

**OPENING ADDRESS BY
YAB DATO' SERI ABDULLAH BIN HAJI AHMAD BADAWI
AT THE ANNUAL MEETING OF THE BOARD OF GOVERNORS OF I.D.B.
AT PUTRAJAYA INTERNATIONAL CONVENTION CENTRE
23 JUNE 2005**

BISMILLAHIR RAHMANIR RAHIM

ASSALAMUALAIKUM WARAHMATULLAHI WABARAKATUH AND GOOD MORNING

HONOURABLE MINISTERS

HONOURABLE MEMBERS OF THE BOARD AND
ACTING MEMBERS OF THE BOARD OF DIRECTORS

DR. AHMAD MOHAMED ALI
PRESIDENT OF THE ISLAMIC DEVELOPMENT BANK

EXCELLENCIES

DISTINGUISHED GUESTS

LADIES AND GENTLEMAN

1. ALHAMDULILLAH, ALL PRAISE BE TO ALLAH, THE COMPASSIONATE, THE MERCIFUL, BY WHOSE GRACE AND BLESSINGS WE MEET AT THIS HALLOWED HALL, ON THIS IMPORTANT OCCASION.

2. ON BEHALF OF THE GOVERNMENT AND PEOPLE OF MALAYSIA, I WELCOME YOU TO PUTRAJAYA. WE ARE PLEASED TO HOST SUCH A DISTINGUISHED GROUP FROM I.D.B. MEMBER COUNTRIES, INTERNATIONAL FINANCIAL INSTITUTIONS, REGIONAL ORGANISATIONS, CENTRAL BANKS AND ISLAMIC INSTITUTIONS FROM ALL OVER THE WORLD.

3. MALAYSIA TAKES GREAT PRIDE IN HOSTING THIS ANNUAL MEETING OF THE BOARD OF GOVERNORS OF THE I.D.B. FOR THE SECOND TIME, AFTER THE FIRST IN 1978. THIS MEETING IS TIMELY AS MALAYSIA IS CURRENTLY THE CHAIRMAN OF THE ORGANISATION OF ISLAMIC CONFERENCE. THIS ANNUAL MEETING IS THUS A NATURAL EXTENSION OF MALAYSIA'S COMMITMENT TO FURTHER PROMOTE AND STRENGTHEN COOPERATION AMONG THE MUSLIM MEMBER COUNTRIES.

4. INDEED, I CONSIDER THIS MEETING NO LESS THAN HISTORIC. A FIFTH OF HUMANITY IS REPRESENTED IN THIS HALL. WE CARRY THE DREAMS, HOPES AND ASPIRATIONS OF MORE THAN 1.4 BILLION MUSLIMS AROUND THE GLOBE – FOR A BETTER, MORE SECURE AND MORE PROSPEROUS FUTURE. LET THIS MEETING NOT BE DISTINGUISHED BY MERE POLEMIC, RHETORIC NOR BY EMPTY SLOGANS – AS JUST ANOTHER TALK SHOP TO CONSIDER THE PROBLEMS OF THE MUSLIM WORLD

AND THEN WE GO BACK TO OUR RESPECTIVE HOMES, EMPTY-HANDED. RATHER LET THIS MEETING BE REMEMBERED FOR THE VISION IT ENGENDERED, THE PURPOSE IT CREATED, AND THE ACTION IT INSPIRED. LET THIS MEETING BE EVOKED AS AN IMPORTANT POINT IN THE TRANSFORMATION OF MUSLIM SOCIETIES, WHEN UNITY WAS MET WITH RESOLVE AND DETERMINATION, TO IMPROVE THE LOT OF MUSLIMS THROUGHOUT THE WORLD.

5. TO BE SURE, THERE IS MUCH TO DO AND MANY ISSUES TO CONSIDER. THIS TIME AROUND, WE HAVE FOCUSED ON TRADE, INVESTMENT AND ECONOMIC RELATIONSHIPS. WE HAVE EMPHASISED BUSINESS, ENTERPRISE AND ENTREPRENEURSHIP. WE BELIEVE IT IS THE PRIVATE SECTOR THAT CAN LARGELY BRING TO FRUITION THE PLANS AND STRATEGIES PUT FORTH BY THEIR RESPECTIVE GOVERNMENTS. WE WANT TO BRING ABOUT "THE BUSINESS FACE OF THE O.I.C.". AS SUCH, TOGETHER WITH THE I.D.B., MALAYSIA HAS ARRANGED SEVERAL EVENTS AND ACTIVITIES IN CONJUNCTION WITH THIS ANNUAL MEETING. THESE INCLUDE THE O.I.C. TRADE FORUM AND TRADE EXHIBITION; THE SEMINAR ON A 10-YEAR MASTER PLAN FOR THE ISLAMIC FINANCIAL SERVICES INDUSTRY; THE INVESTMENT SEMINAR AND SHARI'AH SCHOLARS' DIALOGUE; AND THE INTERNATIONAL CONFERENCE ON INFORMATION AND COMMUNICATIONS TECHNOLOGY FOR DEVELOPMENT. I HOPE THESE SEMINARS HAVE BEEN OF IMMENSE USE IN PROVIDING FOOD FOR THOUGHT AND IMPETUS FOR ACTION, AS WE SEEK TO ENHANCE BUSINESS COLLABORATION AND ECONOMIC LINKAGES THROUGHOUT THE MUSLIM WORLD.

HONOURABLE GOVERNORS, LADIES AND GENTLEMAN,

6. ON 15 SHAWWAL 1425H, THE I.D.B. WILL COMPLETE 30 YEARS OF PROVIDING SERVICE IN DEVELOPMENT BANKING. TO MARK ITS 30TH ANNIVERSARY, THE I.D.B. HAS PLANNED A NUMBER OF ACTIVITIES, WHICH INCLUDES SPECIAL PUBLICATIONS, STUDIES AND MEETINGS. IN LINE WITH THIS, THE THEME FOR THIS YEAR'S MEETING – "I.D.B.: 30 YEARS OF HUMAN DEVELOPMENT" – IS APPROPRIATE, AS THE DEVELOPMENT OF HUMAN CAPITAL IS FUNDAMENTAL TO THE SUSTAINABLE ADVANCEMENT OF A COUNTRY. CAPACITY BUILDING AND INSTITUTIONAL DEVELOPMENT ARE CRUCIAL FOR MEMBER COUNTRIES TO EFFECTIVELY IMPLEMENT ECONOMIC AND DEVELOPMENT POLICIES, AND THEREBY UPLIFT THEMSELVES ECONOMICALLY.

7. IN ITS 30 YEARS OF OPERATIONS, THE I.D.B. HAS PLAYED A VITAL ROLE IN PROMOTING CO-OPERATION AMONG THE ISLAMIC COUNTRIES. SINCE ITS INCEPTION, THE I.D.B. HAS DISBURSED 34.2 BILLION U.S. DOLLARS FOR 4,400 PROJECTS, OF WHICH 61 PERCENT WAS FOR TRADE FINANCE AND 29 PERCENT FOR PROJECT FINANCE, WHILE THE REST WAS USED FOR TECHNICAL ASSISTANCE, CONCESSIONAL FINANCING AND OTHERS. THIS PERFORMANCE IS INDEED IMPRESSIVE.

8. ON THIS OCCASION MARKING THE 30TH ANNIVERSARY OF THE I.D.B., IT IS TIMELY THAT WE TAKE STOCK OF WHERE WE ARE TODAY AS A GROUPING. THE MUSLIM WORLD IS VAST AND DIVERSE. COUNTRIES WITH MAJORITY MUSLIM POPULATIONS STRADDLE THREE CONTINENTS. MUSLIMS COMPRISE ABOUT 20 PERCENT OF THE WORLD'S POPULATION. WE OWN ENORMOUS NATURAL RESOURCES, NOT LEAST OIL, WHICH TODAY IS DRAWING RECORD PRICES IN THE WORLD MARKETS. SOME OF OUR COUNTRIES CAN BE COUNTED AS AMONG THE RICH NATIONS OF THE WORLD. WE ALSO HAVE RICH AND AFFLUENT MUSLIMS IN MANY OTHER SOCIETIES.

9. BUT THE MUSLIM WORLD, WITH WHICH THE I.D.B. MEMBERSHIP IS VIRTUALLY SYNONYMOUS, FACES CRITICAL CHALLENGES IN EVERY FIELD – THE POLITICAL, THE ECONOMIC, THE SOCIAL, AND IN PEACE AND SECURITY. IN MANY OF OUR COUNTRIES, THE MOST CRITICAL CHALLENGE, THE ROOT OF MOST OF OUR PROBLEMS, LIES IN THE ECONOMIC FIELD. NO LESS THAN 27 OF THE 55 I.D.B. MEMBER COUNTRIES BELONG TO THE LOW-INCOME GROUP. POVERTY AND ILLITERACY ARE A PROMINENT FEATURE OF THE MUSLIM LANDSCAPE. WIDE INCOME DISPARITIES CHARACTERISE MANY ECONOMIES. IN 2003, THE G.D.P. OF THE I.D.B. MEMBER COUNTRIES AS A GROUP COMPRISED LESS THAN 5 PERCENT OF WORLD G.D.P..

10. I BELIEVE THAT THE TIME HAS COME FOR I.D.B. TO CONFRONT THESE PROBLEMS AFRESH, AND THIS ANNUAL MEETING IS THE RIGHT PLATFORM FOR THE I.D.B. TO REFLECT UPON THE STRENGTHS AND WEAKNESSES OF ITS MEMBER COUNTRIES. TOGETHER WE SHOULD REVIEW AND REFINE THE EXISTING I.D.B. POLICIES, PROGRAMMES AND MECHANISMS. WE MUST PLOT THE STRATEGIC DIRECTION AHEAD SO THAT THE I.D.B. CAN CONTRIBUTE MORE MEANINGFULLY AND EFFECTIVELY TOWARDS INCREASING THE SOCIAL AND ECONOMIC STATUS OF ITS MEMBERS.

11. IN THIS RESPECT, I AM HAPPY TO ANNOUNCE THAT THE I.D.B. HAS ESTABLISHED A 1440H VISION COMMISSION TO FORMULATE THE VISION FOR THE I.D.B. GROUP. THE CHAIRMAN OF THE COMMISSION IS THE HONOURABLE TUN DR. MAHATHIR MOHAMAD, FORMER PRIME MINISTER OF MALAYSIA. MALAYSIA WILL SUPPORT THE COMMISSION IN ALL ITS ACTIVITIES. I LOOK TO THE COMMISSION TO FORMULATE THE VISION THAT WILL GUIDE US IN EMBARKING UPON STRATEGIC INITIATIVES THAT WILL BRING PROSPERITY AND DEVELOPMENT TO THE MUSLIM WORLD. IT WILL EMBRACE THE ECONOMIC, GOVERNANCE AND SOCIAL AGENDA AS WELL AS FUTURE DEVELOPMENT NEEDS.

12. THE I.D.B. HAS ALSO ADOPTED A NEW STRATEGY ENTITLED THE I.D.B. GROUP STRATEGIC FRAMEWORK TO IMPROVE THE EFFICIENCY OF ITS SERVICES DELIVERY TO MEMBER COUNTRIES. UNDER THIS NEW STRATEGY, THE I.D.B. ENVISIONS GREATER CO-OPERATION AND COORDINATION AMONG THE GROUP MEMBERS TO ENSURE COMPLEMENTARITY AND OPTIMUM COLLECTIVE IMPACT FOR THE BENEFIT OF MEMBER COUNTRIES. TO ENSURE THE SUCCESSFUL IMPLEMENTATION OF THE STRATEGIC FRAMEWORK, THE I.D.B. WILL PUT IN PLACE FIRM ACTION PLANS WITH SPECIFIC IMPLEMENTATION SCHEDULES.

HONOURABLE GOVERNORS, LADIES AND GENTLEMAN,

13. TODAY, AS WE MARK THE 30TH ANNIVERSARY OF I.D.B., I WOULD LIKE TO PROPOSE THREE KEY THEMES IN THE CONTEXT OF FOSTERING ECONOMIC DEVELOPMENT AND STRENGTHENING THE UMMAH. THESE THEMES ARE:

- FIRST, CO-OPERATION THROUGH TRADE AND CAPITAL FLOWS;
- SECOND, ISLAMIC FINANCE AS A COMPETITIVE ADVANTAGE; AND
- THIRD, HUMAN CAPITAL DEVELOPMENT.

14. LET ME BEGIN WITH THE FIRST THEME, COOPERATION THROUGH TRADE AND MOBILISATION OF CAPITAL. IN THE PAST, TRADE WAS A STRONG BOND FOR MUSLIM COMMUNITIES. TODAY, THIS BOND HAS BECOME VERY WEAK. WE DO NOT TRADE WITH EACH OTHER AS MUCH AS WE USED TO DURING THE PEAK OF OUR CIVILISATION.

15. INTRA-O.I.C. TRADE IS ONLY 12 PERCENT OF THE TOTAL TRADE OF THE O.I.C. COUNTRIES. IN OTHER WORDS, THE TRADE OF O.I.C. COUNTRIES WITH THE NON-O.I.C. COUNTRIES IS 8 TIMES THE SIZE OF INTRA-O.I.C. TRADE. FURTHERMORE, THE TOTAL TRADE VOLUME OF THE O.I.C. COUNTRIES IS ONLY 7 PERCENT OF THE TOTAL INTERNATIONAL TRADE, ALTHOUGH WE CONTROL 60 PERCENT OF THE NATURAL RESOURCES OF THE WORLD. THE O.I.C. SHARE OF WORLD EXPORTS HAS ALSO DECLINED FROM 15.9 PERCENT IN 1980 TO 8 PERCENT IN 2001.

16. OBVIOUSLY, WE NEED TO DO MUCH MORE TO STIMULATE TRADE FLOWS IN ORDER TO ENHANCE OUR WEALTH. WE CAN THINK OF MANY MEASURES. I WOULD LIKE TO SUGGEST FOUR:

- FIRST, WE SHOULD ACTIVELY PROMOTE AND INTEGRATE MARKETS AND REDUCE TARIFF AS WELL AS NON-TARIFF BARRIERS. THIS CAN BE DONE BY PROMOTING F.T.A.'S AMONG MEMBER COUNTRIES, WHILE WORKING TOWARDS AN ISLAMIC COMMON MARKET;
- SECOND, WE MUST PROMOTE SETTLEMENT OF TRADE ON THE BASIS OF BILATERAL/MULTILATERAL PAYMENT ARRANGEMENTS (B.P.A.'S/M.P.A.'S);
- THIRD, THERE IS A NEED TO ACTIVELY WORK ON TRADE MATCHING OF BUYERS AND SELLERS BY WORKING CLOSELY WITH RELEVANT TRADE BODIES (GOVERNMENT AND NON-GOVERNMENT) IN MEMBER COUNTRIES AS WELL AS WITH COMMERCIAL AND EXPORT-IMPORT BANKS;
- FOURTH, WE SHOULD DO MUCH MORE TO PROMOTE SOURCING OF GOODS AND SERVICES FROM MUSLIM COUNTRIES, WHILE NOT COMPROMISING ON QUALITY.

17. I BELIEVE THERE IS GREAT MERIT IN THE IDEA OF BILATERAL PAYMENTS ARRANGEMENTS (B.P.A.'S) TO ENHANCE TRADE AND INVESTMENT IN THE MUSLIM WORLD, AND I ASK THE I.D.B. TO SERIOUSLY CONSIDER THIS FORM OF TRADE FACILITATION, WITH A VIEW TO IMPLEMENTING IT ACROSS MANY MORE O.I.C.

COUNTRIES. MALAYSIA INTRODUCED THE B.P.A. IN 1988, AND TO-DATE HAS SIGNED B.P.A. AGREEMENTS WITH 24 COUNTRIES, OF WHICH 9 ARE O.I.C. COUNTRIES. IT SHOULD BE NOTED THAT TRADE WITH THE 9 O.I.C. COUNTRIES HAS INCREASED BY MORE THAN 30-FOLD DURING THE PERIOD 1987-2004, COMPARED TO A SLIGHTLY ABOVE 10-FOLD INCREASE IN MALAYSIA'S TOTAL TRADE WORLD-WIDE OVER THE SAME PERIOD. THIS SHOWS THAT THE B.P.A. HAS SUCCESSFULLY ACTED AS A CATALYST TO PROMOTE TRADE, PARTICULARLY AMONG NEW TRADING PARTNERS.

18. IN ADDITION, WE CAN DO MANY OTHER THINGS AS WELL. IF WE CAN START TO TRADE AMONG OURSELVES MORE, WITHOUT USING OTHER COUNTRIES AS INTERMEDIARIES, WE CAN SUBSTANTIALLY INCREASE THE VOLUME OF SUCH TRADE AND BRING ABOUT GREATER PROSPERITY AMONG THE O.I.C. COUNTRIES. THIS WILL CREATE A VIRTUOUS CYCLE WHICH CAN ALSO CREATE OPPORTUNITIES FOR INVESTMENT BETWEEN MEMBER COUNTRIES.

19. THE I.D.B. ALSO HAS A VITAL ROLE TO PLAY IN MOBILISING FUNDS FOR THE DEVELOPMENT OF MEMBER COUNTRIES, GIVEN ITS ABILITY TO RAISE FUNDS AT LOWER COSTS. IN THIS REGARD THE I.D.B. SHOULD BE COMMENDED FOR ITS EFFORTS IN RAISING FUNDS THROUGH THE SUKUK, WHICH IS IN FACT THE FIRST A.A.A. RATED PAPER FROM THE MIDDLE EAST. WHILE THE I.D.B. HAS SUPPORTED THE SUKUK ISSUANCE OF BAHRAIN AND QATAR, IT COULD ALSO PARTICIPATE MORE ACTIVELY IN THE SUKUK ISSUED BY OTHER MEMBER COUNTRIES. SUCH MOBILISATION OF FUNDS, ESPECIALLY FROM THE MORE DEVELOPED MUSLIM COUNTRIES, WILL ALSO PROMOTE THE DEVELOPMENT OF ISLAMIC FINANCIAL AND CAPITAL MARKETS IN SUCH COUNTRIES.

20. I WOULD ALSO LIKE TO SUGGEST THAT I.D.B. RESUSCITATE ITS FOCUS ON PROVIDING SUSTAINABLE AND AFFORDABLE DEVELOPMENT FINANCING TO ENABLE INFRASTRUCTURE TO BE DEVELOPED IN MEMBER COUNTRIES THAT ARE NOT ABLE TO TAP THE INTERNATIONAL MARKETS OR RAISE LONG TERM FUNDING. THIS WILL HELP TO ACHIEVE MORE BALANCED ECONOMIC DEVELOPMENT AND CAPACITY BUILDING.

21. APART FROM RAISING MONEY FROM THE MARKET, THE I.D.B. CAN ALSO LOOK AT INDIGENOUS SOURCES OF FUNDING IN MEMBER COUNTRIES. THIS IS IMPORTANT AS THE FINANCING NEEDS ARE LARGE AND CANNOT BE SATISFIED THROUGH CONVENTIONAL MEANS. FOR INFRASTRUCTURE FINANCING ALONE, IT IS ESTIMATED THAT THE I.D.B. MEMBER COUNTRIES WOULD REQUIRE ABOUT 741 BILLION U.S. DOLLARS OVER THE NEXT TEN YEARS. IN THIS RESPECT, THE I.D.B. COULD ESTABLISH AN O.I.C. INFRASTRUCTURE BOND FUND, TO WHICH THE CENTRAL BANKS OF O.I.C. MEMBER COUNTRIES COULD CONTRIBUTE, AND WHICH COULD THEN BE UTILISED FOR INFRASTRUCTURE PROJECTS IN O.I.C. MEMBER COUNTRIES.

22. ANOTHER APPROACH IS FOR O.I.C. COUNTRIES TO REVITALISE THE ROLE OF ZAKAT AND WAQAF INSTITUTIONS IN MUSLIM SOCIETIES TO ADDRESS THE ISSUE OF POVERTY AND ECONOMIC DEVELOPMENT IN MUSLIM COUNTRIES. THEY COULD

ALSO CONSIDER INTERNATIONALISING ZAKAT AND WAKAF TO ALLEVIATE SUFFERING AND TO EMPOWER THE UMMAH. WE COULD ESTABLISH A WAKAF FUND, TO BE CALLED THE UNIVERSAL MUSYARAKAH FUND, WHICH CAN BE MODELED AS A DEVELOPMENT AID FUND. THIS FUND WILL ENABLE THE POOLING OF RESERVES OF MUSLIM COUNTRIES FOR INVESTMENT IN ISLAMIC FINANCIAL MARKET INSTRUMENTS.

HONOURABLE GOVERNORS, LADIES AND GENTLEMEN,

23. LET ME NOW DWELL ON MY SECOND THEME, ISLAMIC FINANCE AS A COMPETITIVE ADVANTAGE. THE DEVELOPMENT OF ISLAMIC FINANCIAL INFRASTRUCTURE IS YET ANOTHER AREA THAT REQUIRES THE SERIOUS ATTENTION OF THE I.D.B.. WE HAVE SPENT THE LAST FOUR DECADES SUCCESSFULLY INTRODUCING ISLAMIC FINANCIAL SYSTEMS IN OUR INDIVIDUAL ECONOMIES. THIS HAS BEEN DONE THROUGH VARIOUS METHODS AND APPROACHES, EACH SUITED FOR THE INDIVIDUAL NEEDS OF EACH MUSLIM COMMUNITY OR NATION. OF THE 57 OIC COUNTRIES, 28 COUNTRIES HAVE SOME FORM OF ISLAMIC BANKING, RANGING FROM SINGLE ISLAMIC BANKING SYSTEMS TO DUAL BANKING SYSTEMS.

24. IT IS NOTABLE THAT INVESTOR CONFIDENCE IN THE ISLAMIC FINANCIAL MARKETS HAS REMAINED STRONG, WITH SUSTAINED GROWTH OF 10 TO 15 PERCENT PER ANNUM. HOWEVER, AFTER FOUR DECADES OF DEVELOPMENT, THE ISLAMIC FINANCIAL SYSTEM IN MUSLIM COUNTRIES STANDS ON THE THRESHOLD OF ITS NEXT PHASE OF DEVELOPMENT TO ENSURE FURTHER GROWTH AND PROSPERITY.

25. IT IS NOT JUST AN ARTICLE OF FAITH FOR ME THAT THE ISLAMIC FINANCIAL SYSTEM IS SUPERIOR TO THE CONVENTIONAL SYSTEM IN MANY WAYS. THE ISLAMIC SYSTEM IS A JUST AND EQUITABLE SYSTEM THAT PROMOTES WIN-WIN RELATIONSHIPS BETWEEN ECONOMIC AGENTS. FOR EXAMPLE, THE RELATIONSHIP BETWEEN FINANCIERS AND USERS OF CAPITAL IS BASED ON CO-OPERATION AND THE EQUITABLE SHARING OF RISKS AND REWARDS. IT ABHORS OPPRESSIVENESS AS WELL AS ADVERSARIAL AND ASYMMETRIC RELATIONSHIPS. IT IS MEANT TO BE EFFICIENT IN WEALTH DISTRIBUTION. PERHAPS MORE IMPORTANTLY, THE SYSTEM DEMANDS THAT CAPITAL BE USED FOR PRODUCTIVE PURPOSES, WHILE ABHORING THE HOARDING OF CAPITAL RESOURCES.

26. THE ULTIMATE OBJECTIVE OF THE ISLAMIC FINANCIAL SYSTEM, BOTH DOMESTICALLY AND INTERNATIONALLY, IS TO DESIGN AND PUT IN PLACE AN ECONOMIC SYSTEM SUPPORTIVE OF ECONOMIC JUSTICE. WE HAVE THE COMPETITIVE ADVANTAGE TO DO IT BECAUSE ISLAMIC VALUES ARE ROOTED IN VIRTUE AND JUSTICE. OF COURSE, TO ACHIEVE THE OBJECTIVE OF ISLAMIC FINANCE AS A COMPETITIVE ADVANTAGE WILL REQUIRE A RADICAL ALTERING OF THE DOMINANT CULTURE AND THE RESTRUCTURING OF MANY IMPORTANT INSTITUTIONS.

27. AS A COUNTRY THAT HAS SPEARHEADED SEVERAL INITIATIVES FOR THE DEVELOPMENT OF ISLAMIC FINANCE, MALAYSIA IS PERHAPS WELL POSITIONED TO CONTRIBUTE TO CAPACITY BUILDING AND INSTITUTIONAL DEVELOPMENT OF GLOBAL ISLAMIC FINANCE, BY LEVERAGING ON OUR EXPERTISE, EXPERIENCE AND KNOWLEDGE. IN THIS REGARD, THE INTERNATIONAL FINANCIAL SERVICES BOARD AND THE I.D.B. HAVE TAKEN THE INITIATIVE TO CHART A 10-YEAR MASTER PLAN FOR THE ISLAMIC FINANCIAL SERVICES INDUSTRY. THE MASTER PLAN COULD BE THE CATALYST FOR THE FURTHER DEVELOPMENT OF A WELL-STRUCTURED GLOBAL ISLAMIC FINANCIAL SYSTEM, BUT KEY IN ALL OUR EFFORTS IS A WILLINGNESS TO WORK TOGETHER ON THE STANDARDS AND THE MEASURES TO BE PUT IN PLACE. ALL OUR PLANS WILL COME TO NAUGHT IF WE CHOOSE TO ACT ALONE OR GO OUR SEPARATE WAYS, WITHOUT REFERENCE TO THE AGREED-UPON GOALS AND TEMPLATES EMBODIED IN THE 10-YEAR MASTER PLAN.

HONOURABLE GOVERNORS, LADIES AND GENTLEMEN,

28. THE DEVELOPMENT OF HUMAN CAPITAL AND RESEARCH AND DEVELOPMENT, MY THIRD THEME, IS ABSOLUTELY CRUCIAL FOR THE DEVELOPMENT OF MUSLIM ECONOMIES. IN THE CURRENT ENVIRONMENT OF RAPID CHANGE, COUPLED WITH THE ADVENT OF TECHNOLOGY, THE I.D.B. NEEDS TO ENSURE THAT IT HAS THE CAPACITY AND CAPABILITY TO DELIVER EFFECTIVELY TO MEET THE NEEDS OF MEMBER COUNTRIES. IN THIS REGARD, THE I.D.B. MUST IMPROVE ITS PROFESSIONAL STAFF CAPACITY TO UNDERTAKE THE INCREASINGLY CHALLENGING ROLES AND RESPONSIBILITIES REQUIRED OF IT. THIS WILL ENABLE THE I.D.B. TO CONDUCT DIALOGUES WITH MEMBER GOVERNMENTS AND PROVIDE SOUND POLICY ADVICE IN ENSURING THE SUCCESSFUL IMPLEMENTATION OF PROJECTS. AT THE SAME TIME, ACCOUNTABILITY AND FOCUS ON RESULTS SHOULD BE THE GOVERNING PRINCIPLES FOR ALL STAFF.

29. FOR ECONOMIC PROSPERITY TO BE WIDELY SHARED, IT MUST BE FOUNDED UPON PROGRESS IN THE AREAS OF RESEARCH AND INNOVATION AS WELL AS HUMAN AND INSTITUTIONAL CAPACITY BUILDING. THERE IS A NEED, THEREFORE, TO DEVELOP CLEAR AND COMPREHENSIVE STRATEGIES THAT WILL FOSTER THE DEVELOPMENT OF HUMAN CAPITAL VIA EDUCATION, TRAINING AND INFUSION OF NEW TECHNOLOGIES. AMONG DEVELOPING COUNTRIES TODAY, A MAJORITY OF ISLAMIC COUNTRIES INCLUDED, THERE REMAINS A DEARTH OF TECHNICAL, PROFESSIONAL AND MANAGERIAL TALENT AND SKILLS, ALL SO ESSENTIAL AND CRITICAL IN DELIVERING DEVELOPMENT.

30. I BELIEVE THAT HUMAN CAPACITY BUILDING MUST BE ACCORDED THE HIGHEST PRIORITY IN THE DEVELOPMENT EFFORTS OF ALL MUSLIM COUNTRIES. IT MUST BE INTEGRATED WITH THE OVERALL ECONOMIC AND SOCIAL DEVELOPMENT STRATEGIES, WHILE ADHERING CLOSELY TO THE TEACHINGS OF ISLAM.

31. GREATER AND IMPROVED COOPERATION IS ALSO NEEDED IN OUR EFFORTS TO BUILD A SUSTAINABLE POOL OF HUMAN CAPITAL AMONG AND WITHIN THE ISLAMIC NATIONS. IN THIS REGARD, ISLAMIC COUNTRIES SHOULD LEVERAGE ON THE ORGANISATIONS THAT ARE ALREADY AVAILABLE TO US, SUCH AS THOSE

WITHIN THE I.D.B. AND THE O.I.C.. BY ENHANCING PARTNERSHIPS VIA THE EXISTING INSTITUTIONS, MEMBER STATES WILL BE ABLE TO PROVIDE ALL KINDS OF TRAINING AND EDUCATION TO BRIDGE THE KNOWLEDGE AND SKILLS GAP AMONG OUR PEOPLES AND COMMUNITIES. THROUGHOUT THE O.I.C. COMMUNITY, MUCH PROGRESS IN THE AREA OF INSTITUTIONAL AND HUMAN CAPACITY BUILDING HAS BEEN MADE, BUT STILL MORE CAN AND NEEDS TO BE DONE. IN PARTICULAR, MUSLIM ACADEMICS, PROMINENT BUSINESS LEADERS AND TECHNICAL EXPERTS SHOULD BE INVITED TO EXPAND OUR POOL OF KNOWLEDGE AND RESEARCH IN THE AREAS OF ISLAMIC ECONOMICS AND DEVELOPMENT, BANKING AND FINANCE.

32. THE I.D.B.'S ROLE SHOULD ALSO BE THAT OF AN ENABLER IN CREATING A CONDUCIVE ENVIRONMENT FOR MEMBER COUNTRIES TO ENGAGE IN CAPACITY BUILDING AND INSTITUTIONAL DEVELOPMENT, PRIOR TO THE CHANNELING OF FUNDS. IN THIS REGARD, I BELIEVE THAT THE CAPACITY BUILDING PROGRAMME FOR THE O.I.C. WHICH I RECENTLY LAUNCHED IN PUTRAJAYA IS A STEP IN THE RIGHT DIRECTION. THE PROGRAMME OPERATES BY FORGING STRATEGIC PARTNERSHIPS BETWEEN GOVERNMENTS, THE I.D.B., THE PRIVATE SECTOR AND THE LOCAL COMMUNITY ORGANISATIONS WITHIN THE O.I.C.. THE ECONOMIC-RELATED PROJECTS IN PHASE ONE AND TWO OF THE PROGRAMME WOULD ALLOW MEMBER COUNTRIES, WITH THE ASSISTANCE OF THE I.D.B. AND OTHER O.I.C. MEMBER COUNTRIES, TO BUILD THEIR OWN CAPACITIES IN IDENTIFIED SECTORS. I CALL UPON ALL I.D.B. MEMBER COUNTRIES TO SUPPORT AND ASSIST THIS CAPACITY BUILDING PROGRAMME, TO REALISE ITS LARGER OBJECTIVES.

33. THERE IS ALSO A NEED FOR SHARING OF EXPERTISE AMONG I.D.B. MEMBER COUNTRIES AND FOR PROVIDING FUNDING FOR TRAINING AND DEVELOPMENT PROGRAMMES TO CREATE A POOL OF MUSLIM CAPITAL MARKET PROFESSIONALS. IN THIS REGARD, MALAYSIA WOULD LIKE TO OFFER ITS ASSISTANCE, THROUGH THE SECURITIES INDUSTRY DEVELOPMENT CENTRE, IN DEVELOPING CAPACITY BUILDING PROGRAMMES IN RELATION TO THE ISLAMIC CAPITAL MARKET, INCLUDING BY WORKING TOGETHER WITH I.D.B.'S ISLAMIC RESEARCH AND TRAINING INSTITUTE AND OTHER I.D.B. MEMBER COUNTRIES.

HONOURABLE GOVERNORS, LADIES AND GENTLEMAN,

34. I WISH TO TAKE THE OPPORTUNITY AT THIS POINT TO COMMEND THE I.D.B. FOR ASSISTING DISASTER-STRICKEN COUNTRIES, BEYOND THE CALL OF DUTY. I NOTE PARTICULARLY ITS COLLABORATION WITH THE O.I.C., ESPECIALLY IN ALLOCATING 145 MILLION U.S. DOLLARS TO UNDERTAKE VARIOUS PROJECTS, PARTICULARLY FOR THE BENEFIT OF THE ORPHANS IN THE TSUNAMI-AFFECTED COUNTRIES. MY PROPOSAL THAT THE O.I.C. SHOULD ADOPT CHILDREN WHO ARE VICTIMS OF THE TSUNAMI DISASTER HAS BEEN WELL RECEIVED. THE O.I.C. AND I.D.B. ARE CURRENTLY ASSISTING IN THE ESTABLISHMENT OF A FUND TO ENABLE FAMILIES IN INDONESIA TO TAKE THE ORPHANED VICTIMS AS ADOPTED CHILDREN. ON 30TH MARCH 2005, THE I.D.B. PRESIDENT, DR. AHMAD MOHAMED ALI LAID THE FOUNDATION STONE FOR THE FIRST ORPHAN CARE CENTRE IN ACEH, INDONESIA. IT IS MY FERVENT HOPE THAT THE I.D.B. WILL MAKE EVERY EFFORT

TO ENSURE THAT THE TARGET GROUPS FULLY BENEFIT FROM THE ASSISTANCE GIVEN.

35. AS A FINAL NOTE, I WISH TO THANK THE GOVERNORS, THE MANAGEMENT, THE EXECUTIVE DIRECTORS, THE STAFF AND ALL THOSE WHO HAVE HELPED TO LAY THE GROUNDWORK FOR THIS IMPORTANT MEETING. I AM CONFIDENT THAT THE DELIBERATIONS AND DECISIONS OF THIS ANNUAL MEETING IN MALAYSIA WILL HAVE A PROFOUND IMPACT ON DEEPENING ECONOMIC COOPERATION AMONG THE ISLAMIC COUNTRIES AND BEING ABLE TO ENHANCE THE SOCIAL AND ECONOMIC STATUS OF MEMBER COUNTRIES, RANGING FROM SURINAM IN SOUTH AMERICA TO INDONESIA IN SOUTH EAST ASIA. WE ARE, I BELIEVE, ON THE RIGHT PATH, BUT WE MUST CONTINUE TO BUILD-UPON PREVIOUS EFFORTS AND NOT – EVEN FOR AN INSTANT – LOSE SIGHT OF OUR LARGER GOAL OF RAISING THE DIGNITY AND WELL-BEING OF MUSLIMS THROUGHOUT THE WORLD. THERE MAY BE SACRIFICES TO BE MADE, BUT WE SHOULD BE READY TO MAKE THEM FOR THE GOOD OF OUR MUSLIM BROTHERS AND SISTERS, AND FOR THE SAKE OF GREATER PEACE, SECURITY AND PROSPERITY IN THE WORLD.

THANK YOU. ASSALAMUALAIKUM WARAHAMATULLAHI WABARAKATUH.