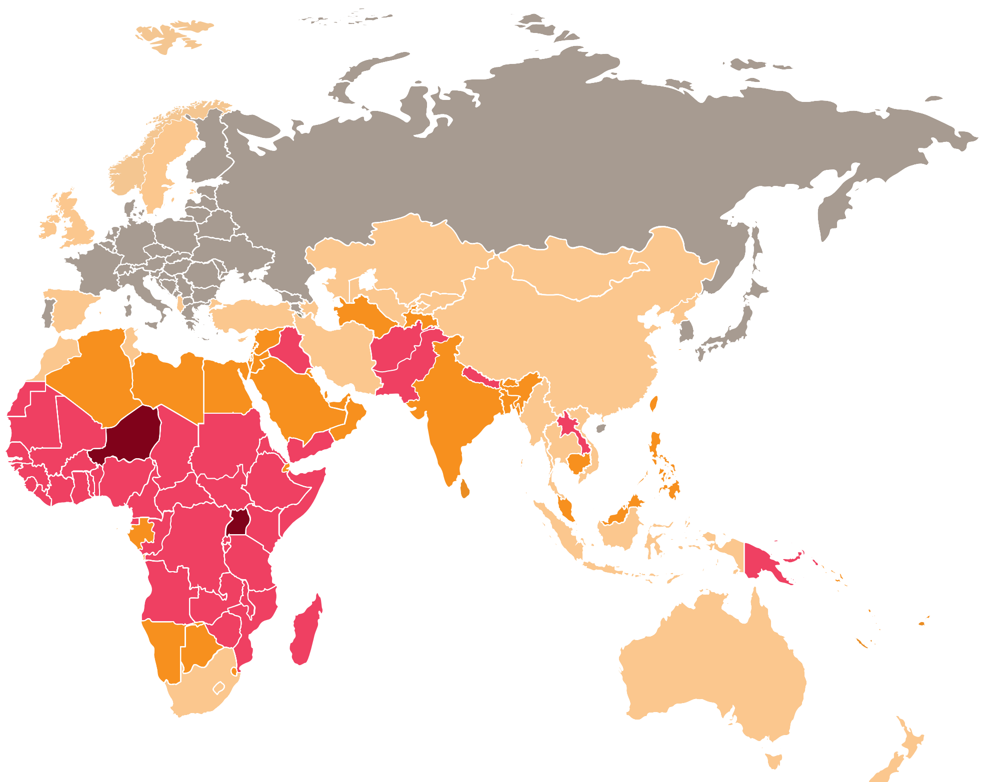
There are policy consequences of not meeting the social contracts for both the young and the old. On the one hand, there is a risk of mismatch of the education and skills needed for employment with the International Labour Organization warning of a 'lost generation' of young people. But there are also opportunities, for example, tapping the 'silver potential' of older workers via innovative contracts to re-engage and leverage this experienced pool of resources.

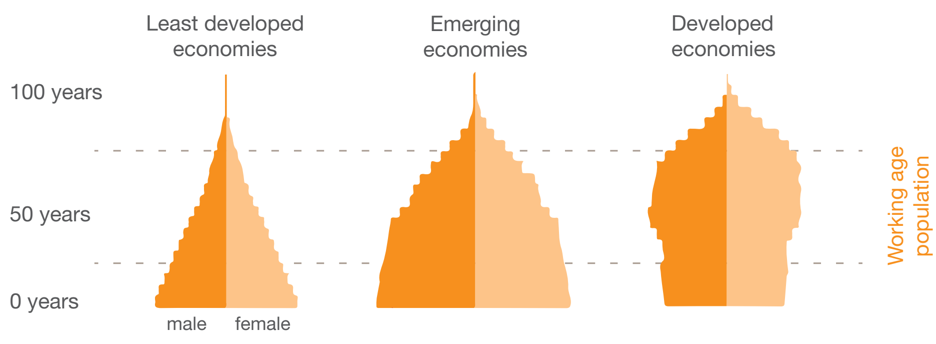
Demographic change is also being manifested in a shift in mindsets, attitudes, knowledge and values with the rise of 'Generation I' – individualistic, informal, interactive, informed and innovative.



Source: Stanford Centre on Longevity, "Population Aging will reshape global economics and Geopolitics" (May 2010)

Most advanced economies face shrinking workforces, while many 'young' countries face explosive growth by 2030





Note:

Population pyramids showing the percentage of the population using 4-year age intervals

Source: WEF, "Global Risks 2012, 7th edition" (January 2012), UN Department of Economic and Social Affairs,"World Population Prospects 2010 Revision, New York" (May 2011)

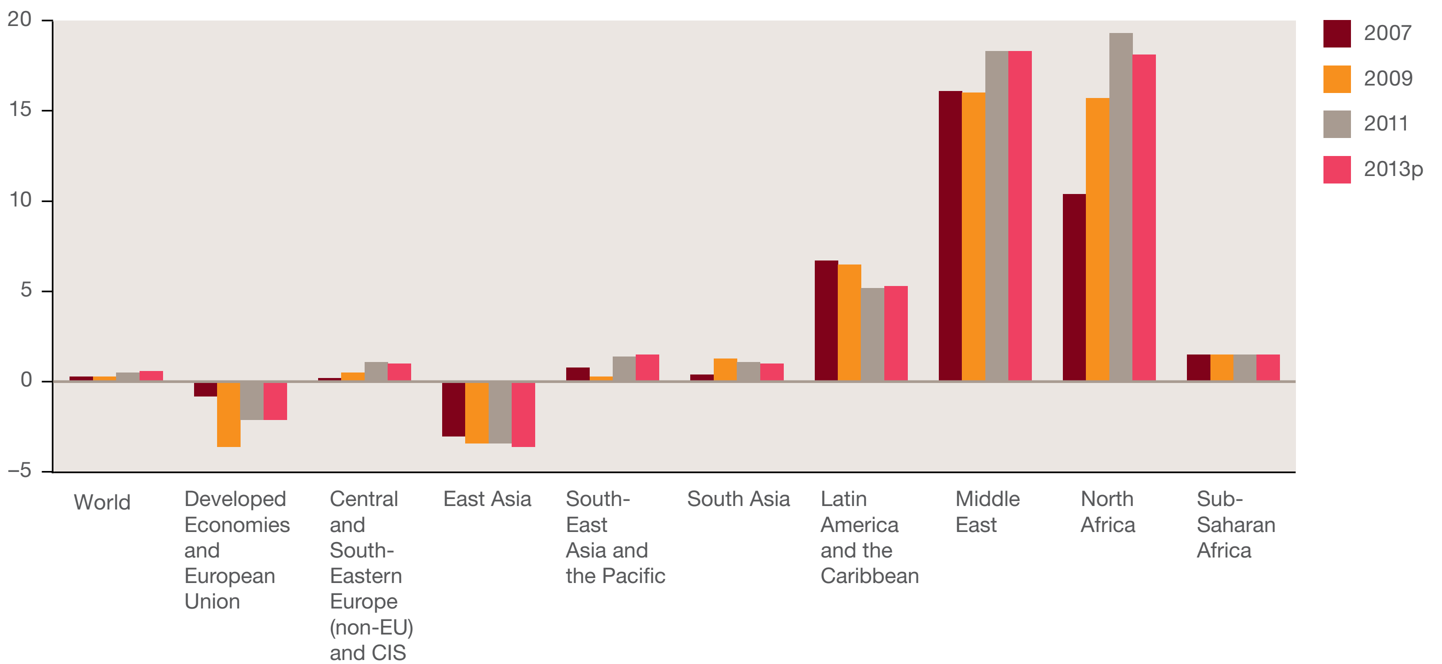
A worrying fact on youth unemployment

Source: International Political Forum, "Youth unemployment around the world" (March 2013)

Exceptionally large gender gaps in youth unemployment rates seen in the Middle East and North Africa

Regional youth unemployment rates are lower for young women in the advanced economies and East Asia. However, large gaps between female and male rates are evident in some regions such as North Africa and the Middle East and, to a lesser extent, Latin America and the Caribbean.

Global and regional gender gaps in youth unemployment rates, selected years (female rate minus male rate, percentage points)[1]



Notes:

[1] A positive difference (e.g. in Middle East) indicates that there's higher female youth unemployment whereas a negative difference (e.g. in East Asia) indicates a lower female unemployment rate compared to the male youth unemployment rate.

p Projection

Source: ILO, "Global Employment Trends for Youth 2013" (May 2013)

"Let us wage a global struggle against illiteracy, poverty and terrorism and let us pick up our books and pens. They are our most powerful weapons. One child, one teacher, one book and one pen can change the world. Education is the only solution. Education first."

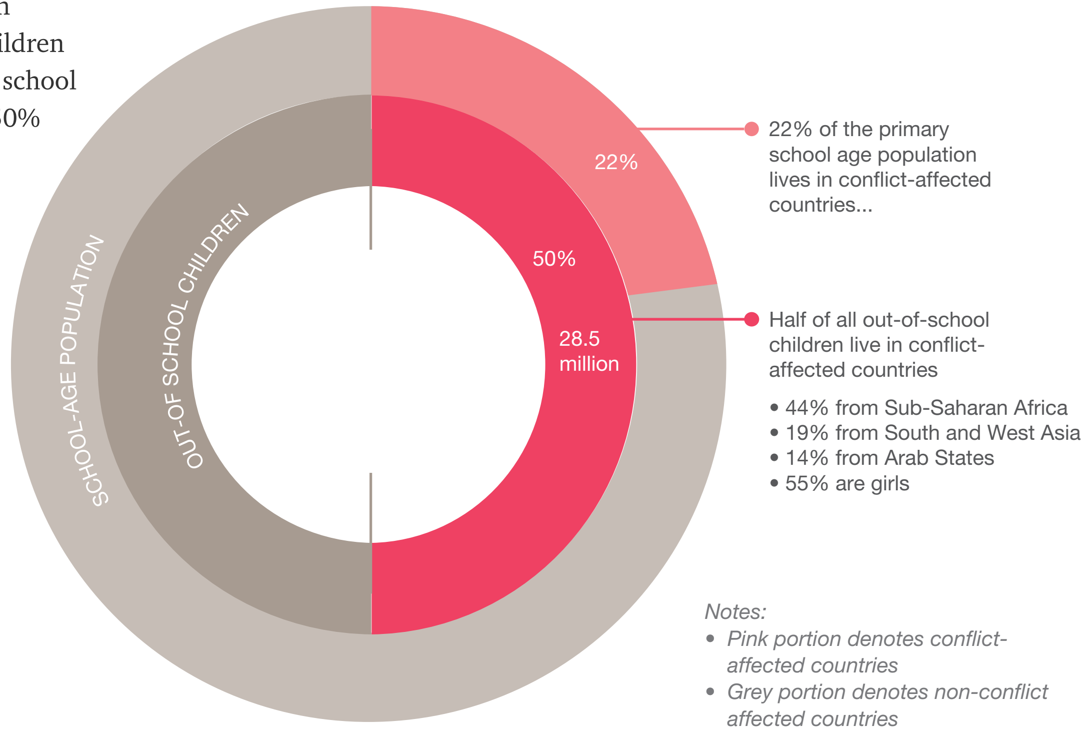
Malala Yousafzai
Education Activist and
2013 Nobel Peace nominee

Social imbalances

Children still battling to go to school

Globally, the number of children out of school has fallen from 60 million in 2008 to 57 million in 2011. But the benefits of this progress have not reached children in conflict-affected countries. These children make up 22% of the world's primary school aged population, yet they comprise 50% of children who are denied an education, a proportion that has increased from 42% in 2008.

Many countries embroiled in conflict are overlooked in the international aid structure, with their education systems receiving neither long-term development assistance nor short-term humanitarian aid. The global education community has been calling for 4% of humanitarian aid to be allocated to education. Yet in 2012, education accounted for just 1.4% of humanitarian aid, down from 2.2% in 2009.



Notes:
- *Pink portion denotes conflict-affected countries*
- *Grey portion denotes non-conflict affected countries*

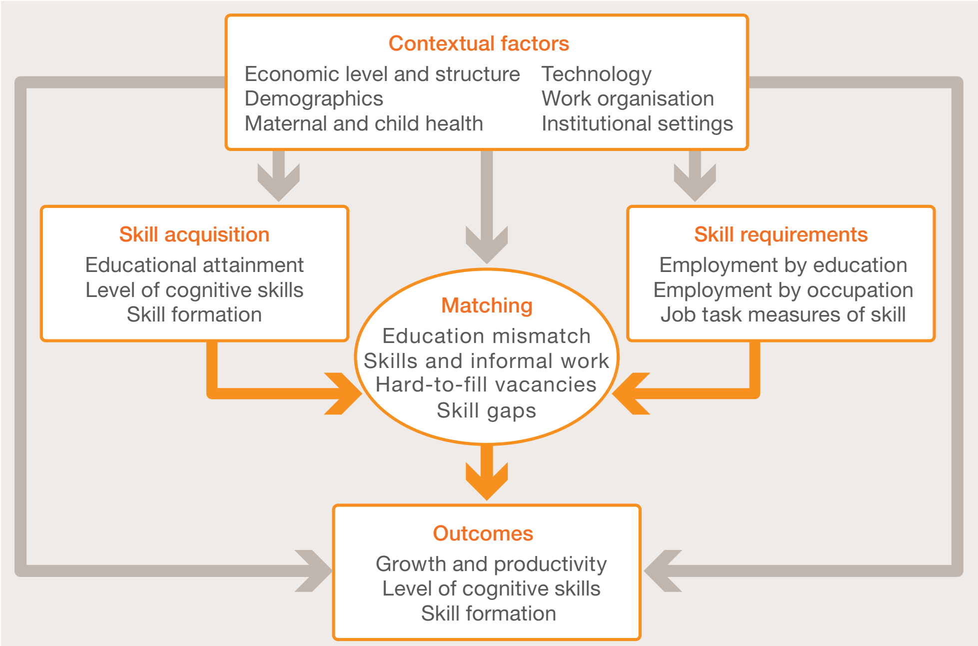
Source: UNESCO, Education For All (EFA), "Global Monitoring Report, Policy Paper 10" (July 2013)

There's a skills mismatch between what the youth are learning and what the market actually requires

The formulation and implementation of effective and responsive education and training policies are a continuous challenge for all countries. It requires linking skills development to employment and economic development, involving social partners and key stakeholders in skills development systems, and effective labour market information and analysis systems.

For example, by having young people in employment that are actually overqualified for the job they are doing, society is losing their valuable skills and forfeiting stronger productivity growth that would have been achieved had these young people been employed at their appropriate level of qualification.

Economic context and skill mismatch



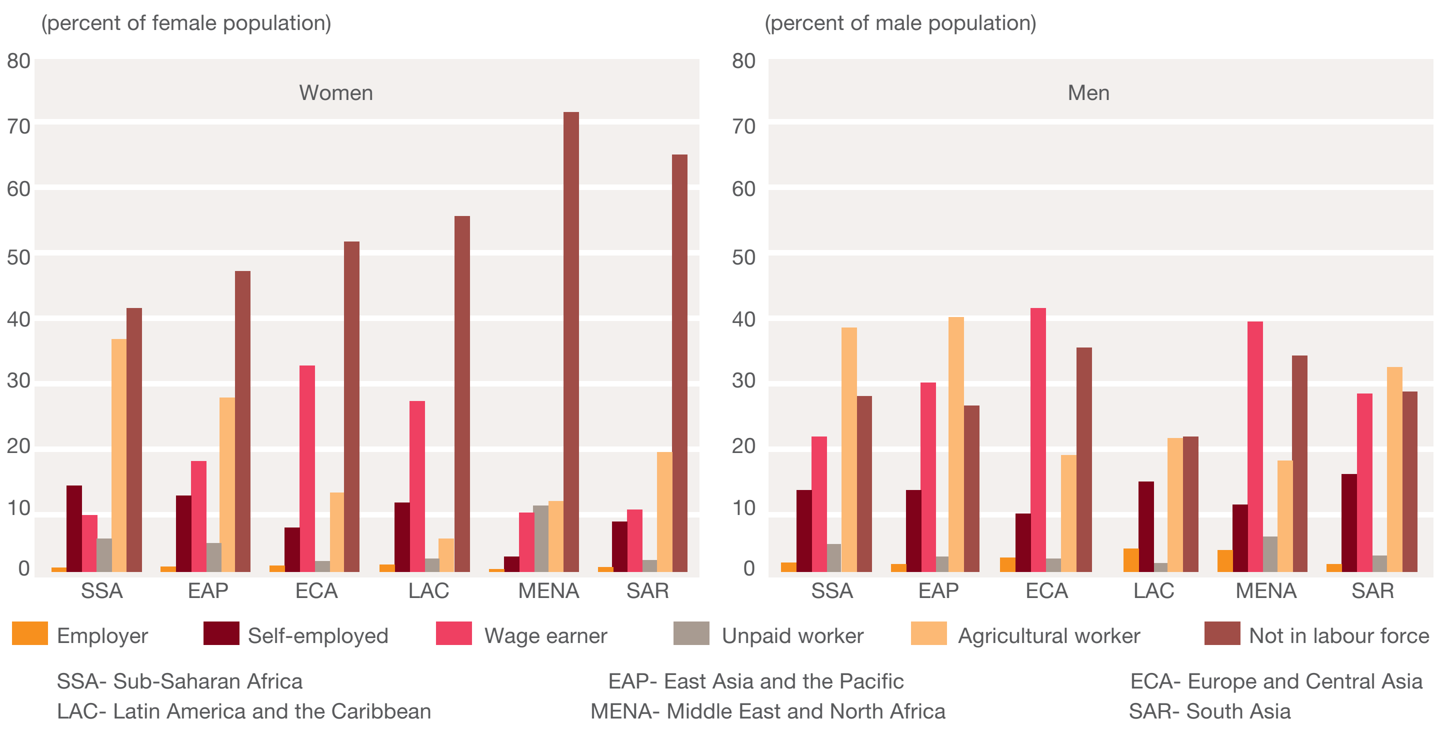
Source: ILO, "Global Employment Trends for Youth 2013" (May 2013)

More opportunity for women is not about increasing their economic participation itself, but rather shifting the types of activities they undertake

Women are much more likely to work in the informal sector, in smaller enterprises, and in traditional industries such as garment making and food preparation - all of which tend to pay lower returns. Expanding women's economic empowerment is about enabling more women to operate in activities that offer higher returns. This requires addressing constraints on women's access to assets, expanding women's financial and managerial training, and involving more women in the policymaking environment.

Where women and men work

Women are more likely to be working and to be entrepreneurs in Sub-Saharan Africa than elsewhere in the world.

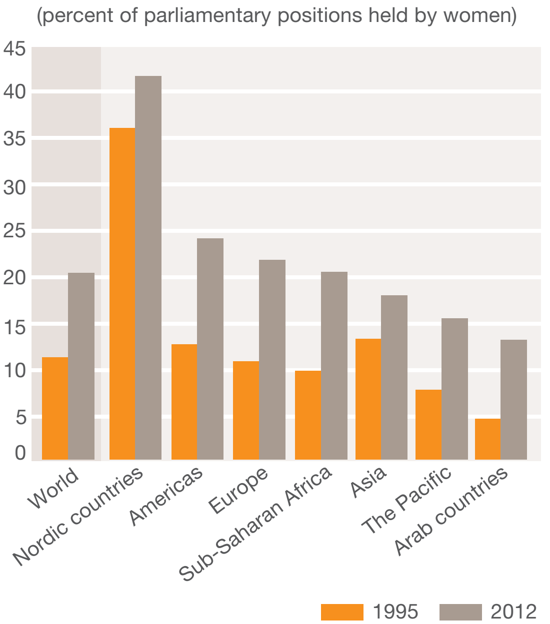


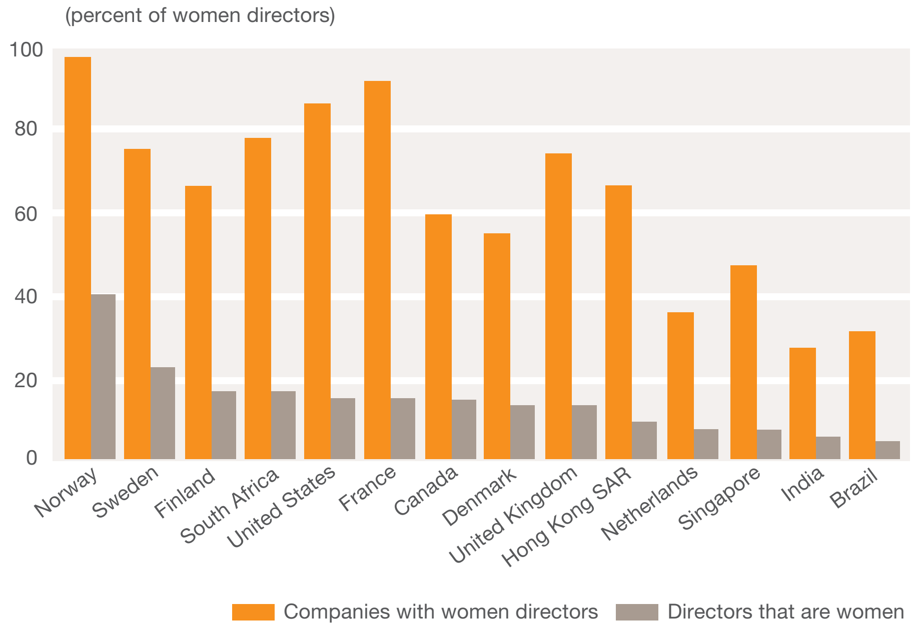
Source: IMF, "Finance & Development, Vol. 50, No. 2"
Article titled "Ready to Bloom?" by Mark Blackden and Mary Hallward-Driemeier (June 2013)

Female underrepresentation still persists in political leadership positions and high-paying jobs

In 2012, only 21% of parliamentarians worldwide were women, and a woman headed the government in only 17 countries. The numbers are even lower in big business - on the Fortune 500 2012 list, women held 4.2% of CEO positions.

Women leaders





Source: IMF, "Finance & Development, Vol. 50, No. 2"
Article titled "Women in charge" by Rohini Pande and Petia Topalova (June 2013) and The Guardian, "International Women's Day 2012.. Women's Respresentation in Politics" (March 2012)

Women are still far outnumbered by men in the C-suite. Only one board director in 10 is a woman.

Boardroom representation

39.8% of companies have NO FEMALE REPRESENTATION at boardroom level

10.5% of board directors are women up by 0.7% in 2011

Industrialised world

Emerging markets

Why are women underrepresented?

According to a 2011 survey of directors, executives, board members and chairmen, women are under-represented on boards for a variety of reasons.

20% issues of maintaining work-life balance such as raising a family

7% lack of opportunities

7% men tend to recruit men

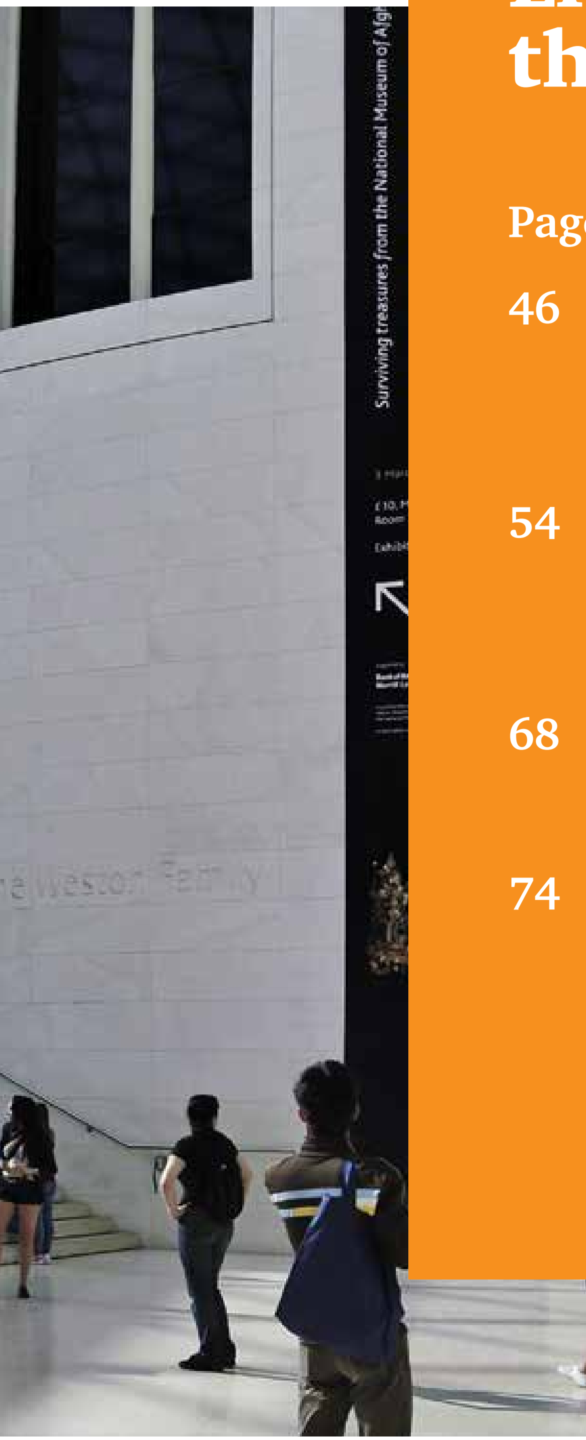
17% male dominated culture and poorer networking opportunities

12% maternity issues

9% traditional bias

Source: CNN, "Women in the Boardroom" (May 2012)

The Great Court of British Museum in London, UK



Living in the 'new normal'

Page

"Given that the global economy and the global pace of life are getting faster in all aspects, one needs to become more agile and efficient about everything - including running a company. It's essential that you streamline operations and become leaner wherever you can, so as to be able to react more quickly to changing market conditions."

Anders Nyrén, President and CEO of Swedish public investment firm Industrivärden AB

History has proven that a company's ability to manage and leverage new technologies can provide distinct business advantage or maintain its competitiveness. With emerging technologies such as the cloud, mobile computing devices and social media, directors need to consider if a company can get caught from behind by its competitors who more successfully embrace emerging trends.

Don Keller, Partner, PwC's Center for Board Governance

Firms that embrace Web 2.0 (social technologies) and social media are more likely to be market leaders, have their market share increase, and use management practices that lead to higher margins.

PwC, Social media: The new business reality for board directors

All enterprises need to know what their customers are thinking and how they feel about their products and services. Using social media is a very different statistical method that can only result in increased profitability against market competitors.

Richard Jhang, Technology Consulting, PwC Canada

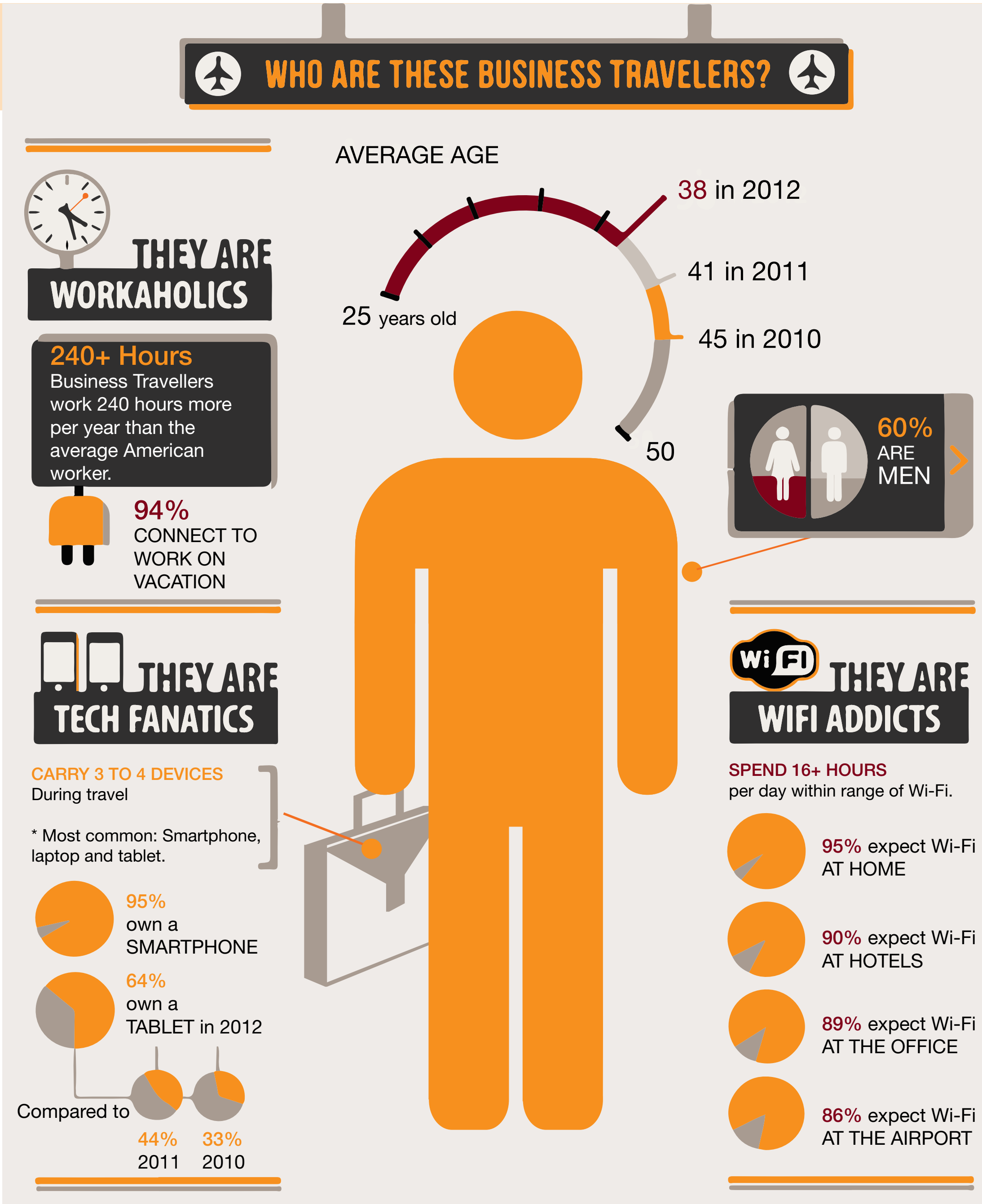
We use social network data the way we use research generally - as a guide to tell us about what's working and what isn't working. But then we take that data and use it to help drive our creativity and our imagination, which is the true source of breakthrough content. In the end, you have to be prepared to take risks.

Peter Tortorici, CEO
GroupM Entertainment Global, US

Digitally connected

Mobile dependence, a growing trend in business travel

Business travellers are among the top users of mobile devices today and are becoming more reliant on them to get business done on the road than ever before. But is this growing dependency better or worse for traveller's daily lives? The facts may surprise you.



TOO ADDICTED TO TECHNOLOGY?

20% of smartphone users **Log on to Facebook before they even get out of bed.**

56% of mobile workers **Exercise erratically or not at all due to technology.**

59% of business travellers **Said they would feel disoriented, distraught or lonely without their smartphone for just a week.**

An average business traveller **Checks their smartphone** 34 TIMES A DAY.

GET MORE DONE

98%
REPORT THAT THEY MULTI-TASK EVERY DAY DUE TO THE HELP OF TECHNOLOGY

65% believe they are more productive as a result of multitasking with multiple devices like a laptop and smartphone. However this also caused lower levels of concentration which resulted in taking longer to finish tasks.

75%
USE THEIR PHONE WHILE ON THE TOILET

To save time elsewhere, business travellers are checking their smartphones in the bathroom. **Android** users are more likely to check while on the toilet (87%) compared to **Blackberry** (84%) and **iPhone** (77%).

75%
GET MORE THAN 6 HOURS OF SLEEP PER NIGHT DUE TO PRODUCTIVITY

Travellers report productivity on their mobile devices helps free up more of their time, enabling them to sleep longer than they used to without them.

This article originally appeared on Introhive Blog

Source: Business 2 Community, "Is Mobile Dependency Good for Business?" (June 2013)

"The fast-growing companies are the ones seizing digital technologies in a really entrepreneurial way."

Jeff Auker
Director, PwC US

Mega trends defining the future digital markets

On the demand side, a number of trends stand out - the geopolitical power shift towards Asia and Africa, the maturing Facebook generation, the need to put 'big data' to work and the increasing importance of mobile commerce will shape the telecoms industry of the future.

Supply-side trends point to a battle emerging in generating revenues and profits in the adjacent markets. The emergence of next-generation cloud services, dominance of digital ecosystems, ubiquitous network access and an increasingly global delivery mind-set will reshape the industry landscape.

Mega trends

Demand trends	Geopolitical power shift	• Economic strength • Population growth	• Emerging middle class • Asia telecoms revenue	• Urbanisation
	The Facebook generation grows up	• Everything mobile • Social change	• BYOD at workplace • Place-space convergence	
	Putting 'Big Data' to work	• Digital information • Mobile data traffic	• Enterprise generated data • Automonic systems	
	Mobile commerce takes hold	• Mobility at the heart of how people connect • M-commerce growth	• Smart device and NFC • Mobile wallet substitute for cash	
Supply trends	Next generation cloud	• Cloud services maturing • Anything as a service	• Rise of cloud brokerages • Mission critical workloads cloud readiness	
	Ubiquitous network access beyond LTE	• Pervasive networks • Intelligent mobile networks	• Unified global standard	
	Digital ecosystems dominate	• Digital business model matures • OTT giants dominate	• Traditional revenues impacted • OSS battle polarises	
	Global delivery mindset	• Integrated global delivery model • Talent management	• Organisational agility	

Notes:

BYOD – Bring your own device
NFC – Near field communication
LTE – Long term evolution
OTT – Over-the-top
OSS – Operating systems

Source : PwC, "Communications Review, Discipline for growth Vol 18 No 1" (July 2013)

The World Bank estimates that when low-to middle-income economies increase their Internet penetration by 10%, they can expect a 1.4% increase in the country's GDP per capita

PwC, Navigating the digital media ecosystem in emerging markets

Continuous high growth of mobile broadband is expected globally

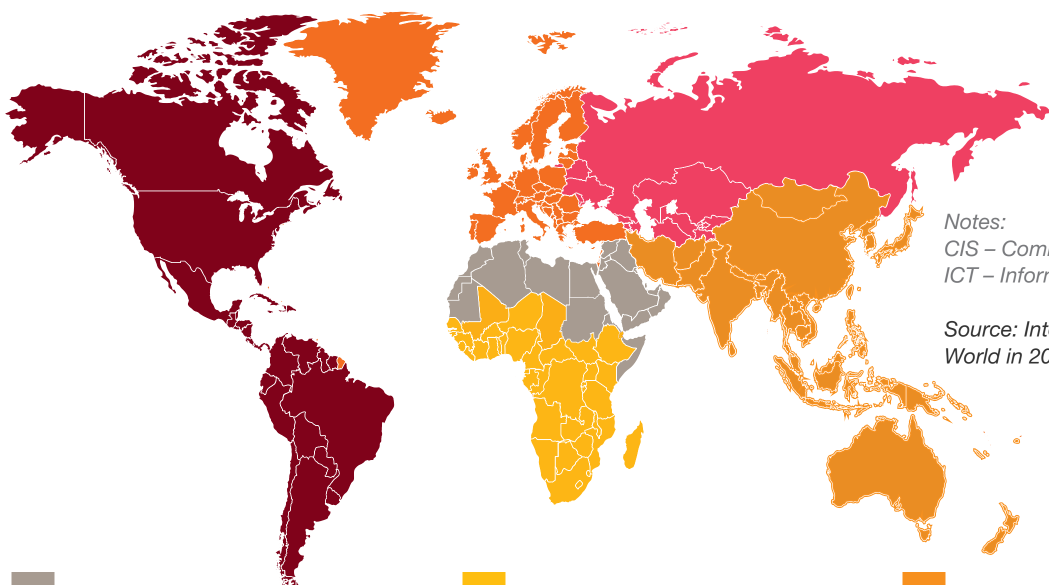
Mobile broadband subscriptions have climbed to 2.1 billion in 2013, reflecting an average annual growth rate of 40%. This makes mobile broadband the most dynamic ICT market.

The number of mobile broadband subscriptions more than doubled from 2011 to 2013 (from 472 million to 1.16 billion) in developing countries, surpassing those in developed countries in 2013.

Americas
460 milion subscriptions
48% penetration
28% CAGR (2010-2013)

Europe
422 milion subscriptions
68% penetration
33% CAGR (2010-2013)

CIS
129 milion subscriptions
46% penetration
27% CAGR (2010-2013)



Notes:
CIS – Commonwealth of Independent States
ICT – Information and communications technology

Source: International Telecommunication Union, "The World in 2013: ICT Facts and Figures" (February 2013)

Arab States
71 milion subscriptions
19% penetration
55% CAGR (2010-2013)

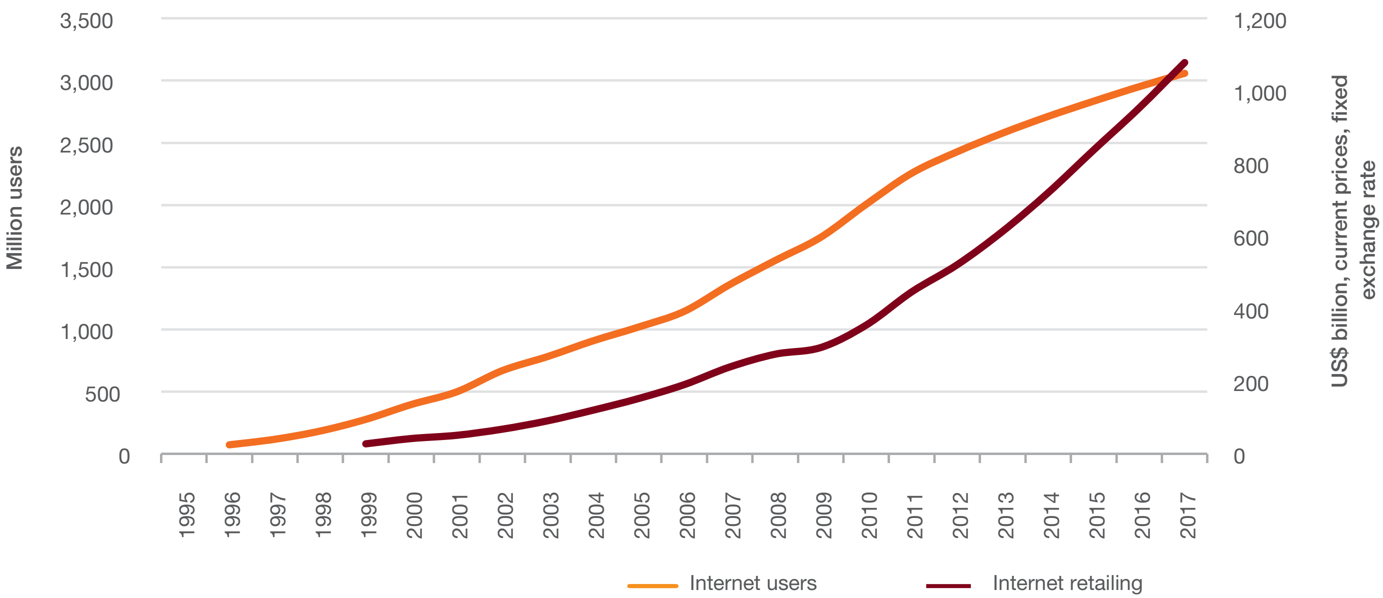
Africa
93 milion subscriptions
11% penetration
82% CAGR (2010-2013)

Asia-Pacific
895 milion subscriptions
22% penetration
45% CAGR (2010-2013)

From digital business to social business – Internet retailing is not the same anymore with the emergence of social media and the connected consumer

Digitalisation has transformed business. It has impacted brands and retailers, with Internet retailing becoming a major driver of change. Social media and the emergence of the connected consumer could have a similar or even bigger impact on the business environment and, in particular, consumer products and brands.

Global Internet Users and Online Sales 1995-2017



Internet Revolution

Consumer adoption of the internet started with the introduction of the Netscape browser in 1994, which made the World Wide Web accessible.

E-commerce and Digital business

Business adoption of the internet started almost immediately. eBay and Amazon were among the first to open online stores in 1995.

Web 2.0 and Social Media

The development of richer content, interactivity and increased penetration of broadband have led to the appearance of Web 2.0.

Connected Consumer and the Social Business

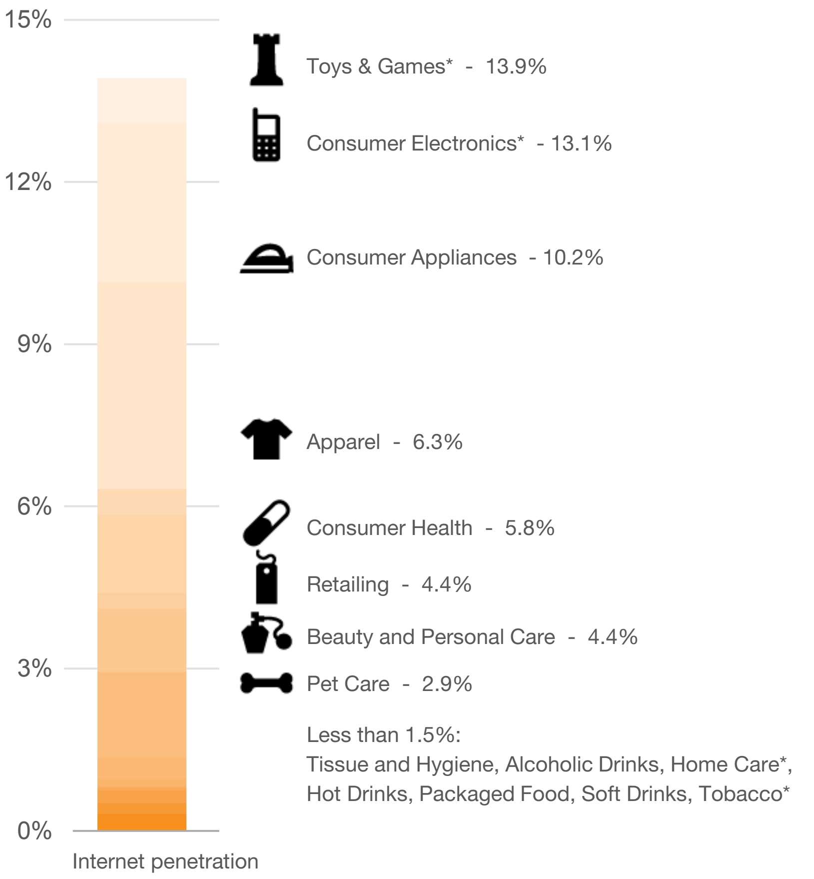
The social aspects of the internet were originally adopted by consumers but are increasingly seen as powerful business tools.

Source: Euromonitor International, "Passport: Emergence of s-commerce and impact on consumer goods industries" (April 2013)

Online shopping on the rise

Penetration and usage of social media in the different industries varies significantly. Food and Apparel are among the brands which utilise social media most heavily. Toys and Games and Consumer Electronics have the highest internet penetration, as these products are well suited for online sales and some of the earliest e-commerce sites were set up to trade in consumer electronics.

Online sales penetration rates by industry, 2012



*Note: Categories marked with * have provisional data for 2012*

Source: Euromonitor International, "Passport: Emergence of s-commerce and impact on consumer goods industries" (April 2013)

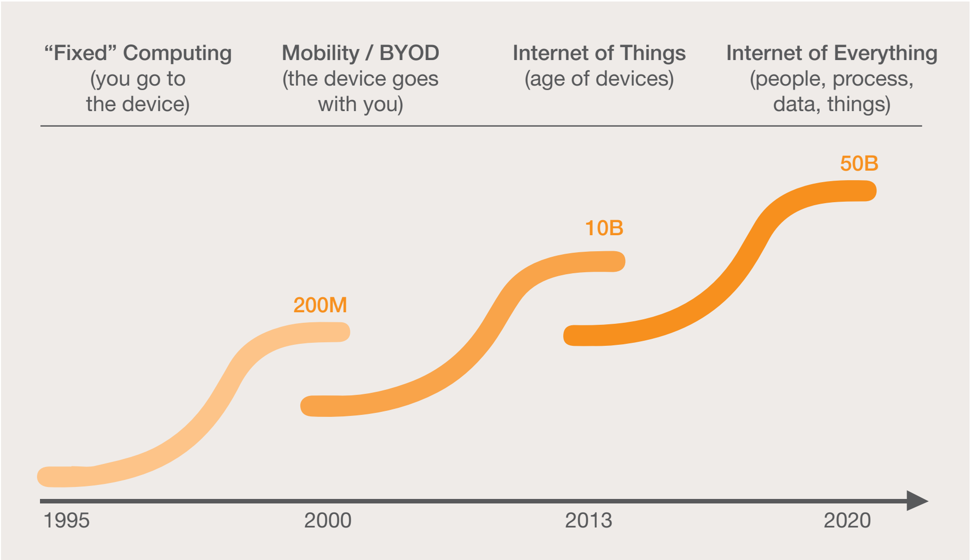
The next wave of dramatic Internet growth will come through the confluence of people, process, data, and things - the Internet of Everything

CISCO

Increasing digitisation of human interaction

The growth of the Internet has been unprecedented. There were about 200 million 'things' connected to the Internet in the year 2000. Driven by advances in mobile technology and the "bring your own device" (BYOD) trend, among others, this number has increased to approximately 10 billion today, putting us squarely in the age of the Internet of Things.

Global Internet Users and Online Sales 1995-2017



Note: The Internet of Everything is defined as bringing together people, process, data, and things to make networked connections more relevant and valuable than ever before — turning information into actions that create new capabilities, richer experiences, and unprecedented economic opportunity for businesses, individuals, and countries.

Source: CISCO, "Embracing the Internet of Everything To Capture Your Share of $14.4 Trillion" (February 2013)

Government going digital - an integrated part of participatory governance

With an increasing number of people using social networking in their personal lives, online platforms are becoming powerful tools for engagement between governments and their constituents too.

The challenges

Presence

Inadequate presence across channels | Isolated – lack of integration

Uniformity

Uniformity of content across channels | Non-standardised citizen experience

Operations, Risk

Loosely defined governance & operating processes | Governmental reputation management

Web

Social

Mobility

Touch Devices

Kiosks

Voice

DTH

The solution – with digital leading the way

- Opens up multiple channels such as web, mobility, social media to provide information and services to citizens and businesses – it also helps engagement as opposed to one way 'electronic' delivery
- Integration across channels ensures delivery benefits

- Of critical importance to stakeholders and internal groups are the uniformity and standardisation of content being displayed across channels

- Equally important today are the concepts of citizen relationship management – where digital technologies play a crucial role - as it aligns with people's changing behaviour and expectations

- In a multi-channel public service environment, setting up the right set of operating processes and governance mechanisms is of prime importance

- Government/public authorities leverage online reputation management tools to understand citizen/business pulse and collect feedback for improvement

Note: DTH – Direct-to-home signals

Source: PwC, "Future of Government" (June 2013)

New ways of doing business
Opportunities for small businesses

Issues faced by small businesses/SMEs across the world

- Inadequate support in SME financing
- Limited knowledge of common operational issues
- High cost for technology usage
- Competition from big players, for instance entry barriers
- Ineffective marketing strategy leads to low sales growth
- Manpower shortage for expansion as most SMEs do not have a dedicated HR department
- Constraints on modernisation and expansion of SMEs due to limited capital availability and lack of expertise

Note: SMEs - Small medium enterprises

Source: Management Canvas, "Issues faced by SMEs" (March 2013)

7 innovative ways to finance a start-up business*

The more conventional methods to fund a new business include bootstrapping your assets, getting government grants and borrowing from family and friends. More unconventional ways of financing include funding from angel investors and venture capitalists, through customer and supplier relationships, social lending and crowdfunding.

THE CONVENTIONAL WAYS

1 Government grants

- Grants are meant to support market research in the early stages of a start-up and require a well-developed business plan
- Risks
1. Accountability is higher
2. Might have to work within difficult deadlines to show your progress
3. There may be penalties if proposed progress is not achieved

2 Bootstrapping your assets

- Using whatever resources you have on hand to get your business to the next level
- Where do entrepreneurs find the money?
1. Personal savings
2. Home-equity loans
3. Credit cards

3 Friends & Family

- Borrowing money from your family and friends
- Advantages
1. Lower interest rates than banks
2. Lenient repayment terms
- Risks
1. Meddling lenders
2. Lenders use their ‘generosity’ as leverage
3. Ruined friendships

THE MORE UNCONVENTIONAL WAYS

4 Angel investors & venture capitalists

- Private, high net-worth individuals investing in businesses with potential growth
- How do they help?
1. Provide expertise and useful contacts
2. May ask for 10%-50% stake in the business
3. Invest on average between US$50,000 to US$2 million in companies

5 Crowdfunding

- A large number of people invest a small amount of money in a project
- Types of funding
1. Fixed: campaigns only receive donations if they meet a specific funding goal
2. Flexible: collect whatever amount of funding they received
- There are approximately 600 crowdfunding platforms throughout the world

6 Social Lending/ Peer-to-peer

- Individuals applying for loans from other individuals
- All loans are 3-year unsecured loans
- Two parties set their terms and a website acts as the intermediary
- Fixed monthly payments are automatically deducted from your bank account for the life of the loan

7 Customers & Suppliers

Customers

They may be willing to help fund your product development if you offer :

1. Customisation
2. Discounted pricing
3. Pay-for-performance contracts

Material suppliers

They may hold inventory for you if you guarantee you’ll pay them by a certain date

e.g. A hairdresser with loyal clientele asks clients to invest in her new salon. She offers free haircuts in return.

* US-centric example

Source: http://www.mba-in-finance.org/startup/

Small businesses are changing the way they conduct business in an unpredictable economy

42% MORE HOURS

Small business owners are working 42% more hours per week than five years ago.

40% LESS VACATION

Small business owners say they are taking significantly or somewhat less vacation time compared to five years ago.

> Growing Dependence on Mobile Technology

78%

78% state that they use a mobile device to access work-related information

Small business owners mostly look to mobile technology for:

- Email 96%
- Contacts/Schedule 77%
- Documents 69%
- Text Messaging 64%
- Banking 53%
- Sales/Marketing 45%

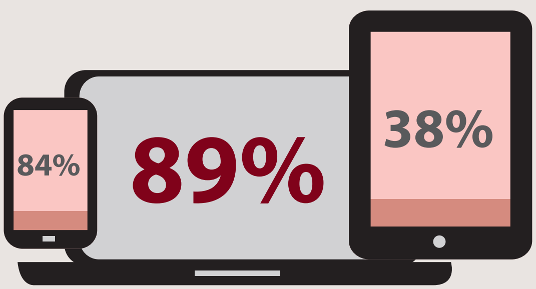
> Sentiment

84%

84% of small business owners feel that mobile technology has positively affected their company's productivity.

72% of small business owners are working longer days and more weekends.

Small business owners are relying on mobile technology to assist in managing their business more than ever.



The main mobile devices that these small business owners are using are:

- > **84%** Smartphones
- > **89%** Laptops/Notebooks
- > **38%** Tablets

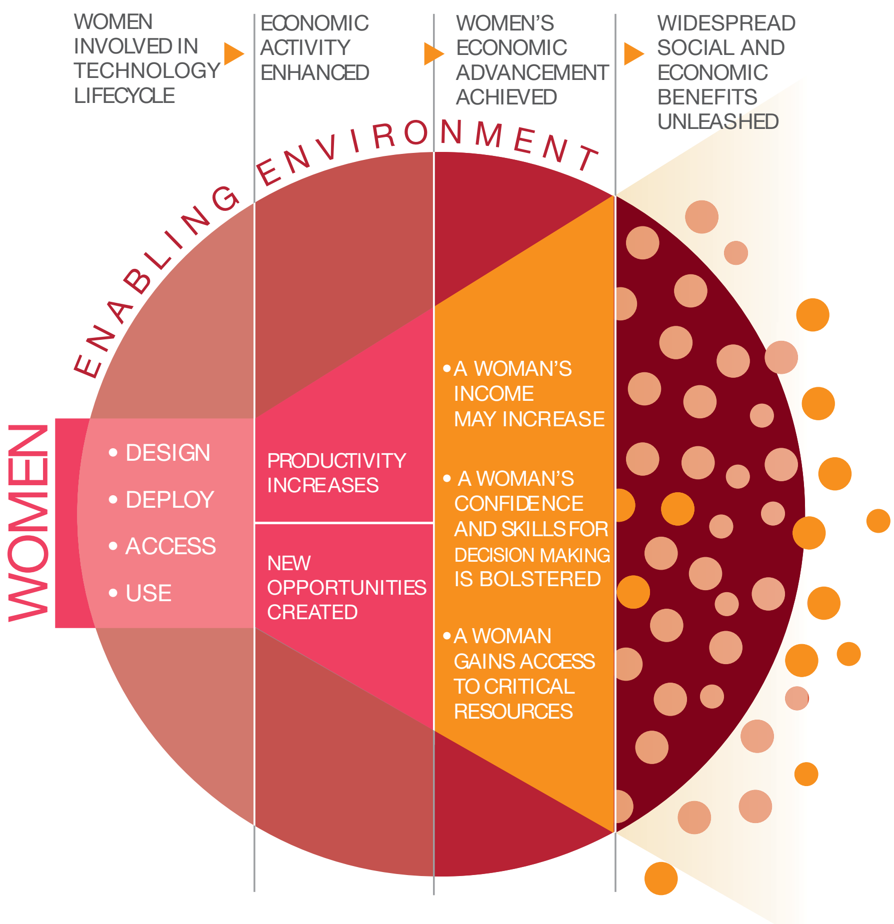
Source : Sage Survey, "Mobile Technology Enhances SMB Owners' and Employees' Ability to Manage Their Business and Tasks" (May 2012)*

** SMB – small medium businesses*

Technology can facilitate the economic advancement of women - either improving their productivity in a position already held or creating new positions and entrepreneurial opportunities

When women are involved in the development and distribution of technology and are able to access and use this technology, it triggers a positive chain reaction with widespread results as shown in the chart below. This process opens up two key pathways to economic advancement for women:

- increasing women's productivity in existing economic activities
- creating new economic opportunities for women



Four barriers that can hinder women's access to and use of technologies

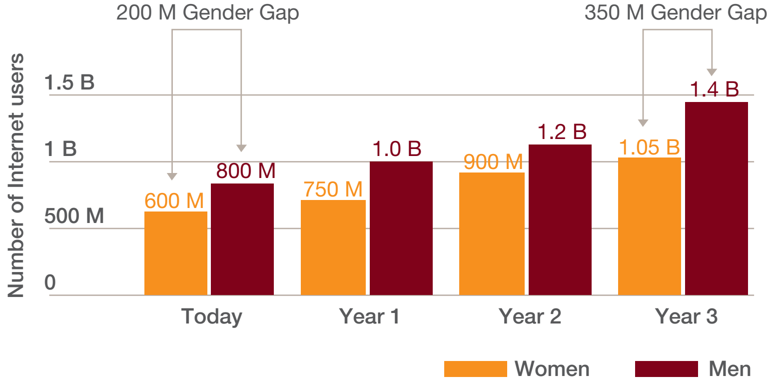
1. Exclusion from technology education and design
2. Little free time that can be dedicated to personal interests, paid labour, education, or other endeavours
3. Social norms about men's control of technology, information, and knowledge limit women's opportunities to learn, use, and benefit from technologies
4. Financial and institutional constraints to use, rent, or purchase established and new technologies

Source: International Center for Research on Women, "Invisible market: Energy and agricultural technologies for women's economic advancement" (June 2012) and "Bridging the Gender Divide: How Technology Can Advance Women Economically" (January 2010)

However, on average across the developing world, nearly 25% fewer women and girls are online than men and boys, and this gender gap climbs to above 40% in regions like sub-Saharan Africa

The gender gap in Internet access over the next 3 years will widen from 200 to 350 million if Internet access increases at the same rate as today.

Forecasted Internet access for women and men in developing countries



Factors influencing Internet access for women and girls

For the individual woman or girl, factors are:

- **Awareness**
  - * Knowing what is on the Internet
  - * Knowing how it is relevant and useful
- **Ability**
  - * Knowing how to use technology to navigate the web
  - * Knowing how to read the language of the web content
- **Environment**
  - * Knowing it is allowable and appropriate to access
  - * Knowing it is feasible to access, given distance and time

In a woman or girl's ecosystem, factors are:

- **Network infrastructure**
  - * Coverage and quality of broadband or mobile Internet connections
- **Products and players**
  - * Availability of Internet-accessible devices appropriate for different user segments
  - * Affordability of devices and network devices
  - * Presence of local players along the value chain
- **Policies**
  - * Policies supporting women's and girls' equality and access to technology
- **Gender-responsible outreach**
  - * Proactive public and private sector outreach (for example, educational initiatives) to support women and girls in accessing and using the Internet

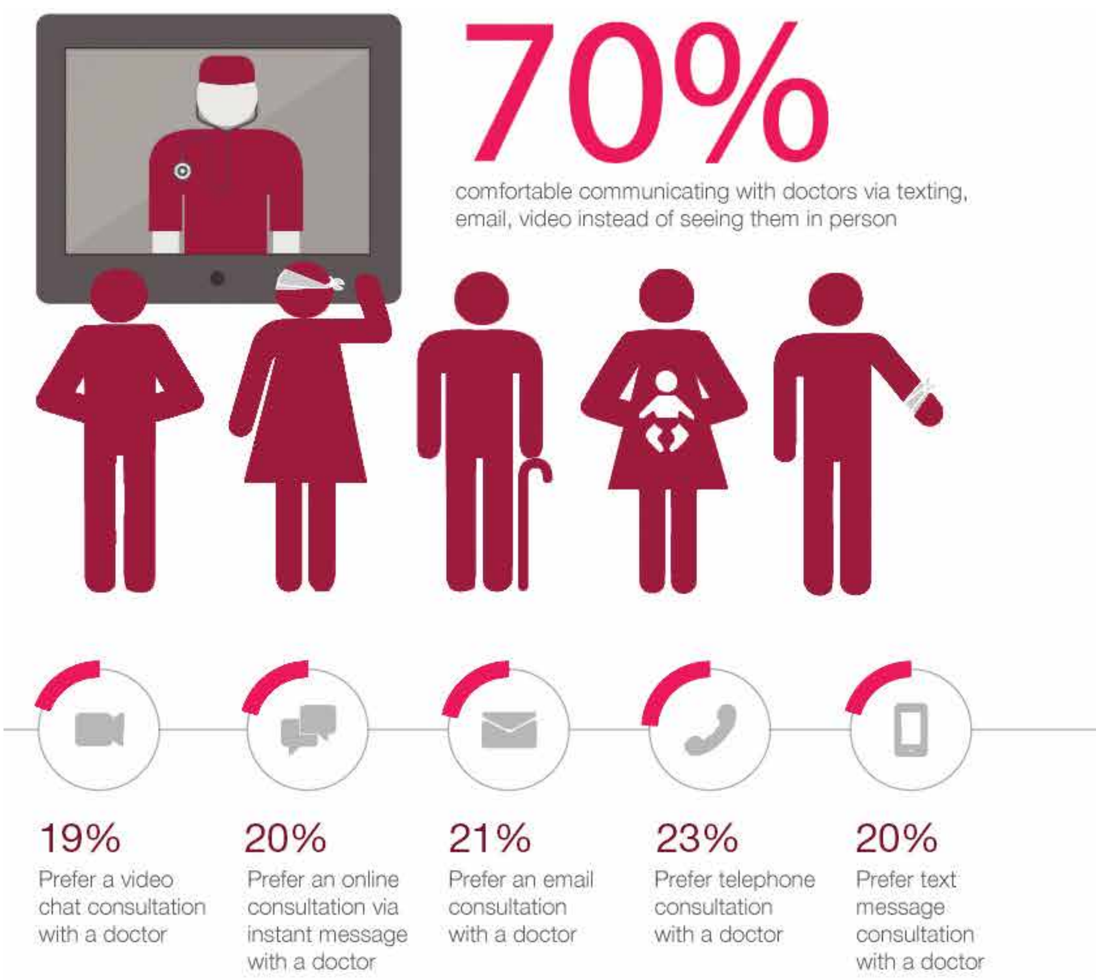
Source: Intel, "Women and the Web: Bridging the Internet gap and creating new global opportunities in low and middle-income countries" (January 2013)

New ways of doing business

Emerging mHealth

The digital impact on customer healthcare experiences have been positive too

The results of global customer experience reports focused on healthcare demonstrate a shift in consumer attitudes towards personal data, telemedicine and access to medical information.



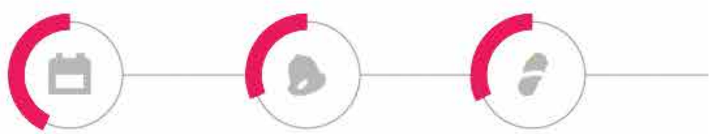
"A revolution is transforming traditional approaches to care. Ubiquitous connectivity is creating new and flexible models of mobile health that can be delivered virtually anywhere, at any time, to most anyone in the world. Mobile connectivity is also empowering and encouraging individuals to become more actively engaged in managing their own health through the use of applications, sensors and other devices."

Christopher Wasden, EdE,
PwC's Global Healthcare Innovation Leader

The Role of the Internet in Healthcare

30%
use computer or mobile device to check for medical or diagnostic information

Services customers find valuable if offered online via the Internet



40% Appointment reminders

29% Treatment reminders

30% Information for managing drug side effects

28% Discounts or coupons for health related products

22% Information about clinical trials

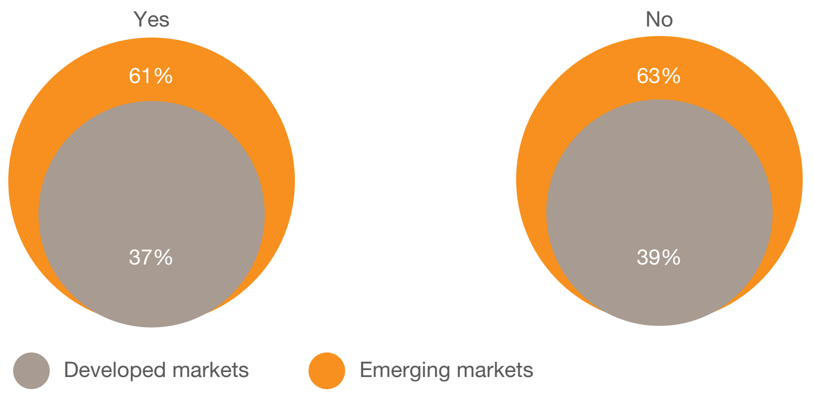
22% Ways to review a health care experience

19% Online support groups for customers with similar health issues

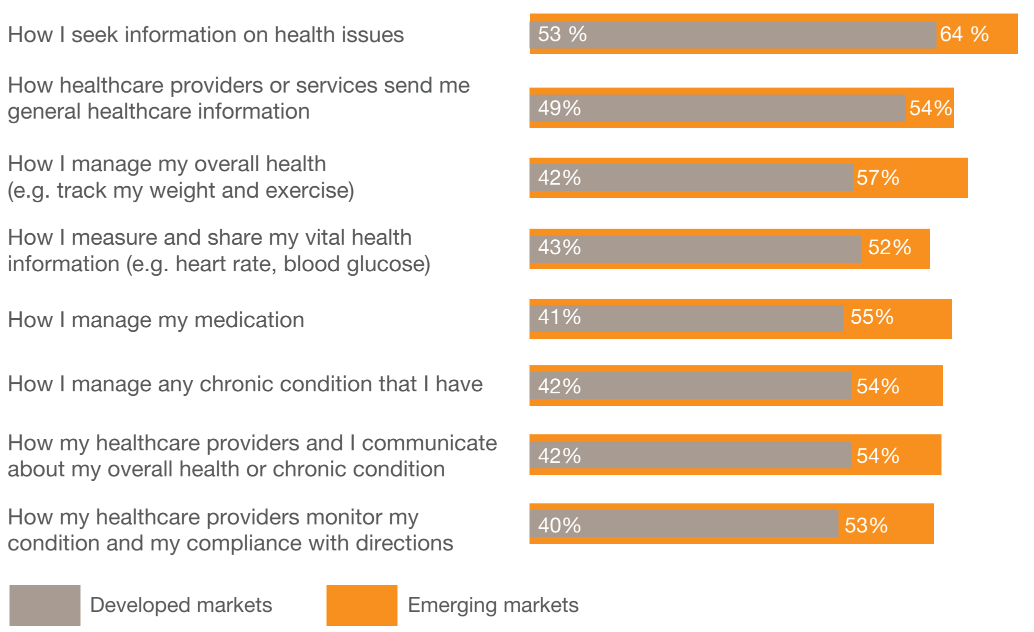
Source: Cisco, "Customer Experience Report focused on Healthcare" (February, 2013)

Patients' awareness and expectations of emerging mobile health (mHealth), is on average, far higher in emerging markets than in developed countries

Patients are more aware of mHealth in emerging markets
% of patients who are familiar with the terms "mobile health" or "mHealth"



Emerging market patients have great expectations of mHealth
% of respondents who say that in the next three years, mHealth will change:



Source: Economist Intelligence Unit (2012) and PwC, "Emerging mHealth: Paths for growth" (May 2012)

Apart from the growing elderly population that will place an enormous burden on healthcare infrastructure, lifestyle diseases are also expected to grow at a faster rate than infectious diseases in the future

What are Non-communicable diseases (NCD)?

Do you know?

NCD are diseases of long duration and generally slow progression. The four main types of NCD are cardiovascular diseases (like heart attacks and stroke), cancer, chronic respiratory diseases (such as chronic obstructed pulmonary disease and asthma) and diabetes.

Globally, nearly 1.5 billion people are overweight and more than 500 million people obese, 170 million of them children.

~Lancet report

NCDs are the dominant cause of preventable disease burden, even in many low-income countries - 2% to 6% of total healthcare costs in many countries are attributable to NCDs related to obesity.

~Lancet report

More than 30% of the population won't get enough physical exercise; more than 20% will be overweight or obese; and more than 13% will be 60 or older.

~WHO

NCDs kill more than 36 million people each year.

~WHO

Nearly 80% of NCD deaths - 29 million - occur in low and middle-income countries.

~WHO

The prevalence of dementia doubles every five years after the age of 65. By 2020, NCDs will account for 44 million deaths a year, 15% more than in 2010.

~WHO

More than 9 million of all deaths attributed to NCDs occur before the age of 60. Some 90% of these "premature" deaths occur in low- and middle-income countries.

~WHO

Cardiovascular diseases account for most NCDs deaths, or 17.3 million people annually, followed by cancers (7.6 mln), respiratory diseases (4.2 mln), and diabetes (1.3 mln).

~WHO

Source: World Health Organization (WHO) Fact Sheet (March 2013); PwC "Pharma 2020: From vision to decision" (November 2012); PwC,"R&C Worlds Express: Food as pharma" (April 2012)

New ways of doing business
Changing trends in education

Opportunities for Transnational Education

To identify future opportunities for Transnational Education (TNE), whether through joint or independent initiatives, a number of key drivers need to be considered. These include the total number (and growth rate) of tertiary enrolments, student mobility rates and a variety of practical barriers to TNE, from language issues to the legal and political framework in the potential host country.

Future higher education opportunities for global engagement – top country listings (2020)

	Domestic tertiary education system		International student mobility – outbound		International student mobility – inbound	
	Size	Growth	Size	Growth	Size	Growth
Rank	2020	Next decade	2020	Next decade	2020	Next decade
1	China	India	China	India	US	Australia
2	India	China	India	Nigeria	UK	UK
3	US	Brazil	South Korea	Malaysia	Australia	US
4	Brazil	Indonesia	Germany	Nepal	Canada	Canada
5	Indonesia	Nigeria	Turkey	Pakistan	Germany	See point b
6	Russia	Philippines	Malaysia	Saudi Arabia	France	
7	Japan	Bangladesh	Nigeria	Turkey	Japan	
8	Turkey	Turkey	Kazakhstan	Iraq	Russia	
9	Iran	Ethiopia	France	Zimbabwe	See point a	
10	Nigeria	Mexico	US	Angola		

Note: Asian countries shaded

a. *China, Malaysia and India will be amongst the top ten host countries by 2020. Due to the data issues discussed in the report the exact position of these host countries is difficult to forecast with certainty although China has potential to be one of the top three hosts of international students.*

b. *China, Malaysia, Singapore and India will be in the top ten fastest growing hosts of internationally mobile students.*

Source: British Council, "The shape of things to come: higher education global trends and emerging opportunities to 2020" (June 2012)

Opportunities for global engagement in higher education are not limited to internationally mobile students. TNE and collaborative research partnerships are also expected to continue their growth to 2020.

What is TNE?

TNE is delivering education where, 'the learners are located in a country different from the one where the awarding institution is based.' Some 200 branch campuses now exist around the world, serving around 120,000 students, with 37 more set to open by 2013. The UAE remains the most popular host country (with 37 campuses), and the US by far the most popular source (accounting for 78 campuses worldwide). More than 500,000 students in 2010 -11 studied entirely overseas for a degree delivered in full or in part by a UK institution.

Case studies of UK-delivered TNE programmes
Going global: UK tertiary institutions investing overseas

Nottingham University's senior management is pleased with the growth of its Malaysian branch campus. In the past five years, it has grown from 950 to 4,000 students, and the plan is to increase numbers by between 300 and 400 each year. Nottingham aims to do this largely by introducing new subjects: almost half of current students are studying engineering, pharmacy or business. Overall, some 40 percent of Nottingham's students in Malaysia are from outside the country. The market for students from India has always been strong, with large numbers also applying from Pakistan, Sri Lanka, and Bangladesh. There is also potential in the Middle East, and applications from China and Vietnam remain strong. Nottingham's Malaysian campus has the benefit of applying for funding from more than one region – it is seen as both a UK and Asian institution. UK branch campuses rely almost entirely on tuition fees, and Nottingham's Malaysian campus is 98 percent funded in this way.

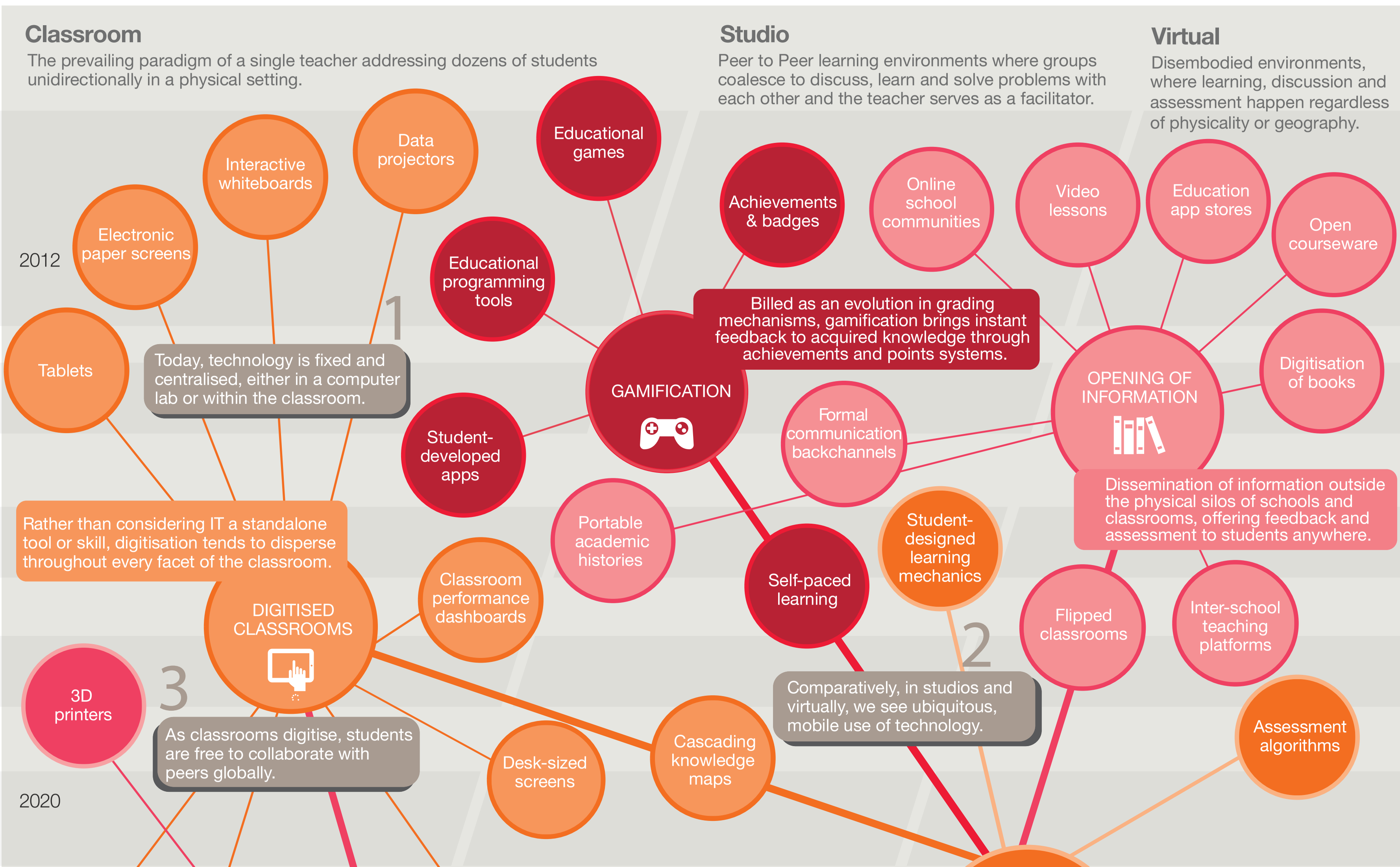
Source: 'British universities overseas: it's about more than just a piece of paper', The Guardian, 1 August 2011

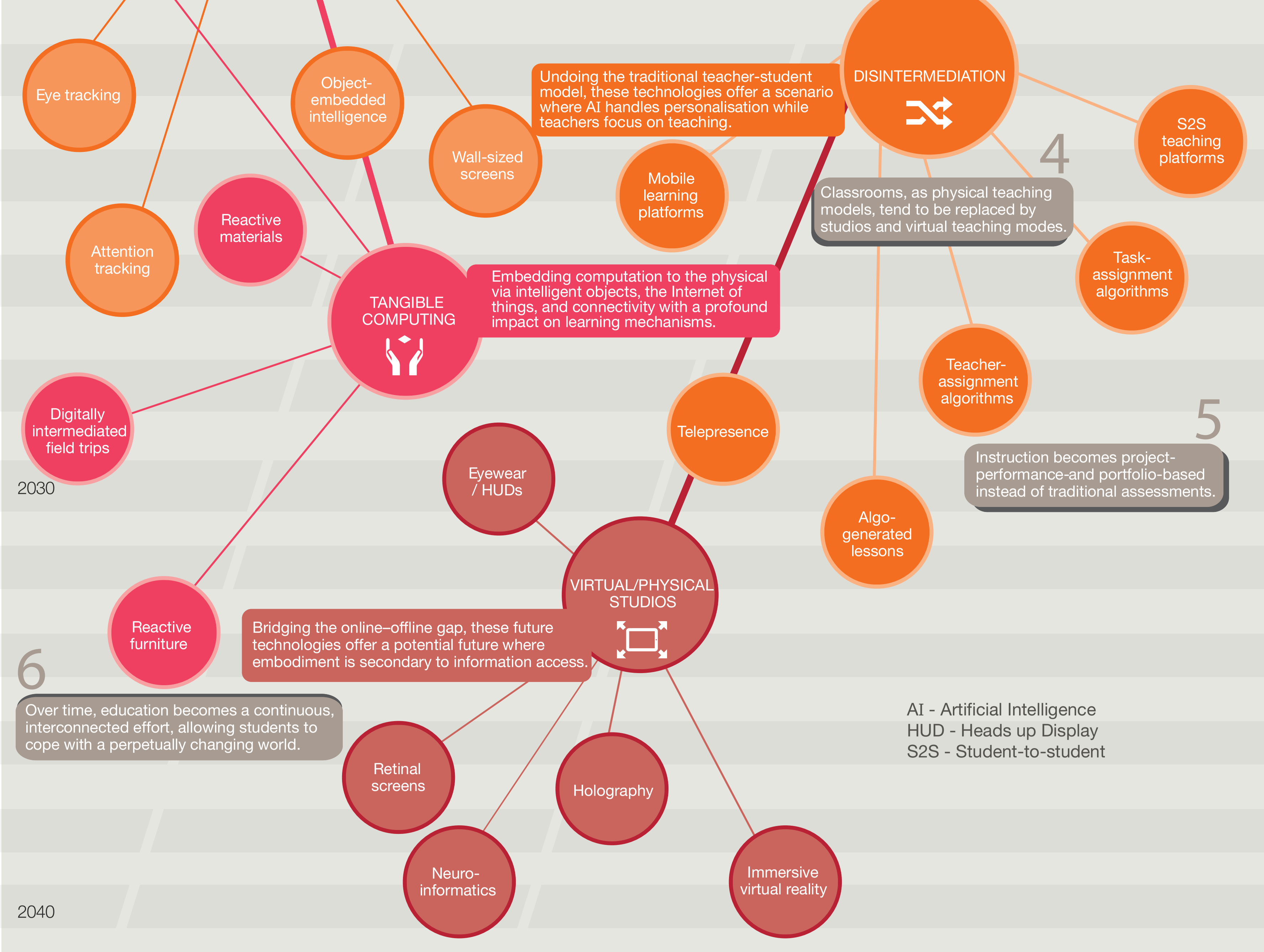
Source: British Council "The shape of things to come: higher education global trends and emerging opportunities to 2020" (June 2012)

*65% of today's grade school kids will end up at jobs that haven't been invented yet**

Online revolution is also reshaping education

Technology is playing a major role in education (onshore and offshore). This visualisation attempts to organise a series of emerging technologies that are likely to influence education in the upcoming decade - digitised classrooms, gamification, opening information, disintermediation, tangible computing and virtual/physical studios.





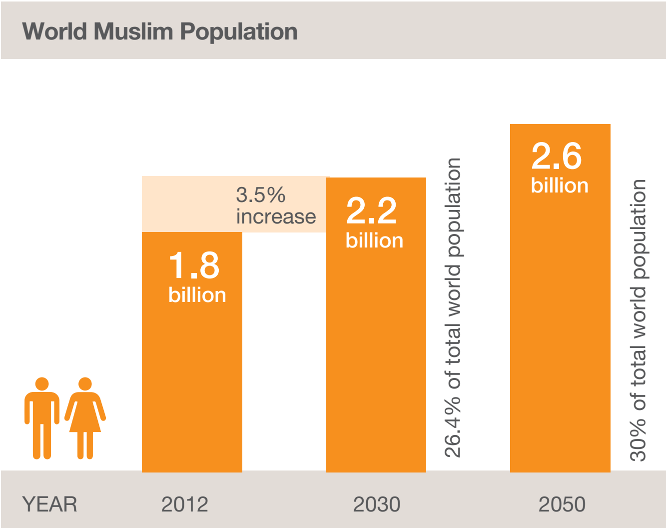
Source: Envisioning technology, "The future of education". For more information, visit Envisioning Technology's webpage at http://envisioningtech.com/education/

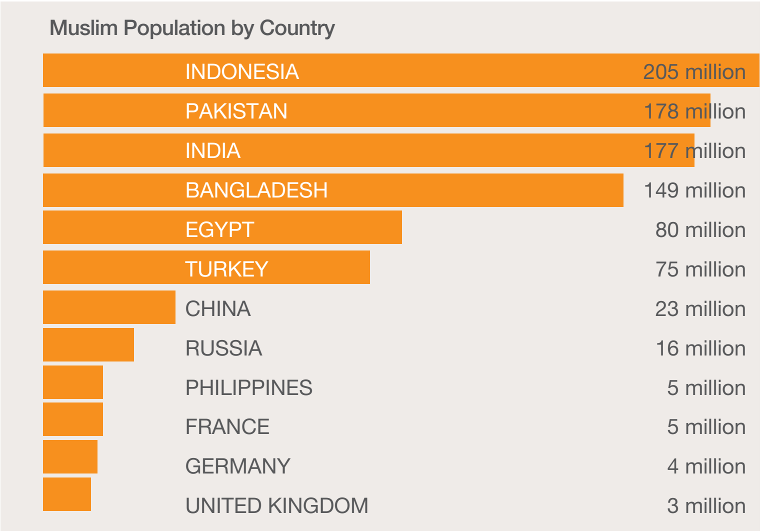
** Source: United States Department of Labor, "Future work - Trends and Challenges for work in the 21st Century"*

An untapped Halal market

The Halal market

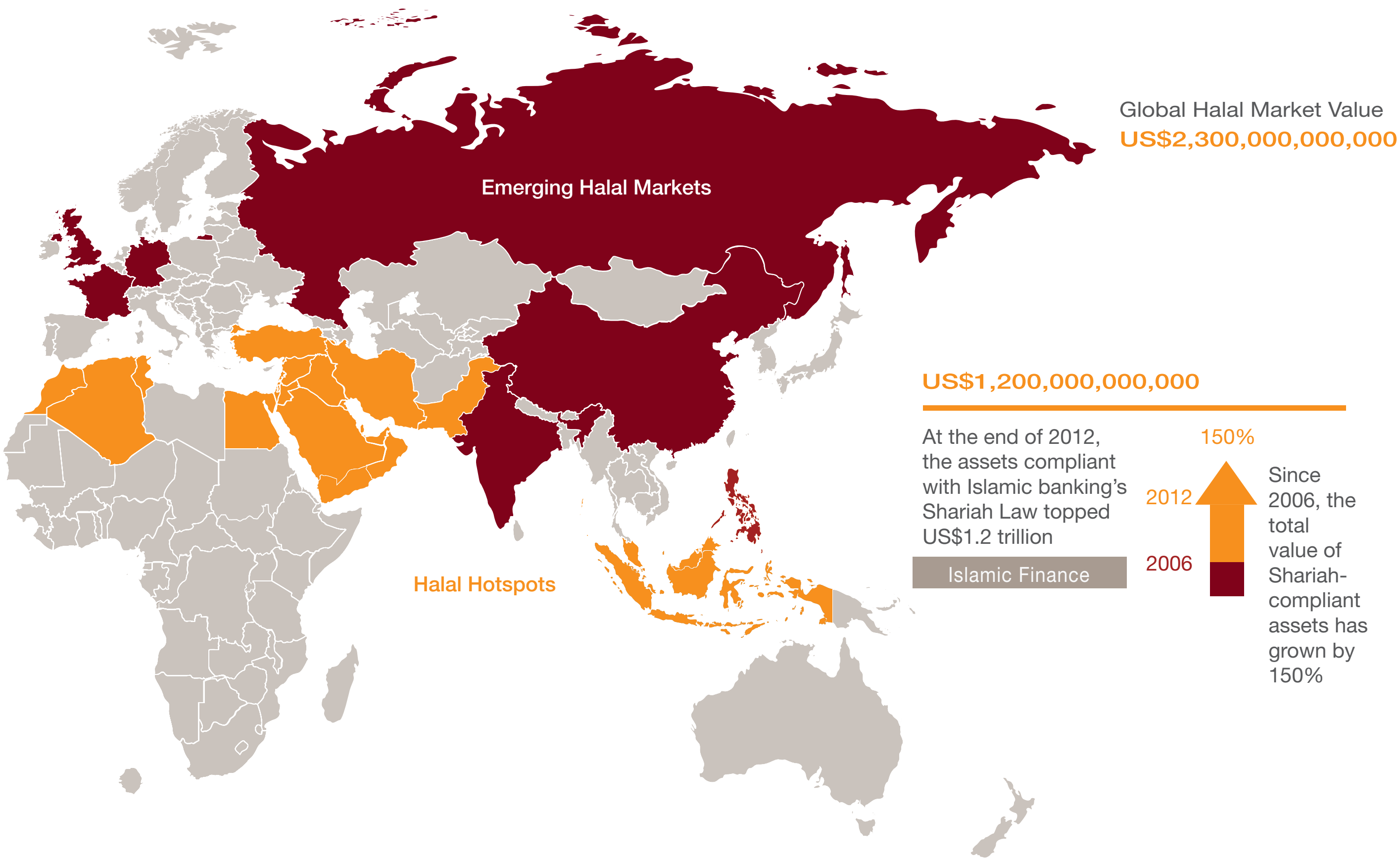
This single biggest market in the world has been largely overlooked. By 2050, the Muslim population could grow to 2.6 billion and represent nearly 30 percent of the global projected population. However, the Halal market is not confined to Muslims only. It is also attractive to Non-Muslims who are supportive of the Halal aspects.





Source: Fleishman-Hillard Majlis, "The next billion: The market opportunity of the Muslim world" (July 2012); PwC

The Halal economy



Note: Figures stated only represent key segments (e.g. food) according to current conventions. The overall market potential will be much larger if we include other sectors that have yet to be quantified.

Source: Fleishman-Hillard Majlis, "The next billion: The market opportunity of the Muslim world" (July 2012) and PwC, "Islamic finance, Creating value" (June 2013)

Halal tourism market potential

Global outbound tourism expenditure crossed the US$1 trillion mark in 2011. The significance of this growing source of international tourism from Muslim majority markets is a key consideration for economies that have significant tourism revenues. Today, the top tourism destination markets are in Europe (51%) followed by Asia Pacific (22%), The Americas (16%), Africa (5%) and the Middle East (6%).

Top 20 countries with greatest growth in international tourism expenditure 2005-2010

COUNTRY	ABSOLUTE EXPENDITURE GROWTH 2005–2010 (US$ MILLION)	PERCENT GROWTH 2005-2010
China	$35,125	142.10%
Canada	$13,943	61.30%
Saudi Arabia	**$13,513**	**145.50%**
Brazil	$13,435	227.50%
Australia	$11,769	74.20%
Russia	$11,688	63.90%
Iran	**$11,539**	**280.60%**
United States	$9,996	10.00%
Nigeria	**$7,878**	**1572.50%**
France	$7,414	19.10%
Singapore	$6,700	66.50%
Germany	$6,370	7.50%
Italy	$6,279	23.50%
United Arab Emirates	**$5,632**	**91.00%**
India	$5,469	66.10%
Spain	$4,359	23.60%
Hong Kong	$4,156	31.20%
Belgium	$3,787	22.60%
Indonesia	**$3,692**	**77.90%**
Malaysia	**$3,604**	**83.10%**

** OIC member countries in bold*

Source: DinarStandard & Crescentrating LLC, "Global Muslim Lifestyle Travel Market 2012: Landscape & Consumer Needs Study For Airlines, Destinations & Hotels/Resorts" (July 2012)

Halal is more than 'meat and money' or bringing commodities from the 'farm to the fork'

The Halal value system

The Halal industry is growing rapidly and the overt labelling and certification of Halal items is expanding. A series of new categories have been created to highlight how the concept and application of Halal is moving closer towards creating halal value systems – each of which are connected.

Expanding Halal categories

HALAL UTILITIES
- Energy and water

HALAL LIVESTOCK
- Animal transportation and cargo
- Slaughter
- Animal testing

HALAL SYNTHESIS
- Drugs, chemicals and polymers
- Cleaners and detergents
- Genetic engineering and biotechnology

TRANSPORTING HALAL
- Business transport and logistics
- Carbon footprint
- Halal containers
- Cleansing services
- Livestock and animal cargo
- Postal and courier

INGESTED HALAL
- Crops and agriculture
- Non-alcoholic drinks and beverages
- Meat and poultry products
- Food products
- Genetically modified food and substitutes
- Supplements

WORN HALAL
- Toiletries and cosmetics
- Wearing apparel
- Synthetic and animal fabrics
- Leather goods

HOUSEHOLD HALAL & PURIFICATION
- Cleaners and detergents
- Gardening and horticulture
- Pets and petcare
- Synthetic and animal fabrics
- Leather goods

PRESCRIBED HALAL
- Pharmaceutical and healthcare
  - drugs
  - implants
  - medical services
- Medical tourism
- Spiritual tourism

HALAL PROFESSIONAL SERVICES
- Certification
- Employment, human resource management
- Organisational behaviour
- Legal, accounting and professional services
- Financial services
  - banks and building societies
  - loans, credit cards and mortgages
  - insurance
  - investments and bonds
  - online transactions
- Government and non-profit organisations
- Education and training

EXPERIENTIAL HALAL
- Restaurants
- Events, hospitality and hotels
- Leisure, entertainment and games
- Creative arts
- Consumer travel, transport and tourism
  - general transport
  - holidays
  - medical tourism
  - spiritual tourism
- Property and construction of halal spaces
- Halal retail spaces
- Online and virtual communities

HALAL COMMUNICATION CHANNELS
- Media and publishing
- Advertising, branding and public relations
- Web 2.0, social media, citizen journalism and user generated content
- Matrimonial services and websites

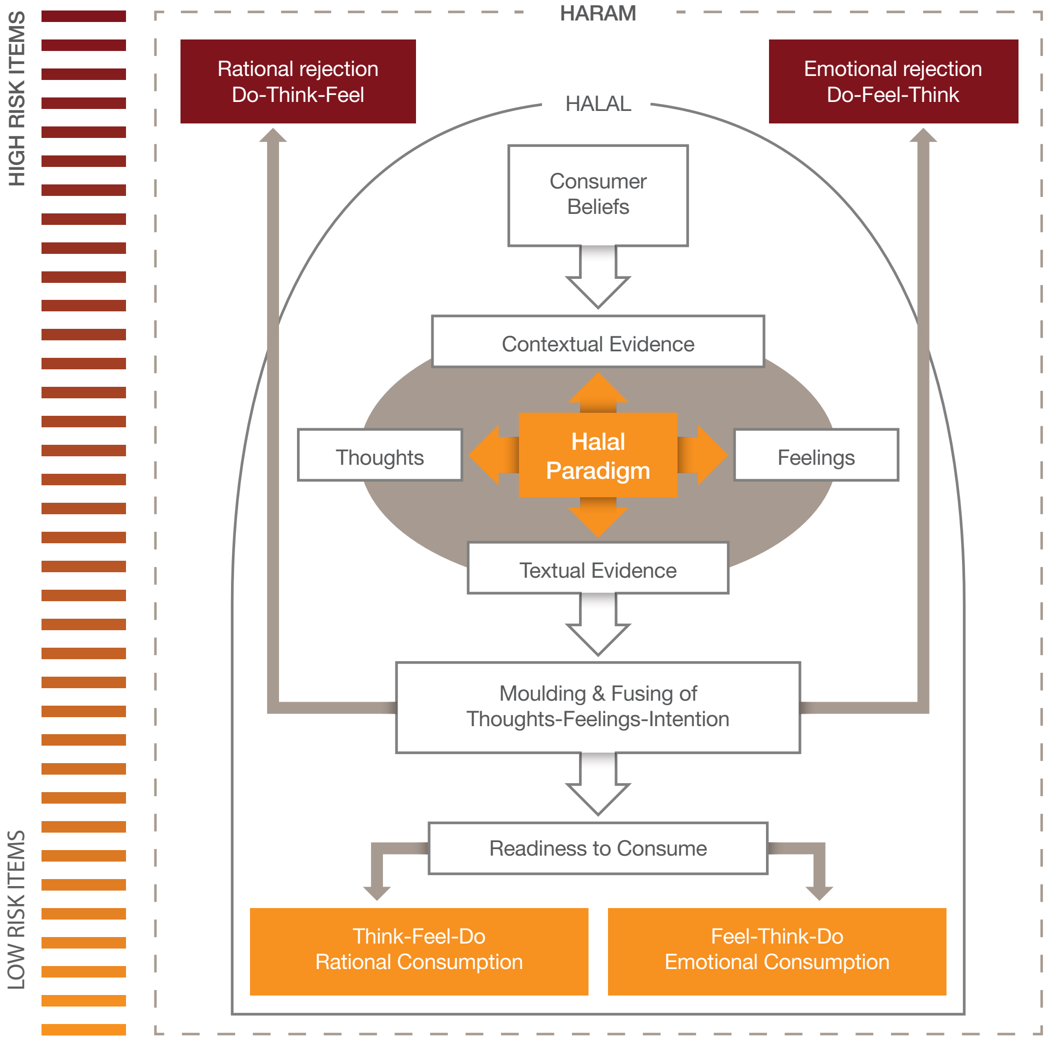
Basis for Halal consumption

- Tangibles (products) & Intangibles (services)
- Perceived Risk
- Rationality and Emotion

Basis for Halal offerings

- Intention, thoughts, feelings, and actions – of individuals and collectives
- Textual evidence
- Contextual evidence

Halal decision-making paradigm of Muslim consumer consumption



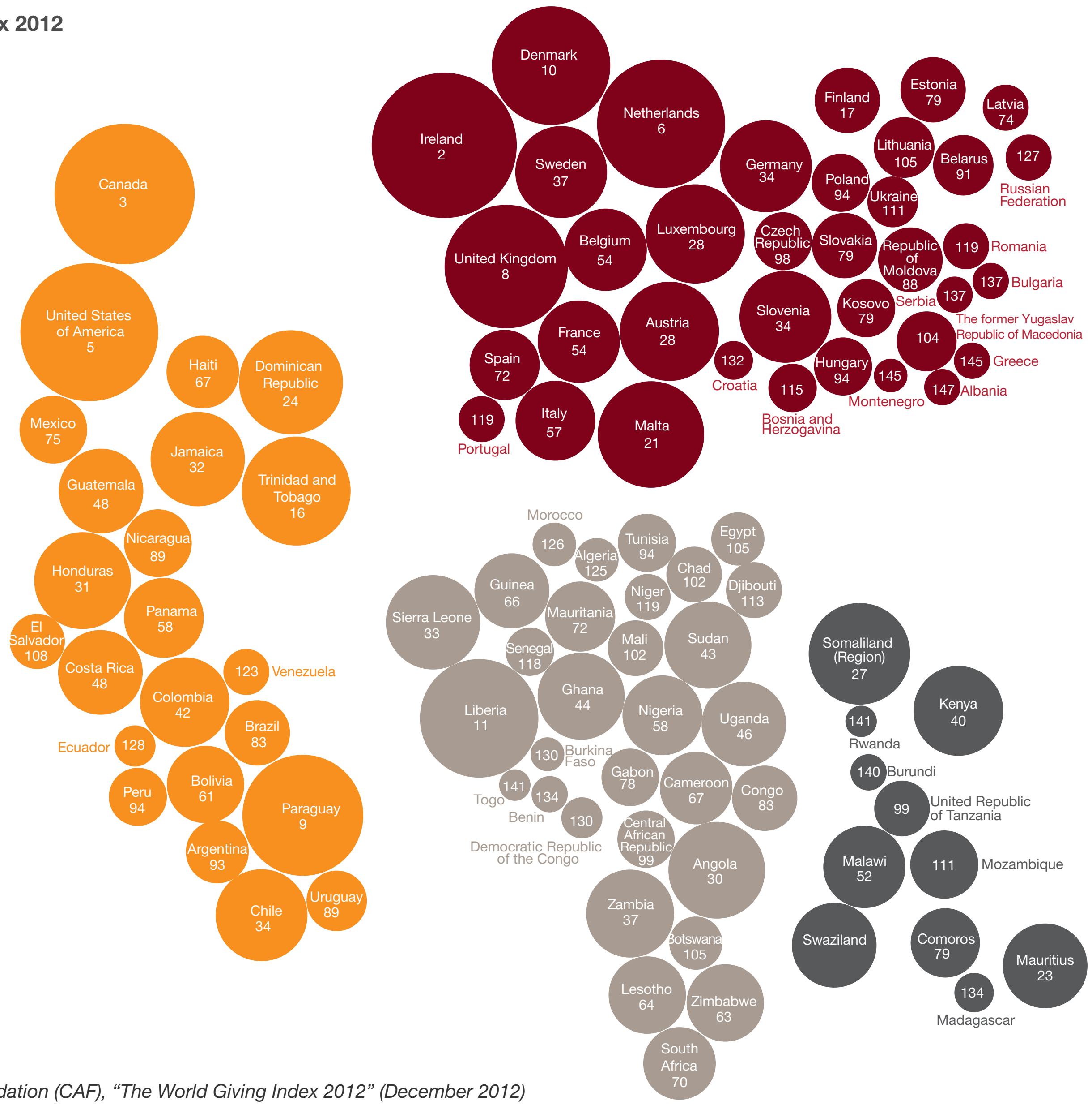
Theory & concept for the Halal value system and basis for Halal decision-making paradigm by: Dr Jonathan A.J. Wilson

Graphics designed by: Peter Gould and Ruh Al'alam, www.halalbranding.com

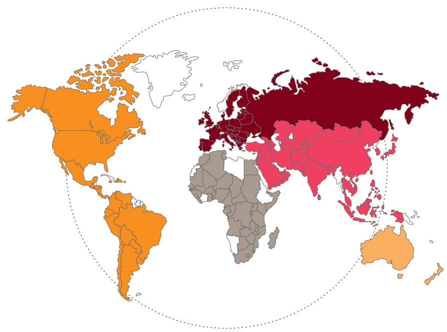
Source: Wilson, J.A.J. & Liu, J., "The Challenges of Islamic Branding: Navigating Emotions and Halal", "Journal of Islamic Marketing, Vol. 2 Iss. 1, pg 28-42" (2011)

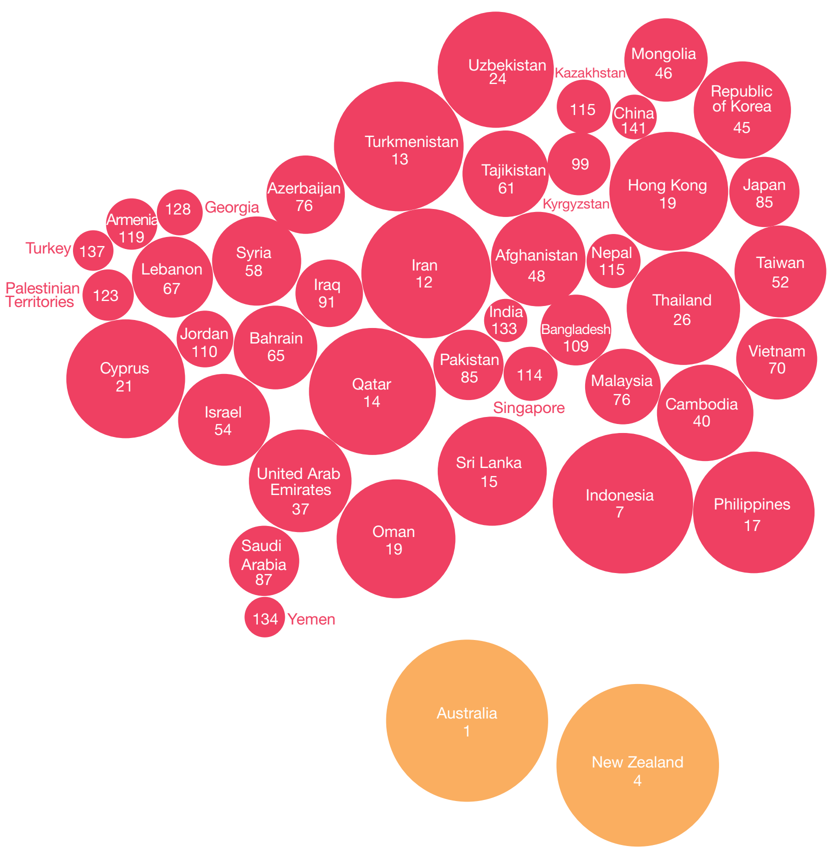
Philanthropy and ethical business

CAF World Giving Index 2012



Source: Charities Aid Foundation (CAF), "The World Giving Index 2012" (December 2012)





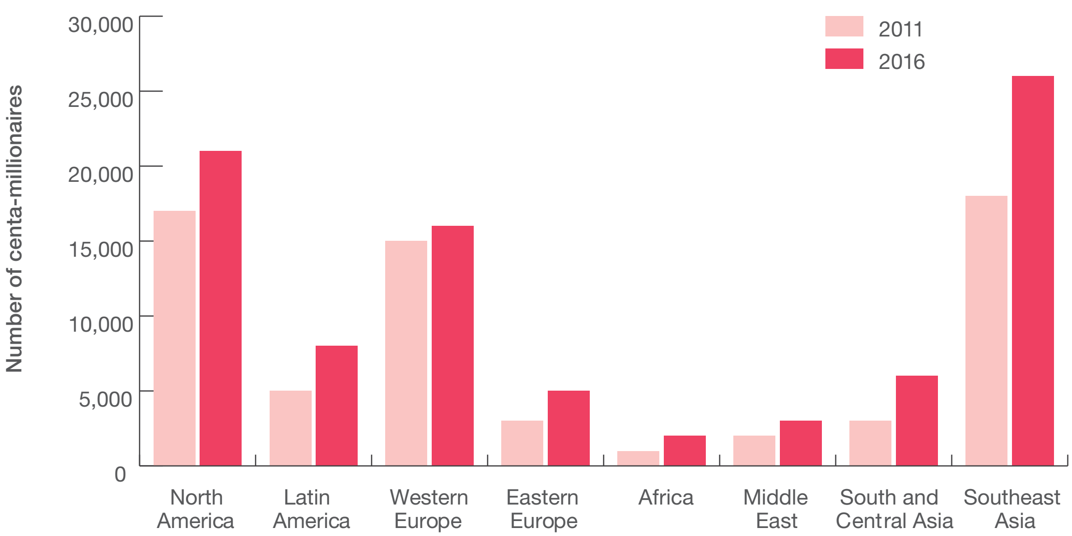
Giving back to society

The World Giving Index ranks 153 countries in the World according to how much people around the world have been able or willing to help their fellow men and women, through the donation of money, volunteering of time, and proffering of help to those they do not know. Australia is the most generous nation in the world, based on interviews conducted in the calendar year 2011. It is followed by Ireland, Canada, New Zealand and the United States of America.

The challenge of mobilising future philanthropists

Whilst having disposable income is a pre-requisite for donating money, an increase in disposable income does not necessarily lead to an increase in giving. Increasing individual wealth does not guarantee that people in emerging economies will give at anything like the levels seen in the world's most generous nations.

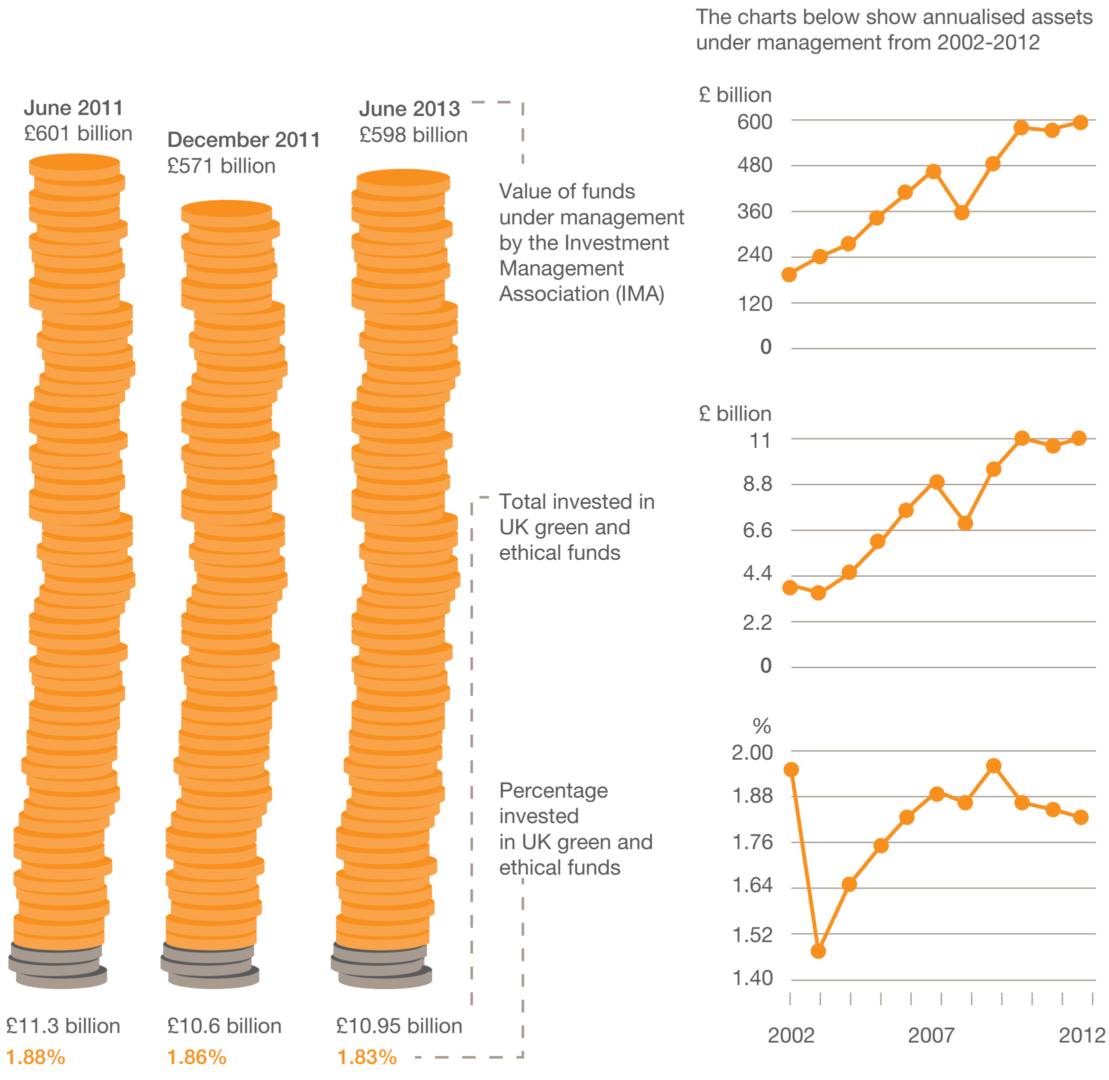
Projected rises in the number of centa-millionaires by region



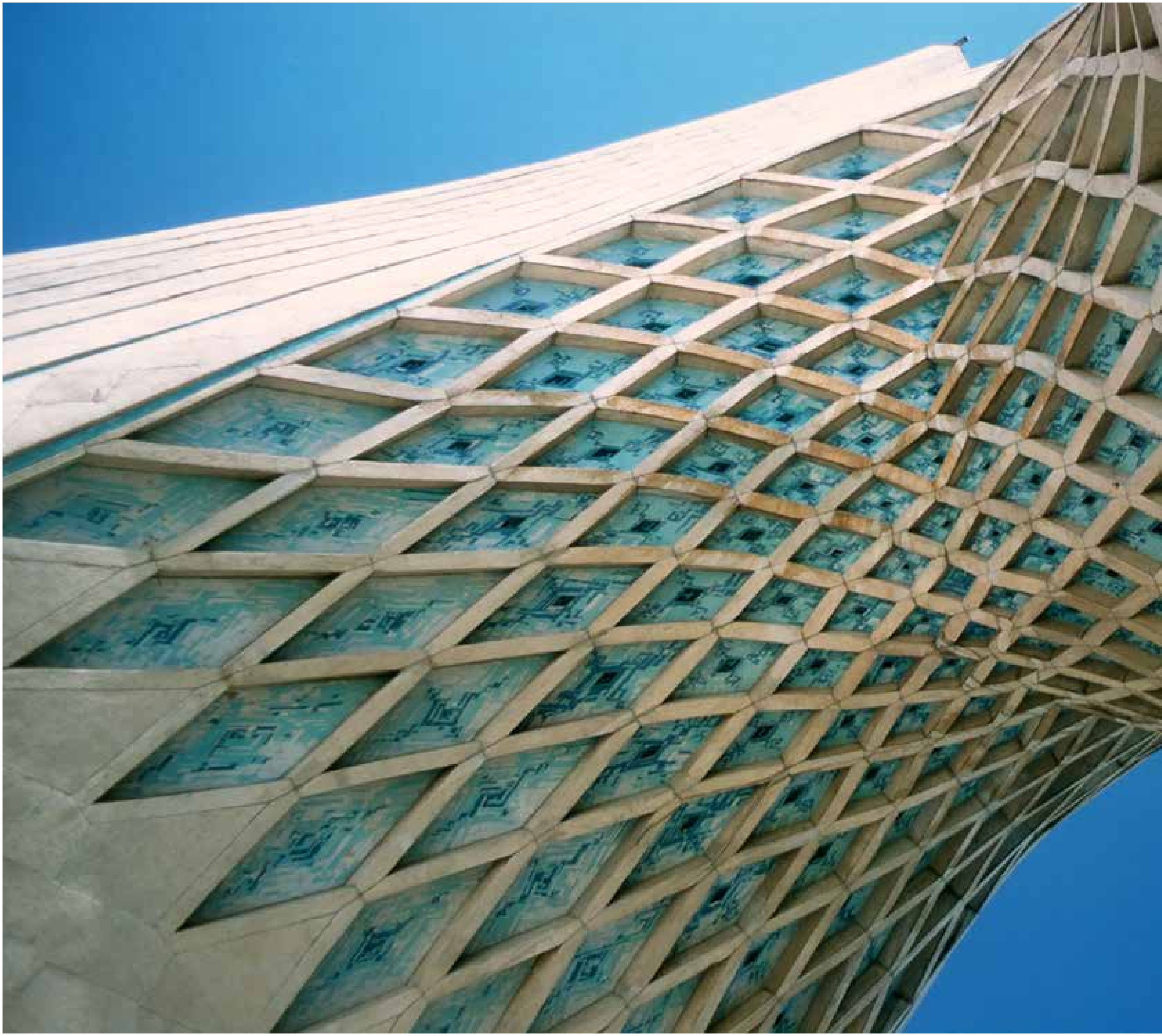
Source: CAF, "Future world giving: Unlocking the potential of global philanthropy" (February 2013); The Wealth Report 2012, published on behalf of Knight Frank and Citi Private Bank by Think Publishing

UK funds management versus green and ethical funds

The total value of the UK green and ethical fund market stands at £10.95 billion. Though this is 3.4% less than the total invested in June 2011, it marks a £7 billion growth in the sector over the last ten years, as ethical investment continues its rise in prominence.



Source: Blue & Green Tomorrow, "£11 billion invested ethically in the UK: infographic analysis" (October 2012)



Architecture detail of Azadi Tower in Tehran, Iran

Special focus: Islamic finance

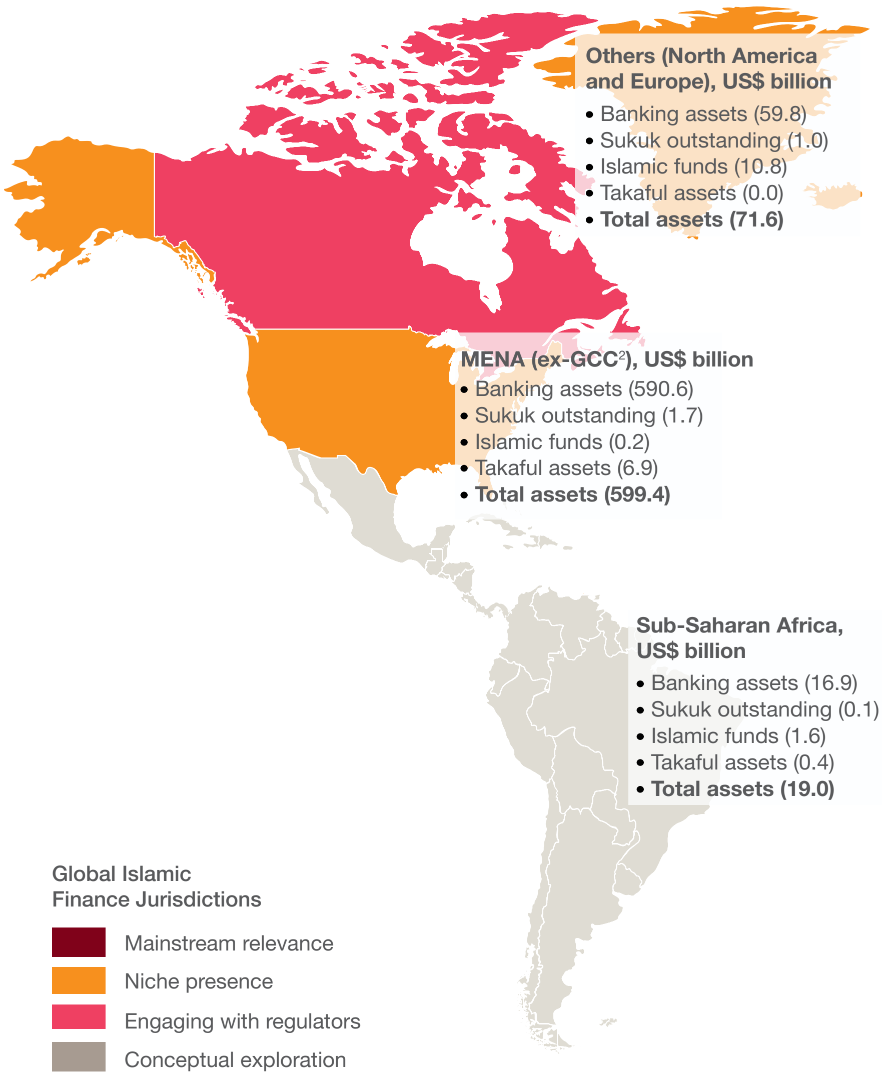
Page

Quick facts

The global Islamic finance industry

The Islamic financial services industry has evolved in the aftermath of the financial crisis to provide alternative means of financial intermediation and a more diversified platform for allocating investible funds.

Islamic finance assets were estimated at US$1.6 trillion[1] as at end-2012, a growth rate of 20.4% year-on-year. Between 2008 and 2012, Islamic finance assets have grown at a CAGR of 19.5% per annum. Market consensus is that total Islamic financial assets will reach US$6.5 trillion by 2020.

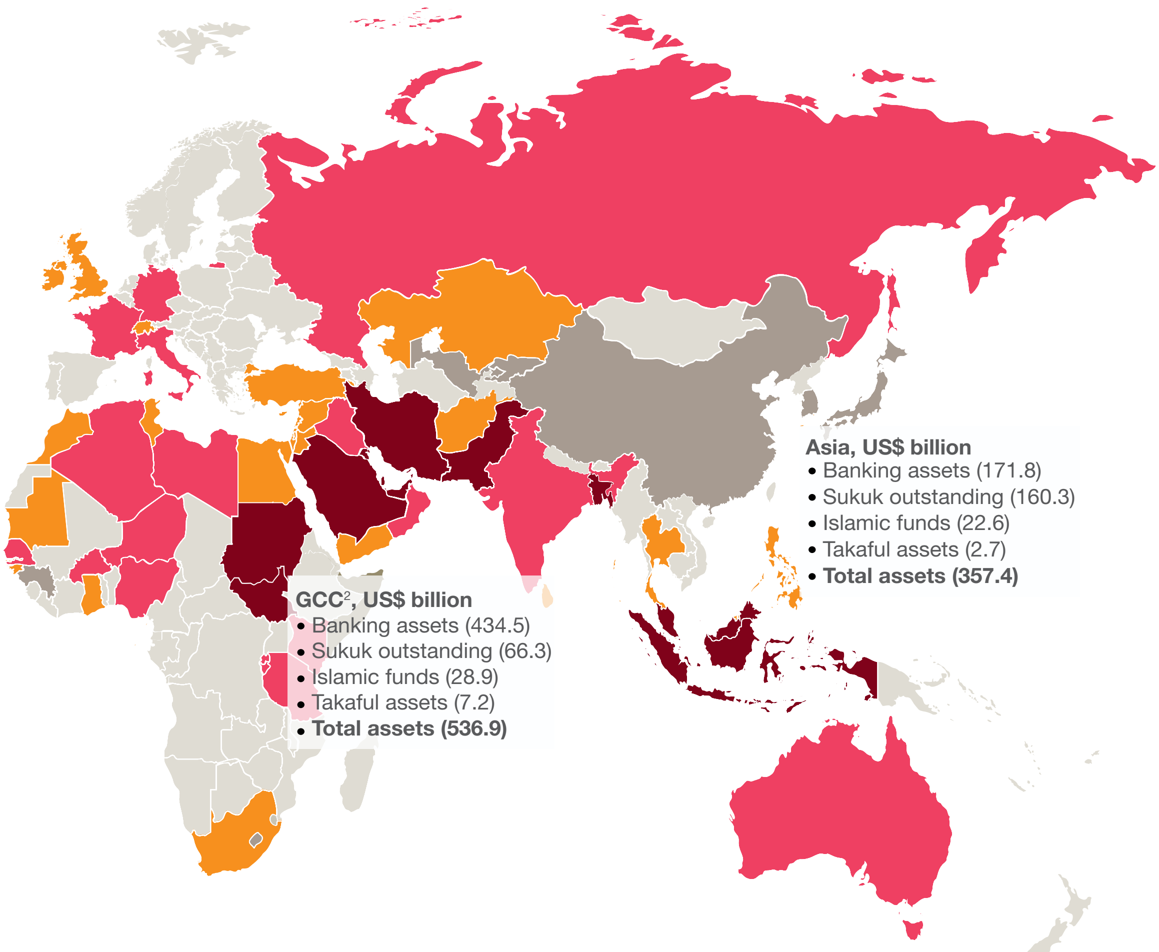


Notes:

[1] The estimated size of the global Islamic finance as at end-2012 varies from US$1.2 trillion to US$1.6 trillion, depending on the reference sources

[2] GCC refers to the Gulf Cooperation Council countries

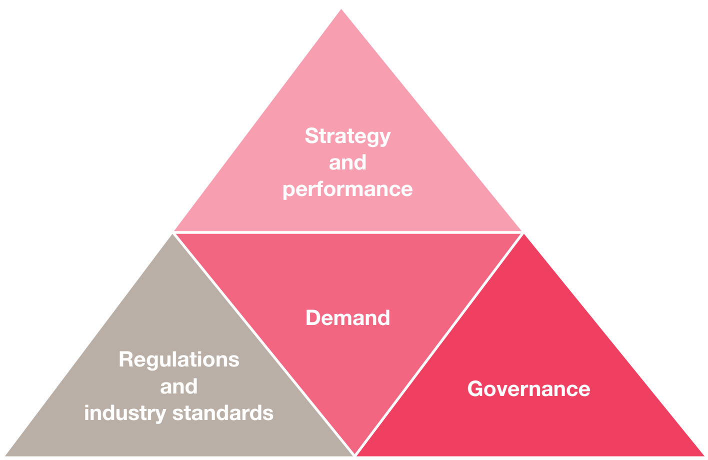
Source: KFH, "Overview of the Islamic Financial Landscape: Globally and in Europe" (April 2013)



Total global Islamic finance assets (2012) = US$1.6 trillion

Key growth drivers of Islamic finance and some key strategic themes

Several drivers will determine whether the growth of the Islamic finance industry will be commensurate with demand.



- Business model changes to capture intra-SAAAME growth
- Increased customer centricity
- Improved service, operational efficiency and delivery
- Standardisation of contracts, accounting and documentation
- Enhanced financial returns and performance
- Improved governance and regulation
- IT systems need to be compatible with Shariah requirements
- Favourable demographics and corporate lending challenges are driving retail growth

Source: PwC, "Islamic finance, Creating value" (June 2013)

Night view of Seri Wawasan Bridge in Putrajaya, Malaysia

Article 1
Internationalising Islamic finance: Prospects and Challenges

By: Shakeeb Saqlain, Founder and CEO of IslamicBanker.com

Not long ago, the Islamic finance industry was seen as a niche market, catering only for a specialised segment within the global banking industry. However, the credit crisis of 2007-08 and the more recent Eurozone debt crisis have catapulted Islamic finance into the mainstream. Today, the industry is worth over US$1 trillion, with market share crossing the critical 25% threshold, in the Gulf Cooperation Council (GCC) countries. But Islamic banking has reached a crucial crossroads.

As conventional banks increasingly come under pressure for damaging local businesses and global economies, can Islamic financial institutions fill the global financing gap, with their focus on serving the real economy?

For Islamic banking to remain relevant, it must move beyond its traditional strongholds. If the industry wants to shape the future and attract and develop the most promising talent then it must internationalise further.

As noted by Dr Zeti Akhtar Aziz, Governor of the Central Bank of Malaysia, in 2012, "the increased internationalisation of Islamic finance would thus influence the patterns of global financial and economic integration, and in particular facilitate the revival of financial and economic integration between the countries along the old Silk Road from Asia to Turkey and the Middle East, and Africa and to the more established financial markets and developed economies."

The economic argument is compelling also: multinational banks with geographically diverse investment portfolios are in a better position to deal with market failures in their home countries, research indicates.

What is more, as customers become international, a truly global mindset is required from Islamic banking executives in facilitating commerce and trade.

This coupled with the continuing doubts around the role being played by the conventional market, presents a unique opportunity for Islamic financial institutions.

However, there are various dimensions to the process of internationalising Islamic finance: standardisation, regulation, talent development, and liquidity management, to name but a few. Each represents considerable challenges.

Re-thinking Standardisation

The standardisation of Shariah practices has become a perennial debate in Islamic banking, that often goes no further than the view that Islamic banking will not reach its true potential until there is a global Shariah standard. Moreover, it is argued, this lack of standardisation leads to confusion within the corporate sector and loss of confidence at the retail level.

The predominant view is that addressing this issue is a key step towards internationalisation of the industry since it would facilitate cross-border marketability of products.

Furthermore, it is argued that global standardisation will lead to greater consistency in product development and lower transaction costs, making Islamic financial institutions more competitive. However, there are some potential pitfalls here. Probably the most obvious is that today we already have a global standards framework developed by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). But the application of these standards is quite limited, since AAOIFI is lacking enforcement power in many countries.

So what does this mean for cross-border marketability and internationalisation of Islamic banking?

There are two key points. Firstly, for Islamic banking to flourish on a global level, it needs to establish a foothold into a number of diverse economies and cultures. This suggests that one global standard is not the only way - a more nationalised strategy, where the Shariah considerations of individual countries are taken into account, and a more practical approach must be considered. Secondly, sensing a lack of direction, several economies, including, Dubai, Pakistan, Nigeria and Oman have renewed effort to establish country-level Shariah governance, an approach pioneered by Malaysia. Certainly this will clear much of the confusion at the retail and corporate levels, and increase the effectiveness of a nationalised strategy.

It must be noted that differences of opinion are relatively few and far between and should not hinder progress.

As mentioned by Iqbal Khan, chief executive at Fajr Capital, in 2011 (Reuters) "the Islamic finance industry has had about 6,500 fatwas and with 95 percent of them, there is consensus, the 5 percent where the difference lies gives us hope that there will be more innovation." Indeed, from the outset, Islamic scholars have supported and respected a variety of views. As Umar ibn `Abd al-`Aziz declared in the 8th-century: "It would not please me if the Companions of Muhammad, upon whom be blessings and peace, had not disagreed, for had they not done so, no mercy would have come down."

The Efficiency Gap

To date, the vast amount of research on banking efficiency focuses on the conventional banking market. In 2006, Kabir Hassan from the University of New Orleans, conducted one of the few efficiency studies on Islamic banking, confirming that the industry is at a crossroads, with the average Islamic bank requiring 36% more resources to produce the same amount as the most efficient Islamic bank, compared to just 5% to 10% for conventional banks in the United Kingdom.

There are a number of reasons for lower efficiency of Islamic banks, some of which have already been discussed. For example, due to the decentralised nature of Shariah governance, the transaction costs of Islamic banking products are higher. Secondly, there are technical constraints, and as confirmed by Hassan, there is "substantial room for significant cost savings" if Islamic banks can use technology as efficiently as conventional banks. And thirdly, interestingly, those Islamic banks that are relatively more efficient tend to be foreign owned. This could be due to foreign owned banks sharing good practice more effectively and benefiting from their expertise in other markets.

As the industry continues to spread its wings across the GCC, Asia and Europe, the need for more research into this area is clear.

Bringing together leaders in academia and industry pioneers, will not only fill a significant gap in academic literature, but it will also provide the foundation for Islamic banking practitioners to learn from each other and share good practice.

Cross-Border Regulatory Cooperation & Liquidity Management

The share of Islamic banking assets continues to increase globally. But, the pace of growth to a large extent depends on the role played by governments and regulators. For example, Malaysia is widely regarded as an Islamic banking powerhouse, with the country proactively supporting the industry's development. More recently, Dubai has announced plans on promoting the Islamic economy, with particular focus on developing a hub for Islamic finance instruments and Islamic insurance.

These and other government initiatives will increase the pace of development and reach of Islamic banking. However, with internationalisation comes responsibility.

As Islamic financial institutions become more globalised, the risks to the stability of the financial system increase.

Therefore, enhancing cross-border regulation and increasing cooperation with other countries will be key to the long-term viability of Islamic banking. Indeed, as Dr Zeti noted in 2013, there "is an important imperative to ensure the resilience and stability of the Islamic financial system, as well as to reduce the cost of intermediation."

Another challenge facing Islamic banks as they grow, is managing liquidity risks. There is an old adage in conventional finance that "liquidity can be an illusion - it is there when you don't need it and can disappear when you do." Certainly, the credit crisis - the biggest shock to the conventional financial system since the 1930s - raised serious concerns about liquidity management.

A key lesson here for Islamic financial institutions is that they must address their own liquidity risks. This includes developing a strong Islamic inter-bank money market and overcoming the shortage of short-term investment products.

Due to the size of the Islamic banking industry, it will be challenging to create a local liquidity market, which explains why efficient cross-border liquidity risk management tools have been explored. The establishment of International Islamic Liquidity Management Corporation (IILM), in 2010, is an important development in facilitating effective cross-border liquidity management. However, with the aim of managing liquidity risk, it is important that other risks (e.g. currency risk for cross-border liquidity management products) are not introduced.

Developing Talent

There is an increasing need for qualified people to not only support continued growth of the industry, but to drive change and innovation. However, to develop talent, you need a system.

From an institutional level this system includes structured staff training programmes that support career progression and mentorship schemes that nurture expertise. And from an industry level, a closer link must be established between Islamic financial institutions and academia, where curriculum can be designed around real business needs.

Today, Islamic financial institutions are playing a crucial role in the economic and social development of many countries. Although there are challenges, the opportunities are greater. By coming together, collaborating and sharing good practice, the industry will reach sustainable internationalisation.

Shakeeb Saqlain
Founder and CEO of IslamicBanker.com

Shakeeb Saqlain is the founder and CEO of IslamicBanker.com, a platform that connects professionals from around the world, providing the highest quality financial intelligence and collaboration tools, dedicated to the OIC countries.

Shakeeb founded IslamicBanker.com in the summer of 2009, in the City of London, bringing together a team that truly believes in the power of collaboration and breakthrough information.

Prior to this, Shakeeb worked at Bloomberg, specialising on the Islamic finance portal. With over 7 years of experience in banking, including Morgan Stanley and Dubai Islamic Bank, Shakeeb has a combination of industry knowledge and leadership acumen.

Article 2
Finding common ground: Accounting for Islamic financial instruments under IFRS

By: Ashruff Jamall, Partner and PwC's Global Islamic Finance Leader

Islamic finance globally is estimated to be worth around US$1.2 trillion and we predict that it could more than double within four years[1].

So, as Islamic finance starts moving into the mainstream, a key challenge is identifying a suitably relevant and intelligible accounting framework that is comparable with conventional finance, without tainting compliance with Shariah.

Once seen as a niche area, Islamic (or Shariah-compliant) finance has expanded rapidly over the past five years and is now an increasingly important element of the global economy. Modern Shariah-compliant products have come to cover the full spectrum of banking, capital markets, asset management and, more recently, insurance (takaful) business. Many of the growing number of companies being attracted to the Islamic finance sector are conventional institutions looking to tap into rising market demand, alternative investment opportunities and fresh sources of funding.

As the sector continues to grow, the question of how best to account for Islamic finance on an international basis is coming to the fore. This challenge is especially pressing for global groups with diverse international stakeholders and extensive financial reporting obligations, which need to align accounting for Islamic finance with the treatment of their conventional business. At the same time, the pursuit of alignment must not compromise Shariah principles.

So, is it possible to bring Islamic finance into the mainstream accounting fold, when its underlying principles often appear to be at odds with conventional finance, especially banking?

In particular, conventional banking generally relies on a contractual liability to recover monies exchanged as loans and deposits, together with an interest margin for the lender. In contrast, Shariah-compliant banking requires an underlying physical asset or trading transaction and may at times be more akin to either profit sharing or an agency/investment management contract. However, while some aspects of

[1] PwC publication 'Islamic finance – Creating value'

Islamic finance are rooted in traditional economic arrangements, many of the more recent transactional developments are based on the equivalent conventional product with a wrapper to ensure Shariah compliance. The economic substance is therefore largely comparable, even if the legal form may diverge.

From an accounting perspective, we would thus argue that the differences between Islamic and conventional finance are not as significant as is often assumed.

- Using a common framework to account for Islamic and conventional products and transactions would enhance the transparency and international comparability of financial reporting for Islamic finance and hence provide an important boost for further investment in, and the development of, the sector.
- In our view, IFRS provides the most appropriate accounting framework for multinational companies engaged in Islamic finance. It also provides an appropriate option for organisations engaged solely in Islamic finance.
- There are a number of other possible accounting frameworks for Islamic finance, though they are mainly designed for institutions solely using Shariah-compliant financial instruments. In contrast, IFRS has the benefit of international recognition and usage, making it the most suitable framework for global institutions with Islamic and non-Islamic products and multinational stakeholders.
- The principles-based nature of IFRS makes it possible to recognise, measure and disclose the economic substance of Islamic finance without compromising Shariah principles.
- IFRS focuses on the economic substance of a product or transaction rather than the legal form. Therefore, IFRS principles rather than the Islamic legal form will ultimately determine the accounting treatment.
- Conflicts between IFRS and Shariah principles are often more apparent than real. For example, where there is no quoted price to determine the fair value of a financial asset, IFRS requires the use of a discounted cash flow based on current interest rates to help estimate a proxy market value. However, no actual interest has been charged and therefore the Shariah prohibition of interest has not been contravened.
- Islamic banks may often use a Profit Equalisation Reserve (PER) to hold back profits in good times and use them to top up returns to depositors in leaner years. However, this can create valuation and recognition anomalies, including how to record the funds remaining after depositors have received their return and whether the residual money constitutes a hidden reserve. Institutions will need to examine the substance of the obligations relating to the PER to determine its accounting treatment.
- Although certain aspects of Islamic finance are seen by some commentators as difficult to account for under IFRS, evaluation of the rights/obligations and risks/rewards will generally determine the appropriate accounting treatment. These include:
  - In relation to a financial lease, establishing who owns/controls the underlying asset and the financial benefits derived from it;

- If profits and losses from an investment fund are shared between the institution and its customer, establishing the level/ nature of control and hence how the monies received should be recorded;
- In relation to the underlying physical asset required under Islamic finance, establishing whether the investment is asset-backed (where the institution has the right to take possession in the event of a default on payment) or simply asset-based (generating a return).

- Islamic insurance (takaful) funds are often ring-fenced from other parts of the business. However, Shariah principles require providers to put aside money for a benevolent loan (qardh) to cover for potential shortfalls in the takaful fund and therefore they would usually need to consolidate the fund under IFRS.
- Additional disclosures will often be necessary when bringing Islamic finance into the IFRS fold, such as explaining the basis for an accounting treatment. From an Islamic perspective, they may also provide an outline of the framework for achieving Shariah compliance, explain how any potential conflicts with Shariah principles have been resolved and report aspects of accounting not covered in IFRS, such as zakat calculations.

Many global financial institutions have adopted IFRS in recent years. The potential benefits of bringing Islamic finance into the IFRS fold would include ease of international and peer group comparisons and a high level of transparency for stakeholders as part of a reasonably comprehensive and well-understood accounting framework.

The IFRS framework is designed to recognise, measure and disclose any transaction, including many non-monetary transactions. The accounting treatment under IFRS will be determined by a combination of the contractual rights and obligations of the parties involved and the associated risks and rewards they face. Such contractual provisions and associated risks also arise in Islamic finance, though their actual nature may sometimes be different from conventional products.

For example, inter-bank loans are normally based on underlying commodity trades (murabaha) and the repurchase contracts used in Islamic finance may have different legal terms from their conventional counterparts.

These differences have led some commentators to assert that IFRS and Islamic finance are largely incompatible. In most cases, however, we have found that IFRS can provide an appropriate accounting treatment for Islamic finance products and transactions. The key to overcoming any apparent conflict or anomaly is sensible use of the ability - indeed the requirement - under IFRS to provide additional disclosure and explanation to enable users to gain a proper understanding of the financial statements.

However, the IFRS disclosure framework does not cover all the needs of stakeholders of Islamic finance institutions, for example in the case of zakat. It would therefore be helpful if there was additional guidance for IFRS preparers in two specific areas: first, guidance on the application of IFRS when accounting for Islamic finance instruments; and, secondly, guidance on the additional disclosures that should be made for the benefit of stakeholders seeking information on Shariah compliance.

The Asian Oceanian Standard Setters Group has set up a Working Group to liaise with the IASB on the application of IFRS to Islamic finance and we see this as an important step forward in bringing Islamic finance more clearly within the overall IFRS framework.

IFRS is far from being the only viable accounting framework; many countries have their own local accounting principles and other frameworks have been developed for specific purposes. A key example of the latter is the framework developed by the Bahrain-based Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), which is targeted at those institutions solely using Shariah-compliant financial instruments. However, IFRS has the benefit of international recognition and usage, making it the most suitable framework for global institutions with multinational stakeholders.

So, if we are to see the continued growth of Islamic finance, finding a common framework to account for both conventional and Islamic products is essential; it would provide an important boost for further investment in, and the development of, the sector.

Ashruff Jamall
Partner and PwC's Global Islamic Finance Leader

Ashruff is a financial services partner with the UAE practice of PwC. He has 30 years of extensive assurance and business advisory experience in the regional Islamic financial services sector, spanning a wide range of assignments, including the conduct of feasibility studies, due diligence assignments, market demand studies, wealth management/private banking surveys, development of procedures manuals and review of financial information in connection with private placements.

Ashruff is PwC's Global Islamic Finance Leader and recent notable examples of his experience in the Islamic financial services sector include advising regional regulators on various regulatory and supervisory aspects of Islamic finance and moderating a high profile workshop under the auspices of the Government of Dubai to launch Dubai's global Islamic economy initiative.

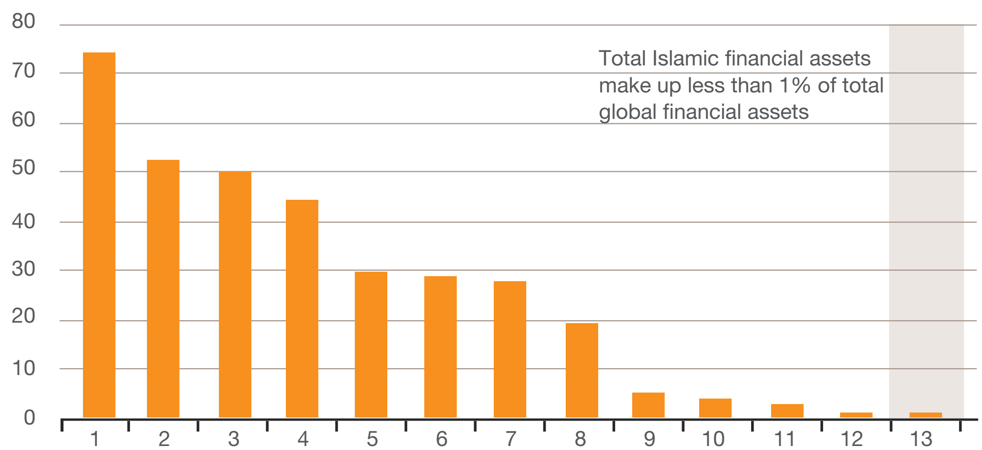
Article 3
Islamic finance: Slowly but surely?

By: Raja Teh Maimunah
MD and CEO of Hong Leong Islamic Bank, Malaysia

As an Islamic finance practitioner and ardent proponent of the industry, I am elated that after 30 years of the industry being in existence, global Islamic financial assets touched a little above US$1.3 trillion in 2012 with Islamic banking assets making up approximately 80% of the total. It is also heartening to see Islamic banks worldwide experiencing double-digit growth, in particular over the past one decade. Islamic finance has become a recognisable term in most financial markets today. There has been a lot of buzz about the industry having remained resilient in the face of the recent global financial crisis and that there is much room for growth given the growing economic importance of Islamic countries and the increasing number of Muslims globally.

Having said that, whilst passing the US$1 trillion mark is an achievement for the industry, that amount represents less than 1% of total global financial assets.

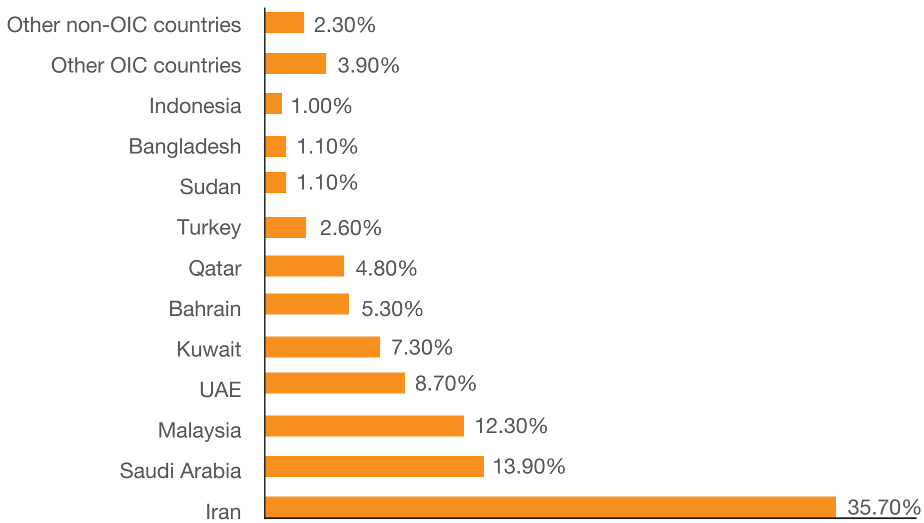
Composition of global assets (in US$ trillion)



1. Bank Assets
2. Stock Market Capitalisation
3. World GDP
4. Private Debt Securities
5. Pension Funds
6. Mutual Funds
7. Public Debt Securities
8. Insurance Companies
9. Reserves ex Gold
10. Sovereign Wealth Funds
11. Hedge Funds
12. Private Equity Funds
13. Islamic Finance

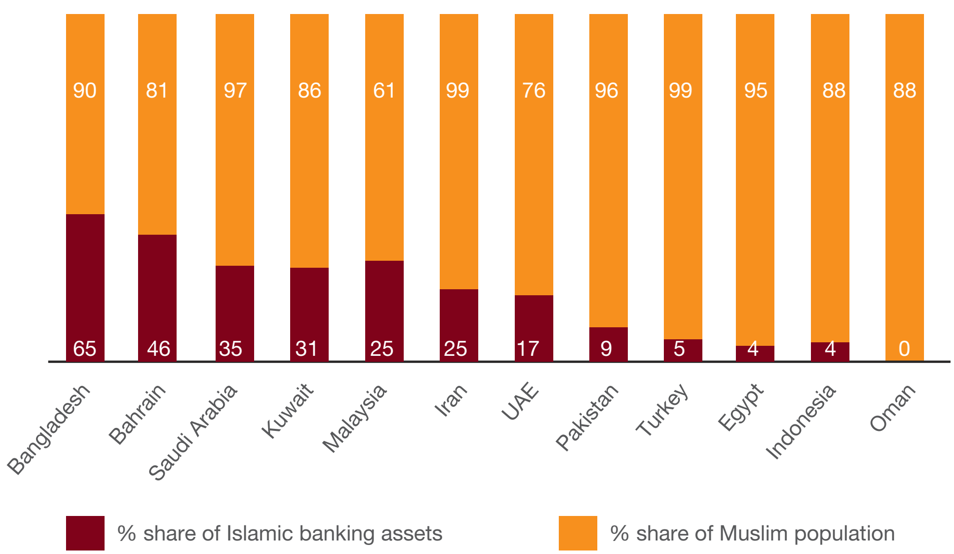
Further, what is also interesting to note is that 90% of those Islamic banking assets reside in 9 countries. That represents only 15% or so of the 57 member states of the OIC.

Country share of global Islamic banking assets in 2012 (in US$ billion)



In addition, Islamic banking penetration levels in key Islamic markets have remained significantly low.

Islamic finance penetration percentage in the selected OIC countries



Despite the growing interest in Islamic finance, why then has the industry not been able to extend its reach deeper, further and wider?

In scouring markets from east to west to expand our reach, I would say amongst the main reasons facing the industry are as follows:

Legal Framework and Regulations

In my view, this is the single biggest obstacle to the development of the industry.

Changes in laws are required for any country to be able to introduce Islamic finance to accommodate the Islamic financial and commercial contracts.

For instance, conventional tax laws in particular do not differentiate between a regular buy and sell transaction and that undertaken for the purpose of Islamic financing, hence Islamic financing using the contract of buy and sell attracts tax (double tax in the case of tawarruq i.e. buy and sell and onward sale).

Recognising to neutralise tax laws for the purpose of Islamic financing is critical, which will otherwise cripple any attempt to introduce Islamic finance as the cost of undertaking Islamic financing becomes prohibitive.

Liquidity Management

The other critical component in promoting Islamic finance is the limitations Islamic banks face in managing liquidity. Even in countries with a well-crafted legal framework that promotes Islamic finance, Islamic finance would not be able to establish a firm footing in those countries if Islamic financial institutions do not have access to a well-developed inter-bank market and a plethora of instruments, specifically short term and highly tradable investment instruments as conventional financial institutions do.

On this note, intervention by governments and/or central banks is critical to spur development.

The issuance of short term sukuk by the government and/or central bank of that country is crucial to address this gap.

The question as to whether a particular government would issue sukuk purely for purposes of supporting Islamic finance remains tricky. However, if that government views issuing sukuk as a fund raising avenue, it could also help spur the development of a domestic sukuk market in that country, providing an alternative avenue for fund raising by corporate and government entities. It would be killing two birds with one stone.

Standardisation

If you have been following the development of the industry, the topic of standardisation is often fiercely debated. As an industry practitioner, my main take on this is that we should move towards standardisation of Islamic commercial and financing contracts rather than pronouncements.

The flexibility that is accorded under Shariah (Islamic law) is what drives innovation and provides accommodation for consumers across different jurisdictions and cultures.

What is required following a pronouncement is when a particular contract is being ascribed for a particular financial transaction, a prescription for a standard set of contracts and process flow ought to follow. The diversity in pronouncements in itself is not the reason for holding back the industry, rather, the clarity required in the legal enforceability of a contract.

Myths and Misconceptions

It is unfortunate that following events of 9/11, there is fear that Islamic finance presents a conduit for funding terrorism. This had led to outright rejection by some governments. There are also concerns that Islamic finance is based on ancient practices and thus has not embraced the global financial best risk management practices, presenting it as a risk to the stability of the global financial system. Other misconceptions include Islamic finance being cheaper (interest free) or costlier (from recognition of profits upfront) or riskier (misunderstanding arising from the Dubai sukuk meltdown crisis). An even bigger misconception is that Islamic finance is a wolf in sheep's clothing i.e. conventional banking dressed differently.

None of the above can be further from the truth.

Islamic financial institutions are subjected to the same laws and regulations on anti-terrorism and anti-money laundering activities. Islamic financial institutions are governed by global financial standards encompassing best practices in risk management and technology. Islamic finance is capable of providing comprehensive financial solutions to a wide array of customers covering both simple and complex financial structures.

Whilst the essence of Islamic finance is interest free, this does not mean it is cost free as Islamic finance recognises the concept of time value of money and facilitates trade and real economic transaction and recognition of profits therefrom. Where cost is concerned, Islamic finance recognises risk-returns and financing transactions are priced accordingly.

On the subject of Islamic finance being no different from conventional banking, the misconception is likely to stem from the fact that most Islamic financing products appear no different from their conventional equivalent. Let us take an Islamic home financing as an example. From a customer's perspective, he is still subjected to the same credit process and his repayment is still based on an agreed rate (which incidentally is always comparable to the conventional home loan rate) at predetermined intervals and tenure.

The difference? The Quran states that, "Trade is permissible, riba is forbidden". Riba or usury is any increment on a loan or debt (money or goods), either preconditioned or in rescheduling.

Whilst an Islamic house financing may appear similar to a conventional house loan, the principles underlying the contract is fundamentally different. Islamic finance does not lend you money in return for money plus money. An example would be whereby an Islamic financial institution buys a house from a seller and thereafter onward sells it to the customer (borrower) at a profit.

In this instance, a trade had just been performed. Though it may seem superfluous to some, these fundamentals guide Islamic institutions through all its dealings covering more complex capital markets transactions and treasury solutions.

Raja Teh Maimunah

MD and CEO of Hong Leong Islamic Bank, Malaysia

This principle of Islamic finance is the support of real economic activity and trade and not for speculative purposes.

Despite the seemingly listless progress of the industry in capturing a wider audience, I firmly believe it will continue to gain traction for what it offers is justness and equity in financing that the world deserves. This is the principle of Shariah.

Raja Teh Maimunah is the Managing Director and CEO of Hong Leong Islamic Bank.

Prior to her current appointment, she was the Global Head of Islamic Markets at Bursa Malaysia. Prior to that, she was the CEO and Head of International Business at Kuwait Finance House Malaysia, CEO of Bank AlKhair Malaysia (previously Unicorn Investment Bank) and Senior Vice President Investment Banking at RHB Sakura Merchant Bank (now RHB Investment Bank).

She had also served in Pengurusan Danaharta Nasional Berhad during the Asian financial crisis and was with CIMB Investment Bank over a period of almost 10 years covering debt and equity origination and equity sales. She spent her early days at KPMG Peat Marwick Consultants. She was awarded an Honorary Doctorate of Laws from the University of East London, United Kingdom and also holds an LLB (Hons) from the same university.

Article 4
Smart cities for all

By: Hazem Galal, Partner and PwC's Global Leader for Cities and Local Government Sector

Urbanisation is one of the most impactful trends of our time. It is a known fact that of the 7 billion inhabitants on earth more than half live in cities. Urbanisation levels are even higher in developing countries, with more than 80% of the population living in urban centres in Latin America, as is the case in Islamic countries too.

There is also increasing consensus that the solutions for many of the sustainability issues facing us today will get resolved at the city level, rather than at national levels. Cities have become an important part of the solution, rather than the problem.

Today, cities around the world are seen as the engines for sustainable economic growth.

And more than ever before the growth that cities can achieve is strongly linked to their power to address social, environmental and economic issues in a holistic manner, whilst making the most of future opportunities.

Many people have been working tirelessly to develop and implement solutions for cities around the world.

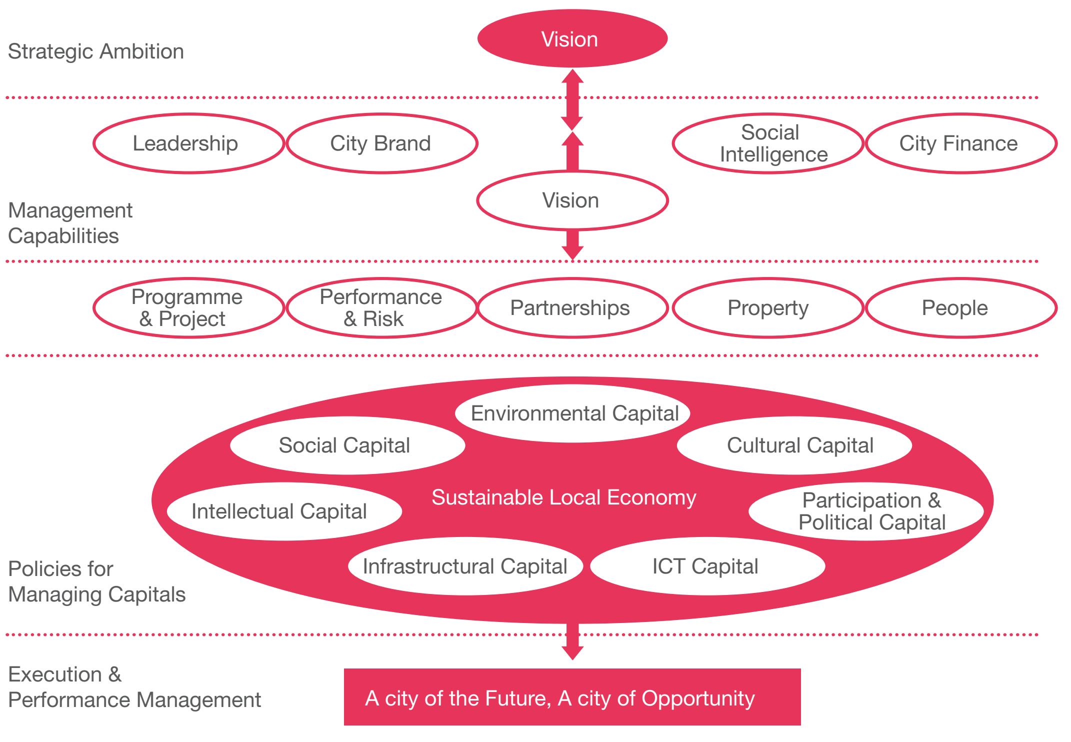
But the most pressing challenge for many cities is how to make this happen and turn city visions into reality.

But many of them, while attempting to balance the different components of sustainability, usually fail to take into account that cities have different priorities that depend on their stage of development and their ability to turn strategy into reality.

Building the necessary management capabilities, including financial management, is essential for cities to successfully implement their strategies.

PwC's holistic approach to sustainable development (*Figure 1*) highlights that the starting point for a city is to formulate a clear vision which captures its strategic ambition.

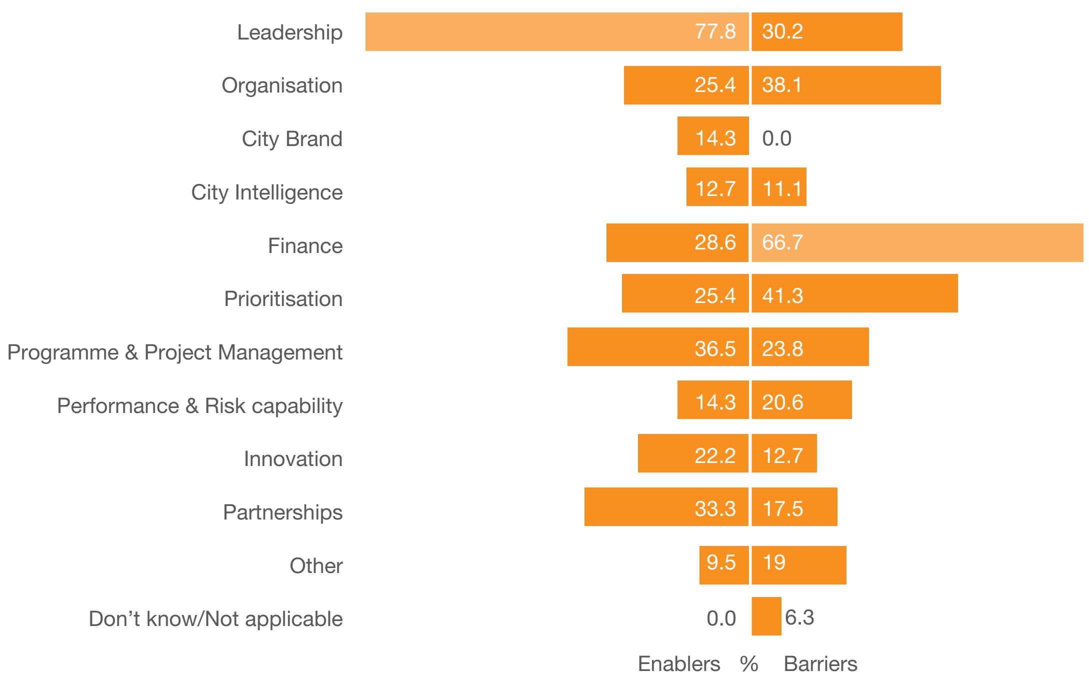
Figure 1: A holistic approach to visioning and execution of city strategy



Source: PwC, "Making it happen: A Roadmap for cities and local public services to achieve outcomes" (Nov 2011)

Developing a clear vision allows a city to prioritise, invest in and strategically manage the building blocks or 'capitals' needed by any city for long-term prosperity – social, environmental, cultural, intellectual, infrastructural, ICT and political participation. By putting in place and implementing the appropriate policies, a successful city will maximise its investment in those capitals which are most relevant to its strategic vision, while optimising its investment in those capitals which are less relevant. This approach is being adopted by visionary cities and local governments as a framework to think through the challenges they face.

Figure 2: Enablers and Barriers for the execution of city strategy



Source: PwC, "Making it happen: A Roadmap for cities and local public services to achieve outcomes" (Nov 2011)

In PwC’s 2011 report, “Making it happen”[1] we surveyed 64 cities[2] comprising a total population of over 120 million people from around the world including 14 cities from Islamic countries and identified the factors vital for the execution of a city’s strategy and the realisation of its vision (*see Figure 2*).

[1] ‘Making it happen: A roadmap for cities and local public services to achieve outcomes’, PwC, 2011.
[2] In total, we received [106] responses: quotas of 5 responses per country were set to avoid any one country biasing the results.

While leadership (overwhelmingly identified by 78% of the respondents), programme & project management (37%) and partnerships (33%) are the top three enablers identified for strategy implementation, the key barrier facing the implementation of strategy (identified by two thirds of the respondents) is finance.[3]

To rise to the funding challenge, cities need to provide confidence to investors to invest, exploring innovative mechanisms, such as Islamic financing through Sukuks and other Shariah-compliant mechanisms.

PwC's on-going research "Investor Ready Cities"[4] shows that cities are also now more reliant than ever before on private sector support to scope, finance and deliver projects. It is becoming much more common to see private sector finance help to cover the cost of delivery with long term management contracts for maintenance and operation to secure the investment and provide confidence to the public sector in sustained delivery.

With public-private sector collaboration being one of the most effective approaches to major infrastructure delivery today, cities also have to operate differently and change their approach.

Cities need to demonstrate visibly how infrastructure will deliver value to both users and investors. Success is ultimately defined as the ability to attract internationally mobile capital.

City authorities therefore have to work harder to understand the private sector approach to doing business, provide certainty in policy and legal regulation to attract investment and create joint working approaches with long-term planning to secure investor commitment. All of these requirements apply as well to designing Islamic financing platforms for municipal infrastructure projects.

The second most important barrier to strategy implementation is prioritisation, as identified by 41% of the survey respondents.

Prioritisation will continue to be a major obstacle as budgets are tight or diminishing and demands on local government services from citizens who may also be going through tough times are increasing. This is especially challenging for developed countries.

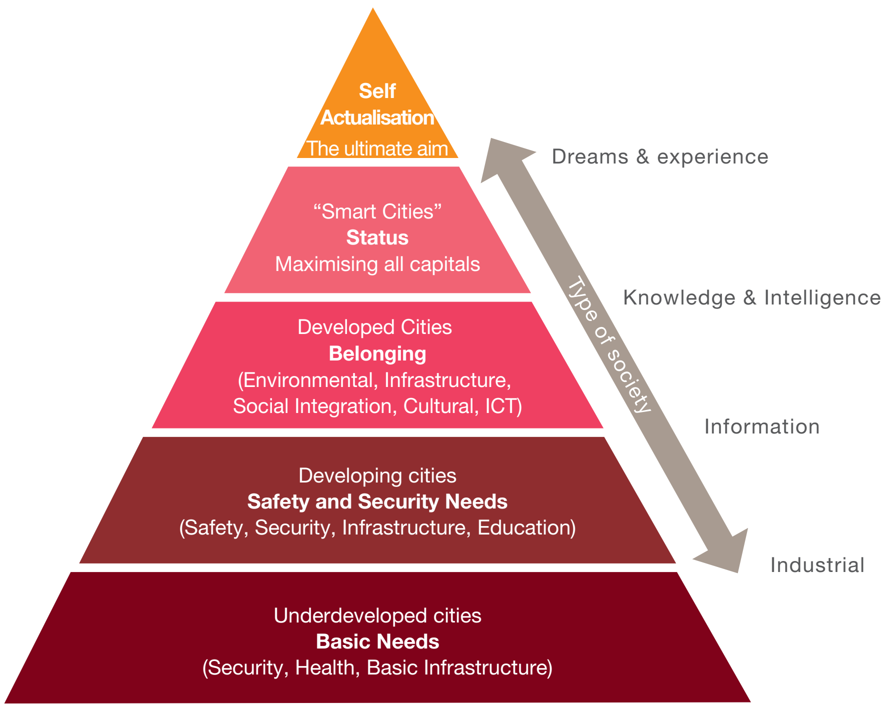
Like human beings, cities have priorities and needs as represented by the views of citizens, NGOs, private sector companies and academics, which should translate into action programmes by city governments and local authorities.

We can use the metaphor, a "Maslow's Hierarchy" for cities to show how priorities can change over time. So how does the metaphor work? One can argue that a city starts with its very basic needs: security, health and basic infrastructure such as access to clean water and sanitation systems. These are typically the top priorities for under/ least developed cities.

[3] 'Seizing the Day' was published by PwC in 2008 about the impact of the financial crisis on local government entities around the world.

[4] 'Investor Ready Cities' is an ongoing PwC research in collaboration with Siemens, BLP to be launched before the end of 2013.

Figure 3: A "Maslow's Hierarchy" for cities

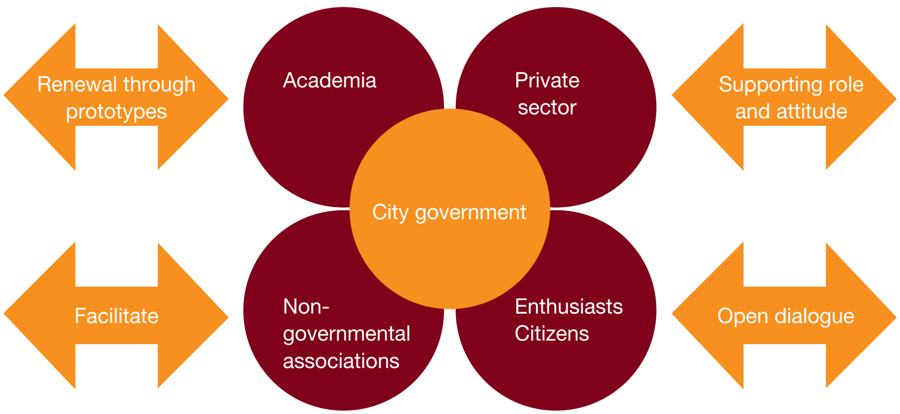


At the next level, there is additional focus on safety, roads and transport infrastructure and access to education as the city becomes a developing city, positioning itself to move from a focus on basic industrial production to becoming an information society. The next level of the hierarchy, the belonging level, applies to modern developed cities that in addition to safety, security and infrastructure also focus on environmental needs, social integration, culture and leisure as well as ICT as an enabler for a knowledge-based society. World leading, smart cities optimise their investment to maximise their performance across all the capitals, the building blocks outlined in *Figure 3*. The ultimate level of the hierarchy, 'self-actualisation' is when world cities are willing to share their experiences to help other cities advance and are also exploring new paradigms and setting new standards for quality of life.

Whereas some cities in the Islamic world are becoming more modern, raising the quality of life for their citizens, many Islamic cities are still either developing or underdeveloped.

This will require substantial efforts and collaboration among the different stakeholders to ensure alignment on priorities and the involvement of the society in setting its own development goals. While top level sponsorship is an absolute requirement, leadership on its own is not a panacea. Outcomes are no longer dependent on the one, but the many, both within and across organisations.

Figure 4: Stakeholders Collaboration – The penta helix



Indeed, if cities are to move up the "Maslow's Hierarchy" for cities, leadership can no longer afford to be merely top-driven, but necessitates collaboration across all stakeholders – public, private, voluntary sector, academia, citizens (*as shown in Figure 4*) – to maximise the chances of

Engagement with stakeholders from all sectors of society is critical to create the smart city of the future.

Hazem Galal

Partner and PwC's Global Leader for Cities and Local Government Sector

Hazem Galal is a PwC Partner based in the Middle East and the global Leader for PwC's Cities and Local Government Sector. With 25 years of consulting experience, Hazem has expertise in smart cities and local government strategy formulation, transformation programmes and reform. He led several city projects in the Middle East, Latin America, Asia, the United States and Europe, which gives him an edge of expertise in both developed and developing countries conditions. Since 2007, Hazem has been leading PwC's thought leadership around the world for cities including "Cities of Opportunity" and "Making it Happen".

Hazem is a frequent speaker at numerous global conferences and panels on cities and innovation organised by the World Bank, the Asian Development Bank, the United Nations and other international bodies as well as local and national governments in developed and developing countries, including the BRICS.

Hazem has an MBA from the University of California, Berkeley and a BSc in Computer Engineering (Summa Cum Laude). He speaks fluent English, Arabic and Portuguese.

Appendices

Abbreviations

Abbreviation	Full term
BYOD	Bring your own device
CAGR	Compound Annual Growth Rate
CAF	Charities Aid Foundation
CEO	Chief Executive Officer
CexpO	Chief Experience Officer
CFO	Chief Financial Officer
CIO	Chief Information Officer
CIS	Commonwealth of Independent States (Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Uzbekistan)
CMO	Chief Marketing Officer
COO	Chief Operating Officer
DTH	Direct to home
E-commerce	Electronic commerce
EECA	Eastern Europe & Central Asia
E7	Emerging seven (Brazil, China, India, Indonesia, Mexico, Russia, Turkey)
FDI	Foreign direct investment
FS	Financial Service
G7	Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom, and United States of America
GCC	Gulf Cooperation Council Countries
GDP	Gross Domestic Product
IASB	International Accounting Standards Board
ICT	Information and communications technology
IFRS	International Financial Reporting Standards
ILO	International Labour Organisation

Abbreviation	Full term
ITU	International Telecommunications Union
KFH	Kuwait Finance House
LTE	Long term evolution - A mobile network technology that is being deployed by mobile operators on both the GSM (Global System for Mobile Communications) and the CDMA (Code division multiple access) technology paths
M&A	Merger and Acquisition
M-commerce	Mobile commerce
MENA	Middle East and North Africa
mHealth	Mobile health
NCD	Non communicable disease
NFC	Near field communication
OIC	Organization of Islamic Cooperation
OTT	Over-the-top
OSS	Operating systems
PwC	PricewaterhouseCoopers
R&D	Research and development
SAAAME	South America, Africa, Asia and the Middle East
SWF	Sovereign Wealth Fund
TNE	Transnational Education
UAE	United Arab Emirates
UK	United Kingdom
UN	United Nations
USA	United States of America
WHO	World Health Organisation
WTO	World Trade Organisation

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