

**SPEECH BY  
YAB DATO' SERI ABDULLAH BIN HAJI AHMAD BADAWI  
AT O.I.C. HUMAN CAPITAL MANAGEMENT CONFERENCE 2006  
AT MAGELLAN SUTERA HARBOUR RESORT, KOTA KINABALU, SABAH  
23 NOVEMBER 2006**

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BISMILLAHIR RAHMANIR RAHIM

ASSALAMUALAIKUM WARAHMATULLAHI WABARAKATUH AND GOOD AFTERNOON

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EXCELLENCIES

DISTINGUISHED GUESTS

LADIES AND GENTLEMEN

1. IT GIVES ME GREAT PLEASURE TO BE HERE AT THIS "O.I.C. HUMAN CAPITAL MANAGEMENT 2006 CONFERENCE", AND BE ABLE TO ADDRESS THIS GATHERING OF SENIOR GOVERNMENT OFFICIALS, SCHOLARS AND PRACTITIONERS IN THE FIELD OF HUMAN CAPITAL DEVELOPMENT. AS CHAIR OF THE O.I.C., I AM PLEASED TO SEE MANY REPRESENTATIVES OF MEMBER COUNTRIES CONVENING TOGETHER HERE IN KOTA KINABALU TO DISCUSS THIS VERY IMPORTANT ISSUE OF HUMAN CAPITAL MANAGEMENT.

2. I SEE THIS CONFERENCE AS BOTH CRITICAL AND TIMELY GIVEN THE IMPORTANCE OF HUMAN CAPITAL DEVELOPMENT IN TURNING OUT PRODUCTIVE MEMBERS OF THE WORKFORCE TO PROPEL A NATION'S ECONOMIC GROWTH AND DEVELOPMENT. I ALSO SEE THIS CONFERENCE AS AN IMPORTANT OPPORTUNITY TO FOSTER EVEN CLOSER COLLABORATION AND STRATEGIC TIES AMONG MEMBER COUNTRIES.

3. I AM CONFIDENT THAT THE DISCUSSIONS TAKING PLACE OVER THE NEXT TWO DAYS WILL PROVIDE IMPORTANT FEEDBACK TO GOVERNMENTS OF O.I.C. MEMBER COUNTRIES. THIS WILL ALLOW THEM TO IMPLEMENT APPROPRIATE INITIATIVES AND HELP THEM STRENGTHEN THEIR HUMAN CAPITAL EFFORTS IN THEIR RESPECTIVE COUNTRIES. INDEED, A STRONGER, MORE DYNAMIC HUMAN CAPITAL

BASE WILL HELP ENSURE SUSTAINABLE AND ROBUST ECONOMIC DEVELOPMENT FOR O.I.C. MEMBER COUNTRIES, THUS SECURING FOR THE O.I.C. A MORE INFLUENTIAL VOICE IN INTERNATIONAL AFFAIRS.

LADIES AND GENTLEMEN

4. AS WE ARE ALL UNDOUBTEDLY AWARE, THE WORLD ECONOMY IS UNDERGOING A REVOLUTIONARY STRUCTURAL CHANGE. THERE HAS BEEN A SHIFT IN THE DRIVERS OF GROWTH AND WEALTH CREATION — FROM COMMODITIES TO KNOWLEDGE; FROM THE TANGIBLE TO THE INTANGIBLE. THE TRADITIONAL DRIVERS OF ECONOMIC GROWTH AND WEALTH CREATION — LAND, LABOUR AND CAPITAL —HAVE RECEDED IN IMPORTANCE TO BE REPLACED BY KNOWLEDGE, TECHNOLOGY AND INNOVATION AS THE KEY DRIVERS OF ECONOMIC GROWTH AND WEALTH CREATION. TODAY, TO BE DEVELOPED MEANS HAVING THE ABILITY TO HARNESS EXISTING KNOWLEDGE; CREATE AND INNOVATE NEW TECHNOLOGIES; AND UTILISE PRODUCTIVE, COST-SAVING TECHNOLOGIES SUCH AS INFORMATION AND COMMUNICATIONS TECHNOLOGY (I.C.T.).

5. HOWEVER, THE ABILITY TO DO PRECISELY THESE THINGS DEPENDS ON THE QUANTITY AND QUALITY OF HUMAN CAPITAL AVAILABLE IN A COUNTRY. HUMAN CAPITAL, LADIES AND GENTLEMEN, REPRESENTS THE KNOWLEDGE, POTENTIAL, DRIVE, SKILLS AND ALL OTHER ESSENTIAL ATTRIBUTES THAT IS EMBODIED IN INDIVIDUALS. THUS, IT COMES AS NO SURPRISE THAT HUMAN CAPITAL DEVELOPMENT — THE CONTINUOUS ENHANCEMENT OF PEOPLE'S KNOWLEDGE, SKILLS AND VALUES — ARE AMONG THE MOST IMPORTANT PREREQUISITES TO MEETING THE CHALLENGES OF THE 21ST CENTURY.

6. I AM PLEASED TO NOTE THAT THE THEME CHOSEN FOR THIS CONFERENCE IS "DEVELOPING TALENT AND PERFORMANCE DEVELOPMENT: A LEAP FORWARD". IN THIS THEME, OUR MISSION AND APPROACH TOWARDS HUMAN CAPITAL DEVELOPMENT BECOME EVIDENTLY CLEAR. FIRST, WE MUST ADDRESS THE FUNDAMENTAL ISSUE OF DEVELOPING THE RAW BASE OF HUMAN CAPITAL; MAKING SURE THAT THE EDUCATION SYSTEM CHURNS OUT QUALITY PEOPLE THAT ARE EQUIPPED WITH THE NECESSARY SKILLS, KNOWLEDGE AND VALUES TO BE ABLE TO COMPETE IN THE GLOBAL ECONOMY. SECOND, WE MUST ADDRESS THE MORE ADVANCED ISSUE OF ENSURING THAT THE PERFORMANCE OF HUMAN CAPITAL IS ALWAYS AT ITS PEAK. FOR FIRMS, THIS MEANS RAISING PRODUCTIVITY. FOR COUNTRIES, THIS MEANS ENSURING THAT THE FRONTIERS OF KNOWLEDGE AS WELL AS THE SKILLS LEVEL OF THE POPULATION ARE CONSTANTLY BEING PUSHED FURTHER OUT AND HIGHER UP, RESPECTIVELY.

7. WHILE THE NEED FOR HUMAN CAPITAL DEVELOPMENT IS NOW MORE READILY APPARENT, WHAT IS LESS APPARENT ARE THE APPROPRIATE METHODS AND POLICIES THAT SHOULD BE ADOPTED TO ADVANCE HUMAN CAPITAL DEVELOPMENT. INDEED, THERE IS AN URGENT NEED FOR COUNTRIES TO IDENTIFY APPROPRIATE HUMAN CAPITAL DEVELOPMENT STRATEGIES IN THIS HIGHLY COMPETITIVE GLOBAL MARKETPLACE. THIS IS ESSENTIALLY THE "LEAP FORWARD" IN THINKING THAT WE NEED TO MAKE IF WE, AS INDIVIDUAL COUNTRIES, OR AS AN ECONOMIC AND POLITICAL GROUP, ARE TO SURVIVE, AND INDEED FLOURISH, IN THE YEARS TO COME.

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8. IN ORDER TO SUCCESSFULLY ADDRESS NEW CHALLENGES, IT IS IMPERATIVE THAT COUNTRIES — ESPECIALLY DEVELOPING ONES — BEGIN TO READJUST THEIR HUMAN CAPITAL DEVELOPMENT POLICIES. I HOPE THAT THIS CONFERENCE WILL TAKE THE OPPORTUNITY TO DISCUSS THESE ISSUES IN GREATER DETAIL. IN ORDER TO PROVIDE YOU WITH SOME FOOD FOR THOUGHT, ALLOW ME TO HUMBLLY SHARE WITH YOU WHAT I THINK ARE SOME OF THE KEY ISSUES IN IMPROVING HUMAN CAPITAL MANAGEMENT IN O.I.C. MEMBER COUNTRIES.

9. TAKING UP FROM MY EARLIER POINT, I BELIEVE THAT THE FIRST PRIORITY OF O.I.C. MEMBER COUNTRIES MUST BE THE DEVELOPMENT OF ITS HUMAN CAPITAL BASE. AS ALL OF US REALISE, HUMAN CAPITAL IS NURTURED AND AMASSED THROUGH EDUCATION AND TRAINING. THUS, IN ORDER TO DEVELOP A SOLID HUMAN CAPITAL BASE, A NATIONAL EDUCATION AND TRAINING SYSTEM MUST BE IN PLACE — ONE THAT FOCUSES ON EQUIPPING PEOPLE WITH THE SKILLS AND MINDSET THAT MAKE THEM PRODUCTIVE IN THE WORKFORCE. AT THE BASIC LEVEL, THIS INCLUDES SUCH “FUNCTIONAL SKILLS” AS LANGUAGE, MATHEMATICS AND INCREASINGLY, SKILLS TO UTILISE I.C.T.. THE SYSTEM MUST ALSO BE FLEXIBLE ENOUGH TO TAKE INTO CONSIDERATION THE SPECIFIC SKILLS NEEDED BY INDUSTRIES AND OTHER EMPLOYERS TOO. THEREFORE, AT THE TERTIARY LEVEL, GREATER UNIVERSITY-INDUSTRY LINKAGES IS CRUCIAL, ESPECIALLY AT THE CURRICULUM DESIGN, DELIVERY AND ASSESSMENT STAGE. MOREOVER, UNIVERSITY-INDUSTRY LINKAGES ARE ALSO PIVOTAL IN FURTHER DEVELOPING THE FIELD OF RESEARCH AND DEVELOPMENT (R&D), WHICH IS A BASIC REQUIREMENT TO INCREASE A COUNTRY’S INNOVATIVE CAPACITY.

10. SADLY, THE POTENTIAL FOR ACCELERATING DEVELOPMENT IN MOST MUSLIM COUNTRIES IS BEING HELD BACK BY THE LOW PRIORITY ACCORDED TO THE DEVELOPMENT OF HUMAN CAPITAL, SKILLS AND CAPACITIES. ALTHOUGH SOME MUSLIM COUNTRIES ARE AMONG THE RICHEST NATIONS IN THE WORLD, MANY MUSLIM COUNTRIES FACE SERIOUS POLITICAL, ECONOMIC AND SOCIAL PROBLEMS. OF THE 57 O.I.C. MEMBER COUNTRIES, 27 ARE CLASSIFIED BY THE WORLD BANK AS LOW-INCOME COUNTRIES, WITH PER CAPITA ANNUAL INCOME OF LESS THAN 765 U.S. DOLLARS. POVERTY AND ILLITERACY STILL PREVAIL IN MANY PARTS OF THE MUSLIM WORLD, AND MANY MUSLIM COUNTRIES HAVE TO RELY ON FOREIGN ASSISTANCE.

11. INDEED, WITH FEW EXCEPTIONS, THE MAJORITY OF MUSLIM COUNTRIES CONTINUE TO BE TECHNOLOGICALLY BACKWARD AND INVEST LITTLE IN EDUCATION, ESPECIALLY IN SCIENCE AND TECHNOLOGY. FOR EXAMPLE, THE ARAB HUMAN DEVELOPMENT REPORT 2003 CHARACTERISED THE VARIOUS EDUCATION SYSTEMS IN THE ARAB WORLD AS CONSISTING OF OUTDATED CURRICULA, UNQUALIFIED TEACHERS, SUB-STANDARD FACILITIES AS WELL AS INEFFICIENT INSTITUTIONS AND POLICIES.

12. THE STATISTICS IN THE AREA OF HIGHER EDUCATION ARE EVEN MORE DISTURBING. FOR EXAMPLE, O.I.C. MEMBER COUNTRIES HAVE A MERE AVERAGE OF TEN UNIVERSITIES EACH, WITH A TOTAL OF LESS THAN 600 UNIVERSITIES FOR THE ENTIRE 1.3 BILLION MUSLIM PEOPLE. IT IS ALSO HIGHLY UNLIKELY THAT THESE UNIVERSITIES HAVE GOOD LINKAGES WITH INDUSTRY OR WITH EMPLOYER GROUPS. MOREOVER, COMPARED TO THE RATIO OF 3,000 SCIENTISTS PER MILLION POPULATION IN WESTERN COUNTRIES, O.I.C. COUNTRIES CAN COUNT

LESS THAN 50 SCIENTISTS PER MILLION POPULATION. CLEARLY, THERE IS A PRESSING NEED TO STRENGTHEN THE NATIONAL EDUCATION SYSTEM IN O.I.C. COUNTRIES, SO AS TO ENSURE A SOLID FOUNDATION FOR HUMAN CAPITAL DEVELOPMENT.

13. BESIDES FACING CRITICAL ISSUES AT THE FOUNDATION STAGE OF HUMAN CAPITAL DEVELOPMENT, MANY O.I.C. MEMBER COUNTRIES ARE ALSO EXPERIENCING A SHORTFALL AT THE MORE ADVANCED STAGE. THAT IS TO SAY, THEY FACE A SHORTAGE OF HIGHLY QUALIFIED PROFESSIONALS AND TECHNICAL PERSONNEL IN MANY FIELDS. THEREFORE, IN ORDER TO STIMULATE THIS STAGE OF HUMAN CAPITAL, I STRONGLY BELIEVE THAT A COMPREHENSIVE INSTITUTIONAL CAPACITY BUILDING PROGRAM FOR RESEARCH AND DEVELOPMENT (R&D) AND INNOVATION IS NEEDED IN THE O.I.C..

14. IN THIS REGARD, I AM PLEASED TO ANNOUNCE THAT A PILOT PROJECT CALLED "PHASE ONE OF THE O.I.C. CAPACITY BUILDING PROGRAM" HAS BEEN LAUNCHED AT THE INITIATIVE OF THE MALAYSIAN GOVERNMENT. THIS PROJECT WILL BE IMPLEMENTED IN THE THREE LOWEST INCOME O.I.C. MEMBER COUNTRIES. THE 3 PROJECTS IN PHASE ONE ARE:

- CAPACITY BUILDING IN THE PALM OIL INDUSTRY IN SIERRA LEONE;
- EXPLOITATION OF OIL AND MINERAL RESOURCES AND CAPACITY BUILDING IN ADMINISTRATIVE, PLANNING AND MANAGEMENT FUNCTIONS IN MAURITANIA; AND
- DEVELOPMENT OF THE FISHERIES SECTOR IN BANGLADESH.

15. AS A FURTHER STEP, 4 OTHER PROJECTS HAVE BEEN IDENTIFIED TO BE PART OF PHASE TWO OF THE O.I.C. CAPACITY BUILDING PROGRAM. THE 4 PROJECTS ARE:

- CAPACITY BUILDING IN THE PROCESSING AND EXPORT OF MANGO IN GUINEA;
- CAPACITY BUILDING PROJECT IN COMOROS;
- CAPACITY BUILDING ASSISTANCE PROJECT TO VICTIMS OF THE TSUNAMI IN INDONESIA; AND
- POST-TSUNAMI REDEVELOPMENT IN THE MALDIVES.

16. I AM CONFIDENT THAT THESE PROJECTS WILL HELP TO AMELIORATE THE SHORTAGE OF QUALIFIED PROFESSIONALS AND TECHNICAL EXPERTISE IN THESE COUNTRIES. FURTHERMORE, MANY OF THESE PROJECTS ARE SPECIFICALLY TAILORED TO CREATE EXPERTISE IN WHAT CAN BE CONSIDERED NICHE ECONOMIC AREAS. THIS IS ANOTHER WAY IN WHICH WE HOPE TO CREATE ECONOMIC VALUE IN THESE COUNTRIES, BESIDES BUILDING CAPACITY. AS CHAIR OF THE O.I.C., I HOPE THAT THESE PROJECTS WILL SUCCEED AND BECOME A BLUEPRINT FOR INTERNATIONAL COOPERATION IN THE NEW CENTURY. INDEED, IT IS OUR BELIEF THAT THE O.I.C. CAPACITY BUILDING PROGRAMS WOULD BE ABLE TO PROVIDE AN ALTERNATIVE TO THE CONVENTIONAL "NORTH-SOUTH" COOPERATION MODEL AND PROMOTE "SOUTH-SOUTH" COOPERATION AMONG MUSLIM COUNTRIES.

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17. YET ANOTHER NICHE ECONOMIC AREA THAT HOLDS GREAT POTENTIAL FOR DEVELOPMENT IN MUSLIM COUNTRIES IS THE FIELD OF ISLAMIC FINANCIAL SERVICES. INDEED, THE RAPID PACE OF INNOVATION IN THE ISLAMIC FINANCE HAS CREATED STRONG DEMAND FOR SKILLED SPECIALISTS, BOTH IN MALAYSIA

AND IN OTHER PARTS OF THE ISLAMIC WORLD. THEREFORE, I AM PLEASED TO SAY THAT THE MALAYSIAN GOVERNMENT HAS SET UP THE "INTERNATIONAL CENTRE FOR EDUCATION IN ISLAMIC FINANCE" (INCEIF) IN DECEMBER 2005. THE PURPOSE OF ESTABLISHING THE INCEIF IS TO DEVELOP THE MUCH-NEEDED HUMAN CAPITAL IN THE FIELD OF ISLAMIC FINANCE.

18. THE CENTRAL BANK OF MALAYSIA — BANK NEGARA MALAYSIA — HAS ALLOCATED 500 MILLION RINGGIT (APPROXIMATELY 130 MILLION U.S. DOLLARS) AS AN ENDOWMENT FUND FOR THE INCEIF. WE CONSIDER THIS OUR CONTRIBUTION TO FILL THE GROWING EDUCATIONAL NEEDS OF THE GLOBAL ISLAMIC COMMUNITY. IT IS THUS OUR SINCERE HOPE THAT INCEIF WILL EVENTUALLY BECOME A RENOWNED INTERNATIONAL CENTRE OF EXCELLENCE FOR EDUCATION, TRAINING AND RESEARCH IN THE AREA OF ISLAMIC FINANCE.

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19. NOWADAYS, IT IS NOT ENOUGH TO MERELY DEVELOP ADEQUATE AMOUNTS OF HUMAN CAPITAL. EQUAL, IF NOT MORE, ATTENTION MUST ALSO BE PAID TO MANAGING THIS PROCESS SO THAT THE HUMAN CAPITAL PRODUCED ACTUALLY MEETS THE CURRENT AND FUTURE ECONOMIC, SOCIAL AND POLITICAL NEEDS OF THE COUNTRY. HAVING STRESSED THE IMPORTANCE OF HUMAN CAPITAL DEVELOPMENT, IT IS ALSO IMPORTANT FOR ME TO EMPHASISE THE IMPORTANCE NOT ONLY OF COMMITMENT AND EFFORT, BUT ALSO SOUND JUDGEMENT AND SOUND MANAGEMENT. IN OTHER WORDS, IT IS NOT ONLY NECESSARY FOR US TO DO THE RIGHT THING; IT IS ALSO NECESSARY FOR US TO DO IT RIGHT. IN THE CASE OF HUMAN CAPITAL MANAGEMENT, "DOING IT RIGHT", AS I HAVE MENTIONED ELSEWHERE BEFORE, REQUIRES:

- DOING IT EFFICIENTLY;
- DOING IT PRODUCTIVELY;
- DOING IT WELL; AND
- DOING IT PRAGMATICALLY.

EQUALLY IMPORTANT, WE MUST ENSURE:

- THAT NOT ONLY THAT HUMAN CAPITAL IS DEVELOPED BUT THAT THEY ARE ALSO FULLY MOBILISED AND PRODUCTIVELY DEPLOYED;
- THAT A NATIONAL LEARNING SYSTEM, WITH LIFE-LONG-LEARNING, IS IN PLACE SO THAT HUMAN CAPITAL IS PROGRESSIVELY VALUE-ADDED;
- THAT GOOD GOVERNANCE AND THE INCULCATION OF MORAL AND ETHICAL VALUES IS PRIORITISED.

20. THESE MANAGEMENT PRINCIPLES, I BELIEVE, WILL HELP TO ENSURE THAT THE HUMAN CAPITAL DEVELOPMENT STRATEGIES THAT ARE IN PLACE IN MEMBER COUNTRIES WILL CONTINUE TO GIVE THE BEST RESULTS AND OUTPUT. MORE IMPORTANTLY, THEY WILL HELP TO ENSURE SUSTAINABLE GROWTH OF HUMAN CAPITAL — BOTH IN TERMS OF QUANTITY AND QUALITY. THIS WILL NECESSARILY HELP STIMULATE THE ECONOMIC GROWTH AND WEALTH CREATION POTENTIAL OF A COUNTRY.

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21. BEFORE I END, I WOULD LIKE TO STRESS YET AGAIN THAT THE DEVELOPMENT OF HUMAN CAPITAL IS ONE OF THE MOST IMPORTANT PRIORITIES FOR ALL DEVELOPING NATIONS. AND I DARESAY, IT IS EVEN MORE PRESSING FOR O.I.C. MEMBER COUNTRIES. TO BE ABLE TO COMPETE IN THE GLOBAL ARENA, THE NEED FOR COUNTRIES TO CULTIVATE A KNOWLEDGEABLE, DYNAMIC, INNOVATIVE, AS WELL AS MORALLY AND ETHICALLY-SOUND HUMAN CAPITAL BASE, CANNOT BE OVEREMPHASISED. THEREFORE, I SINCERELY HOPE THAT THIS CONFERENCE WILL BE INSTRUMENTAL IN GENERATING NEW IDEAS, AND IN RAISING THE STANDARDS OF HUMAN CAPITAL MANAGEMENT IN O.I.C. MEMBER COUNTRIES.

22. I WOULD LIKE TO TAKE THIS OPPORTUNITY TO EXPRESS MY APPRECIATION TO THE ORGANISERS OF THIS CONFERENCE — THE SABAH STATE GOVERNMENT, UNIVERSITI MALAYSIA SABAH (U.M.S.), THE MALAYSIAN O.I.C. TRADE CHAMBERS AND THE MALAYSIAN INSTITUTE OF HUMAN RESOURCE MANAGEMENT, FOR SUCCESSFULLY ORGANISING THIS IMPORTANT CONFERENCE.

23. ONCE AGAIN, I WISH ALL OF YOU THE BEST IN YOUR DELIBERATIONS. I AM CERTAIN THAT, GIVEN THE HIGH LEVEL OF COMMITMENT TO IMPROVE AND EXCEL SHOWN TODAY AND IN THE PAST, WE WILL BE ABLE TO FURTHER STRENGTHEN THE ROLE OF THE O.I.C. AS A MULTILATERAL BODY AND RAISE THE STATUS AND VOICE OF ISLAMIC COUNTRIES, FOR THE GLORY AND BENEFIT OF THE UMMAH, INSYA-ALLAH.

24. ON THAT NOTE, IT IS NOW MY PLEASURE AND PRIVILEGE TO DECLARE THE "O.I.C. HUMAN CAPITAL MANAGEMENT CONFERENCE 2006" OFFICIALLY OPEN.

THANK YOU.