ENHANCING EMPLOYABILITY IN OIC COUNTRIES:
THE ROLE OF CAPACITY BUILDING AND MICROFINANCE

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Abstract: The impacts of the recent global economic and financial crisis on unemployment have been substantial in both developed and developing countries, including many OIC member countries. In particular, the already high unemployment rates among young people increased further during and after the crisis and triggered serious social and economic problems. In response to unemployment problem in OIC member countries, this paper highlights the role of capacity building, particularly through vocational education and training (VET) programmes, and the role of microfinance in enhancing employability and employment opportunities. The paper emphasises two key approaches: (1) capability enhancement through developing a compatible vocational education and training (VET) system; and (2) promoting self-employment and income generation through supporting and facilitating the operations of microfinance institutions. Given the financial constraints of microfinance institutions (MFIs), two proposals are suggested for supporting and facilitating the operations of the MFIs with a view to increasing their outreach for generating self-employment: establishing a Microfinance Social Investment Fund (MSIF) and developing an Integrated Waqf-based Islamic Microfinance Model.

Key words: Unemployment, capacity building, microfinance

I. Introduction

It is now beyond contention that the recent global economic and financial crisis was severe by any metric. It left long-lasting harms on real economies in terms of output contractions, large deficits and high unemployment rates. Although the negative impacts of the crisis on the real economy varied widely among countries and regions, the sharp increase in unemployment rates around the world was the common and most severe one.

Much of the discussion on finding solutions to the unemployment problem has centred on the pivotal role of faster economic growth and cuts in real wages. Faster economic growth is viewed as a means of generating more jobs. Cuts in real wages are a reaction to the view that through their demands for higher wages, some groups of workers have priced themselves out of a job. Yet, how much growth and how large a fall in real wages would be required to reduce the size of the unemployment problem both remain matters for debate. A number of other solutions to the unemployment problem have been advanced in the literature. These include policies for reducing the supply of labour such as work sharing, early retirement, and reducing migration. However, these policies have not won a great deal of support among economists.

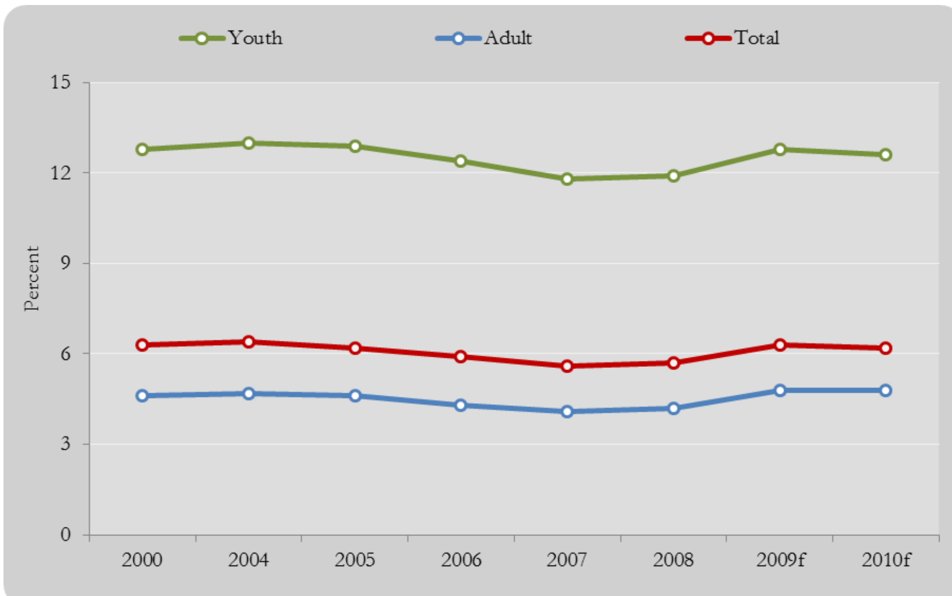
Countries could take other approaches to help reduce their unemployment rates. These approaches include, among others, improving the methods of accumulation and dissemination of information on available jobs through developing a nationwide integrated database of jobs, employers, and available employees. This type of database could reduce the time spent by an average worker on the unemployment roll and thus reduce the unemployment rate. Another important approach is improving the efficient and effective education and training programs provided to young people, with a greater focus on vocational skills. There may also be a role for unemployment programmes that target various groups of jobless persons, such as unemployment programmes aimed at reducing cyclical, frictional, seasonal, and structural unemployment. While some of these programmes aim at preparing people to match the existing jobs, others aim at creating jobs to match the existing skills of workers.

In response to unemployment problem in OIC member countries, this paper focuses on enhancing employability and employment opportunities through promoting capacity building, particularly vocational education and training (VET) programmes and supporting the role of microfinance institutions in job creation, particularly self-employment, and poverty alleviation. It highlights practical approaches that are regarded to be crucial in supporting and enhancing employment opportunities in order to reduce unemployment and avoiding impairment of the skill endowment of labour force. In this context, the paper emphasises two key approaches: (1) capability enhancement through developing a compatible vocational education and training (VET) system; and (2) promoting self-employment and income generation through supporting and facilitating the operations of microfinance institutions.

II. Unemployment Worldwide and in OIC Countries

According to the ILO *Global Employment Trends 2011* report, total global unemployment rate increased from 5.6% in 2007 to 6.3% in 2009, and, despite the modest economic growth in 2010, it was estimated at 6.2%, a rate which is still well above the 5.6% rate in 2007 (Figure 1). Adult unemployment rate (% of labour force age 24 and over) increased from 4.1% in 2007 to 4.8% in 2009 and estimated at the same level in 2010. The report mentioned that an estimated 630 million workers (one out of each five workers in the world) were living with their families at the extreme poverty level of US$ 1.25 a day level in 2009. This included around 40 million more working poor people than what would have been expected in the absence of the global economic crisis. Moreover, an estimated 1.53 billion workers worldwide were in vulnerable employment[1] in 2009, corresponding to a vulnerable employment rate of 50.1%.

Figure 1: World Average Unemployment Rates



Source: ILO, Trends Econometric Models, October 2010

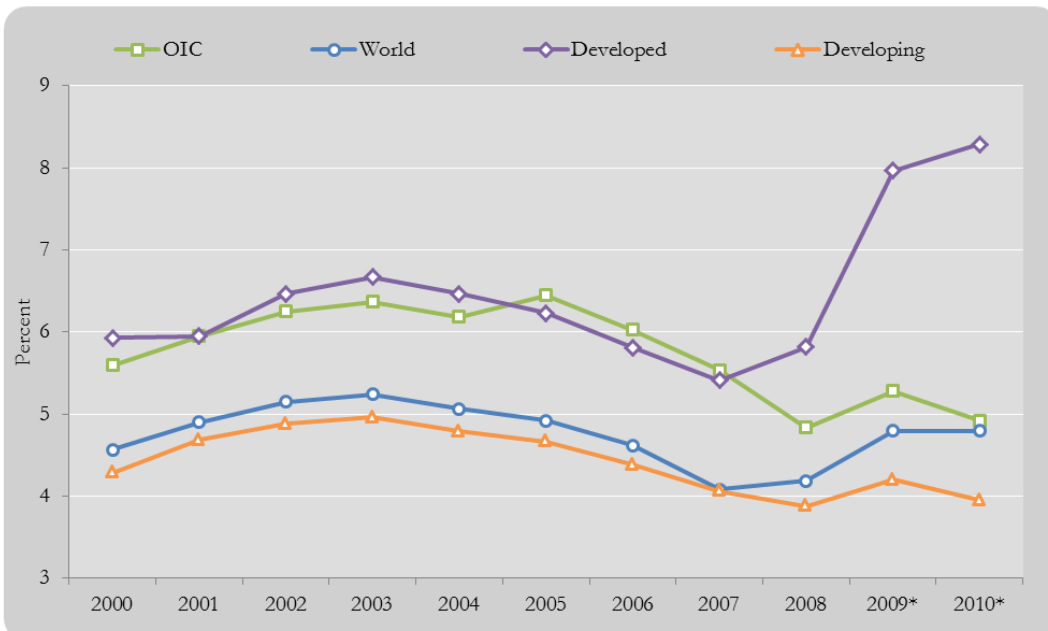
Young people (age 15 to 24 years) faced greater challenges in finding suitable jobs due to the latest global financial crisis. Out of the 620 million economically active youth worldwide, 81 million were unemployed at the end of 2009, the highest number ever reached. The average youth unemployment rate worldwide rose from 11.8% in 2007 to almost 13% in 2009. According to the ILO 2010 report, about 28% of the young workers in the world were in extreme poverty surviving on less than $1.25 per day in 2008.

Though the crisis originated in developed countries, the negative impacts of the crisis were transmitted to developing countries, including the OIC members, and leading to deteriorations in their labour markets. Nonetheless, unemployment rates varied widely among different regions and countries ranging from 4.4% in East Asia to more than 10% in non-EU Central and South-eastern Europe, Commonwealth of Independent States and North Africa, and from 1.6% in Kuwait and 3.5% in Malaysia to 13% in Sudan and 27% in Bosnia and Herzegovina.

[1] The vulnerable employment indicator is one of the official Millennium Development Goals (MDG) employment indicators, under MDC1"Eradicate extreme poverty and hunger". *The "vulnerable employment" indicator, defined as the sum of own-account workers and unpaid family workers, provides valuable insights into trends in overall employment quality, as a high share of workers in vulnerable employment indicates wide-spread informal work arrangements, whereby workers typically lack adequate social protection and social dialogue mechanisms*. (ILO, 2011: 21-22)

Over the last decade, OIC countries had recorded higher average adult unemployment rates compared to the world average and the averages of other developing countries. Yet, these rates were comparable to those recorded by the group of the developed countries until 2007; the starting year of the recent global financial crisis (Figure 2). Average adult unemployment rate in OIC countries decreased from a level above 6% during the period 2001-2006 to below 5% in 2008. However, according to SESRIC staff forecasts, the average adult unemployment rate in OIC countries was estimated at above 5% in 2009 and, with a slight decrease, at 4.8% in 2010, which is almost the same level of 2008. Yet, although this rate was equal to the world average, it was still above the average of the developing countries (3.9%). In contrast, the average adult unemployment rate in developed countries continued to increase and estimated at above 8% in 2010 despite the partial recovery in that year.

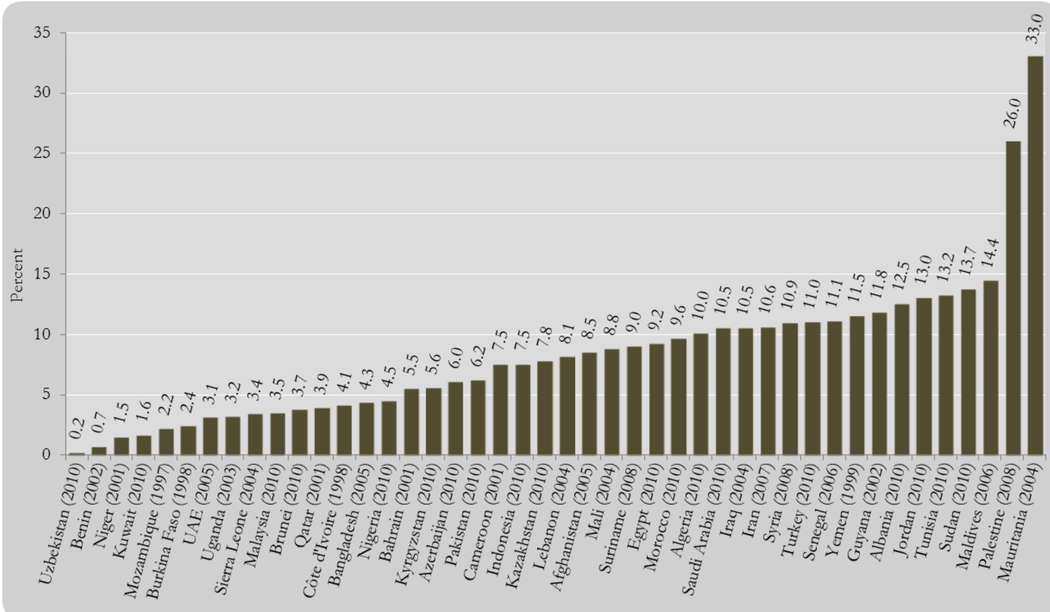
Figure 2: Adult Unemployment Rate (% of Labour Force- over 24 age)



Source: IMF, WEO October 2010. (*) SESRIC staff forecasts for OIC countries and IMF staff forecasts for other groups.

At the individual country level, unemployment rates were varied among OIC countries (Figure 3). Out of the 44 OIC member countries, for which the data are available for various years during the last decade, 15 had recorded unemployment rates lower than the forecasted OIC average of 4.8% in 2010. The unemployment rates in 11 OIC countries were even below the forecasted average of the developing countries of 3.9% in 2010. The unemployed people, for example, constituted less than 1% of total labour force in Uzbekistan and Benin. However, during the last decade, many OIC countries recorded quite high unemployment rates, particularly during and after the crisis. This is clear in some major OIC countries such as Turkey, Indonesia, Iran and Egypt, where unemployment is still a serious concern, with average rates of unemployment ranging between 7% to 11%. Yet again, among the countries, for which the data are available for 2010, Sudan, Tunisia, Jordan, Albania, Saudi Arabia and Algeria recorded unemployment rates ranging between 10 to 14%, representing the severity of the problem.

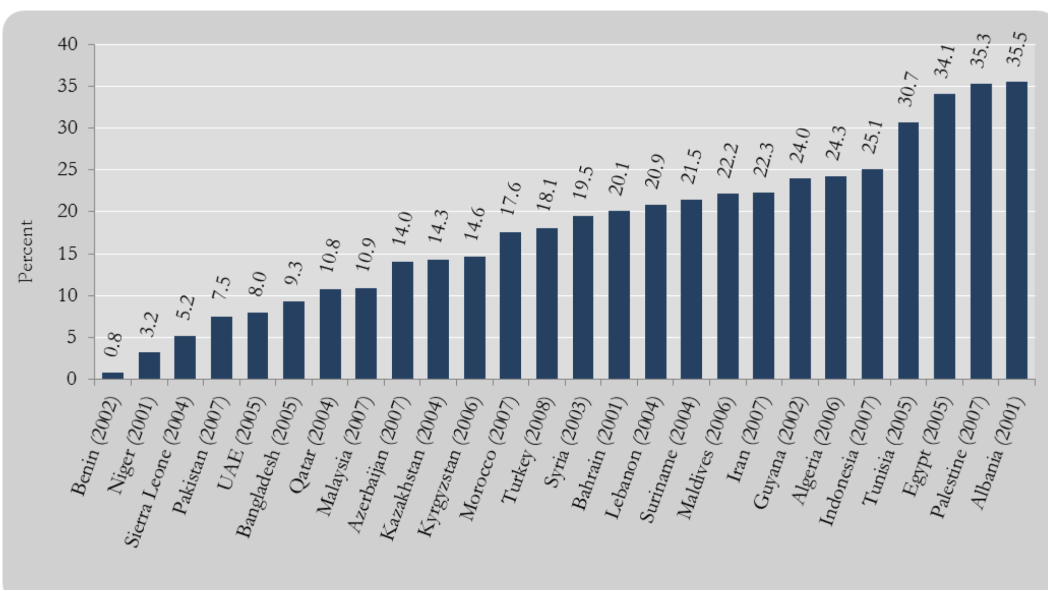
Figure 3: Unemployment Rate (% of labour force) in OIC Member Countries*



Source: IMF, WEO October 2010; World Bank, WDI Online (*) Latest data available

The figures on youth unemployment in OIC countries are even less promising. Despite the limitation of the availability of the data, Figure 4 indicates that in some OIC countries (Tunisia, Egypt, Palestine and Albania) youth unemployment rates reached to more than 30%. During the last decade, youth unemployment rate reached more than 15% in a significant number of OIC countries like Morocco, Turkey, Syria, Iran, Bahrain, Lebanon, Algeria, and Indonesia.

Figure 4: Youth Unemployment Rate in OIC Countries (% of labour force age 15-24)



Source: World Bank, WDI Online

In particular, the Arab countries suffer the highest youth unemployment rates in the world with an average of more than 25% compared to the world average of 12.6%. Average labour force participation rate is only 35% compared to the world average of 52%. For demographic reasons, the Arab region has to create 35 to 40 million jobs in order to only maintain current average unemployment rates. However, in order to reduce the average unemployment rate of the region to the global average and to approach the world average work force participation rate, more than 85 million jobs should be created over the next ten years.[2]

All in all, notwithstanding the extent to which the economies of the OIC countries have been affected by the crisis, it is clear that unemployment is one of the major economic and social problems that is still facing many OIC countries and calling for urgent solutions. It is also clear that great emphasis should be given to young people through promoting their participation into labour market.

Reasons for Unemployment in OIC Countries

The causes of unemployment are varied across countries depending on the prevailing socio-economic and political conditions of each country. In OIC countries, the major causes of unemployment could be summarized as follows:

- Insufficient job creation (shortages of job opportunities): The available jobs do not increase proportionately with the increase in population.
- Skills mismatch: The challenge facing many unemployed workers is the lack of skills for the jobs that are likely to be created as the economy grows. Mismatch between the supply of skills and competencies by the labour force and demand by employers causes structural unemployment.
- Lower productivity: Quite a number of firms in OIC countries are not equipped with information and technology to face fierce competition with their foreign rivals. This causes lower productivity and difficulties in surviving, especially at the times of financial instabilities. As firms close down, employees of those firms would be left unemployed.
- Macroeconomic instability: Uncertainty in economic policy and developments causes insecurity in investment decisions of firms.
- Seasonality: In certain sectors, including tourism and infrastructure, available jobs are restricted to certain seasonal periods. As the seasonal periods are over, those employed in these sectors are usually laid off and they remain unemployed until the next season.
- Technological unemployment: Increasing number of companies are automating their production facilities. Hence, people are replaced by machines, thus leaving a huge pool of people unemployed.
- Conflicts and political instability: Existence of conflicts and political instabilities naturally prevent job creation.

As a result of these structural problems in labour market, the following features of unemployment are common in many OIC countries:

[2] IFC and IDB, "Education for Employment: Realizing Arab Youth Potential", April 2011.

1. High rate of unemployed young educated people: Higher expectations of youth, lack of work experience, low valuation of skills by employers, and inadequate training are all challenges facing millions of unemployed young educated people in finding suitable jobs.
2. Inefficient allocation of educated labour in low productivity sectors: Unproductive use of educated labour leads to deskilling of labour force. This increases the risk of 'brain drain'.
3. Massive female presence in education but insufficient job opportunities for them in labour market: Insufficient vacancies for female population lead to labour market drop-outs or high unemployment.

Labour Market Policies in Times of Crisis

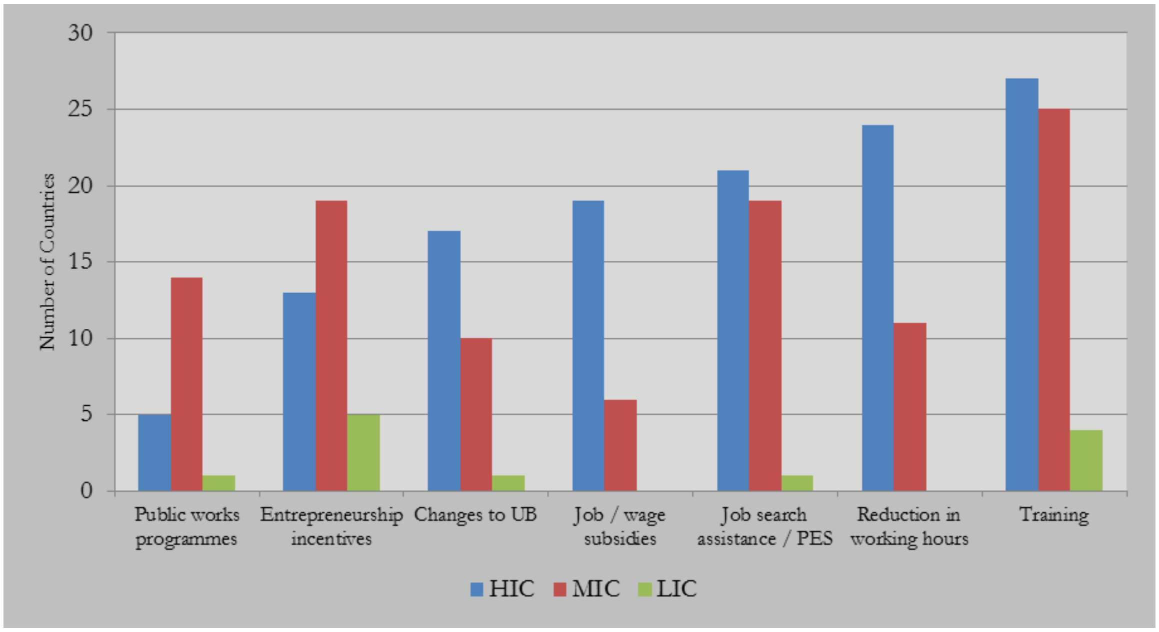
Despite their diversity in terms of geographical location, income, resources, development and political system, OIC countries, as a substantial part of the developing countries, face similar challenges due to the global crisis. The declining productivity and profitability following the crisis trigger reductions in employment, wages, benefits and hours of work. The recovery of labour market generally occurs with a more substantial delay after the recovery in GDP. This threatens the future recovery prospects due to the linkages between the growth of real wages and consumption and also worsens the personal economic and social effects of unemployment. Under these circumstances, contracting the resources allocated for labour market policies can further exacerbate the labour market conditions.

Moreover, unemployment may be also a source of major social anxiety. The costs of unemployment deepen with distresses in meeting basic financial obligations, decline in standards of living, possibility of underemployment (i.e. working in jobs not fitting their skills and qualifications), increased exposure to malnutrition, and physical and psychological diseases. Unemployment may also produce dissatisfied and frustrated individuals who remain involuntarily unproductive. Apart from adding to the economic imbalance of society, this may lead to social problems with increasing probability of crime and civil unrest.

In this context, different policy measures have been employed by the governments of many countries to mitigate the impact of the crisis on their labour markets, particularly to face the challenge of increasing unemployment rates in the times of the crisis. Based on the responses drawn from various studies, ILO (2009) reviews the policy responses in 79 countries (10 of which are OIC member countries[3]) and summarizes the main tools adopted by governments, though this information is incomplete since some policies are only announcements and are thus yet to be implemented (Figure 5). The most commonly used intervention in high-income countries (HIC) is **training** for both those threatened by layoffs and the unemployed (including work experience and apprenticeship initiatives) (27 countries), followed by **work sharing** through **reduction in working hours** (24 countries), **increased resources for public employment services (PES)** including **job search assistance measures** (20 countries), and job/wage subsidies (20 countries). In terms of security provided by passive labour market policies, 17 high-income countries have made changes to **unemployment benefits schemes**.

[3] Bahrain, Bangladesh, Egypt, Indonesia, Jordan, Malaysia, Morocco, Pakistan, Saudi Arabia, Turkey

Figure 5: National Labour Market Policy Responses to the Latest Global Financial Crisis



Source: Labour market policies in times of crisis - ILO, August 2009
HIC = high-income countries; MIC = middle-income countries; LIC = low-income countries

Table 1: Responding to the Crisis through Labour Market Policies: Selected OIC Countries

Labour Market Policies (LMP)	High Income (HIC)	Middle Income (MIC)	Low Income (LIC)
Subsidized and unsubsidized reduction in working hours		Turkey	
Job / wage subsidies and cuts to employer social contributions		Malaysia, Turkey	
Public works programmes including employment guarantee schemes		Indonesia, Malaysia, Pakistan, Turkey	Bangladesh
Job search assistance and improved capacity of public employment services		Malaysia, Pakistan	
Training (including on-the-job training), work experience and apprenticeship programmes	Bahrain, Saudi Arabia	Egypt, Indonesia, Malaysia, Morocco, Pakistan, Turkey	Bangladesh
Entrepreneurship incentives		Indonesia, Malaysia, Pakistan, Turkey	
Changes to unemployment benefit schemes		Jordan	

Source: Labour market policies in times of crisis - ILO, August 2009

Overall, the use of labour market policies (LMPs) in response to the crisis is declining with the income level of countries, which reflects the financial and technical constraints hindering the response of these governments. Nonetheless, a range of policies have been utilized in low (LIC) and middle-income (MIC) countries. As displayed in Figure 4, the most utilized policy response in the MIC group is **training** (with 25 countries) followed by **job search assistance**, **entrepreneurship incentives and public works programmes**. Interestingly, 11 of these countries are using a **reduction in working hours** to support employers in response to the downturn, though not all these interventions are subsidized. There are far fewer low-income countries implementing such policies in response to the crisis. In general, LIC and MIC tend to rely on LMP measures that do not require complex institutional structures and social dialogue.

The policy measures taken by the OIC member countries that are included in the survey are given in Table 1. It is clear that 9 out of the 10 OIC countries included in the survey adopted and/or implemented training (including on-the job training) as a labour market policy response to the crisis. Training was therefore the most frequently used policy measure in response to the crisis with a view to mitigate its impact on employment. In fact, training programmes help labour force to align their skills with the demands in the labour market and keep them employable in the post-crisis period.

III. Capacity Building for Enhancing Employability

Theoretical literature has long acknowledged the importance of human capital accumulation in economic growth and development. Empirical literature also provides strong evidence on the positive impact of education on productivity and growth. A survey of the empirical results conducted by Sianesi and Van Reenen (2000) shows that an overall 1 % increase in school enrolment rates leads to an increase in GDP per capita growth of between 1% and 3%. An additional year of secondary education leads to more than a 1% increase in economic growth each year. At the microeconomic level, there is clear evidence that human capital and productivity are strongly related. The quality of human capital accumulation plays an important role in determining the ability of the society to absorb and use new knowledge and technologies, and thus to increase labour productivity, which is a key factor in promoting long-term economic growth and development.

Human capital accumulation, particularly through vocational education and on-the-job-training (OTJT) for workers with low qualifications, increases productivity and strengthens long-term competitiveness at the firm level. Besides, workers receiving OTJT have been consistently found to earn higher wages (Blundell et al., 1999). Therefore, maintaining and upgrading the skills and competences of the labour force to meet and adapt the continuously changing working environments are crucial for both the employees and employers. The importance of a person's capacity[4] in gaining initial employment, retaining it, or obtaining a new one is particularly substantial for enhancing the employability of the labour force in the economy.

[4] As defined by UNDP, capacity is the "process by which individuals, organizations, and societies develop abilities to perform functions, solve problems, and set and achieve goals premised on ownership, choice, and self-esteem." Capacity building, on the other hand, is the "sustainable creation, retention, and utilization of capacity in order to reduce poverty, enhance self-reliance, and improve people's lives."

The negative shocks to employment due, for example to global economic and financial crises, as was the case in the latest crisis, shrinks job opportunities and thus increases unemployment rates. If necessary and adequate measures are not taken, unemployed workers or those who lost their jobs may lose some of their skills during long unemployment periods. The probability of losing skills is equivalent to the probability of losing job opportunities. In order to facilitate a quick recovery of the job market in times of crisis; it is, therefore, crucial to enhance skills and capabilities of labour force through various approaches of capacity building.

In this context, although labour market conditions are varied significantly in OIC member countries, the following issues and challenges related to capacity building are considered as common in many of these countries: (1) a significant portion the jobs available in many OIC countries are either low-quality informal jobs or formal jobs in the public sector, (2) a weak linkages between education institutions, enterprises and employment offices, (3) the lack and low quality of vocational education and training trap the poor workers in low-skilled, low-productive and low-wage jobs, (4) skills and capabilities of the educated people mismatch the needs of the labour market, (5) difficulties for workers to move between jobs prevent them to find positions suitable to their skills, and (6) unemployment is persistently high for women and young people.

Considering these issues and challenges, this section highlights the importance of capacity building in enhancing employability through vocational education and training (VET) and proposes developing a compatible VET system to deal with labour market peculiarities. It also highlights the capacity building initiatives and programs of the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC).

Capacity Building through Vocational Education and Training (VET)

Vocational Education and Training (VET) is one of the practices that can effectively contribute to capacity building and skill improvement of labour force. The International Labour Organization (ILO) defines vocational training as an activity directed to identifying and developing human capabilities for a productive and satisfying working life. Vocational training activity is an educational activity with both theoretical and practical components. It gives a greater emphasis on the practical side of developing and upgrading technical skills of workers and employees in preparation for a particular job. Therefore, VET could play a vital role in meeting the demand of the current labour market and helping people to increase their chances of securing appropriate jobs. VET programs help unskilled workers or people who are less endowed intellectually to develop their skills and competence to continue in their jobs and/or find new better job opportunities. VET also offers the needed skills for self-employment. All in all, VET gives people chance to increase their capabilities to compete for actual job opportunities. Findings commonly suggest that people, particularly young, who participate in VET experience better employment outcomes compared to people who do not participate in post-school education and training. VET programs have a particularly positive effect on transitions into work for early school leavers as well. The empirical studies show that vocational training significantly increases the likelihood of young people to be employed and get higher earnings compared to those without vocational education and training.

As is the case in unskilled, semi-skilled, small and marginal workers and farmers, there is also massive unemployment among educated people in many OIC countries. Lack of experience and incompatible education put labour force at a disadvantage even when higher economic growth translates into overall increased employment opportunities. The available job opportunities may fail to keep pace with the increasing number of educated and newly graduate job-seekers. In this context, the role of VET in enhancing the capabilities and fitting the labour force to the job market, through facilitating the appropriate matching of supply and demand of skills, is substantial. Therefore, compatible VET systems should be carefully developed, and those who take part in VET programs and activities should be able to understand and influence the working conditions and social environment.

Developing Compatible, Effective and Sustainable VET System

The world economy has been undergoing rapid transformation over the last few decades. Technological innovations, modernization, globalization and regionalization trends, intensified competition in the world markets and privatization are among the factors triggered this transformation. Societies have been, accordingly, experiencing various economic, social, political and cultural changes. These changes have been creating new demands for more adaptable, multi-skilled and creative labour force. In such a setting, people who don't have the ability to develop and improve their skills face difficulties to compete for job opportunities in their society. They cannot easily adapt themselves to the quick changes in labour market. Therefore, measures should be taken to meet the current and future labour market demands with a view to preparing and helping people to increase their chances of securing jobs. Vocational Education and Training (VET) is one of the practical approaches in this regard which deserves serious attention. To enhance the role of VET in alleviating unemployment, it seems necessary to develop compatible, effective and sustainable VET systems to help people, especially youth, to make a responsible and active contribution to their society. The expansion of the opportunities for people to join VET programmes shall draw them closer to the needs of the labour market and thus help them to find their place safely in the labour market.

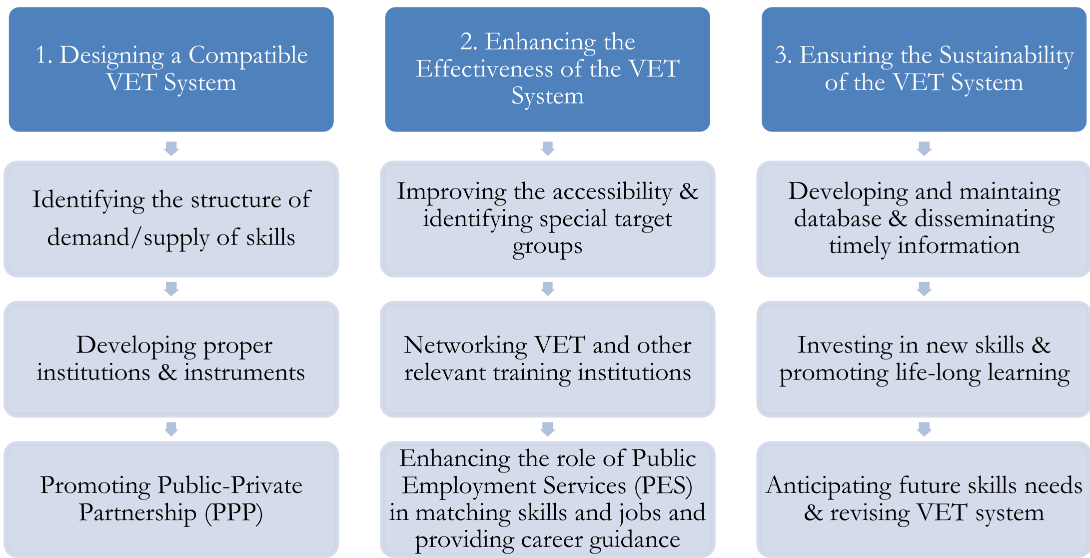
In this connection, a set of measures to be considered in developing and implementing a compatible, effective and sustainable VET system can be proposed, as shown in Figure 6, under the following three main broad actions: (1) designing a compatible VET system, (2) boosting the effectiveness of VET system, and (3) ensuring the sustainability of VET system.

1. Designing a Compatible VET System

The principal issue in designing a compatible VET system is the precise identification and evaluation of the needed and supplied skills in the labour market. The right conception on the labour market and skills utilization is an important prerequisite element for a VET system that is compatible with current and prospective economic policies and goals. The accurate assessment of the needed skills in each sector facilitates the appropriate design of the VET system with a view to enhancing the existing capacities of the labour force accordingly. In so doing, the following measures should be considered:

Identifying the structure of demand/supply of skills: In designing a compatible VET system, the skills needed in the market must be accurately mapped through sketching the qualifications and skills that are assumed to exist in the market under current economic policies, and examining the formation of present and prospective skills needed in public and private sectors. This could be achieved through developing a binding Skill Recognition System (SRS). An efficient SRS helps to identify and verify prior skills and experiences gained at work. Availability of transferable skills makes the shift to new jobs for workers easy and comfortable. An efficient SRS also helps to avoid mismatches of skills and jobs by facilitating the conception on how demand for skills is developing. For effective implementation, proper training institutions and instruments are required.

Figure 6: Developing a Compatible VET System



Developing proper institutions and instruments: Appropriate institutions must be established and adequate instruments must be made available. This could be done through, (1) clarifying the capacity constraints of the existing institutions and the limitations of the training instruments and improving them to provide compatible VET for capability enhancement, (2) updating basic educational curriculum in line with skill and compatibility requirements, (3) identifying and developing the tools needed for the effective provision of training programmes, and (4) upgrading skills and knowledge among teachers and trainers, especially for people serving for a long time.

Promoting Public-Private Partnership (PPP): Promoting effective and efficient public-private sectors partnership increases the applicability and efficiency of the implementing the VET system and its related programmes. In this context, special attention should be given to identifying and utilizing opportunities for PPP to meet capacity building needs of the labour force. In particular, efforts should be made to provide incentives and encourage initiatives for on-the-job-training (OTJT) as the most compatible type of training.

2. Enhancing the Effectiveness of the VET system

To enhance the effectiveness of the VET system, efforts should be made to assess the accessibility and quality of the system and to develop appropriate ways to improve the provision of VET programmes to a wider circle of beneficiaries, including special target groups to secure higher social inclusion. To increase the efficiency and flexibility of the training programmes provided through the VET system, efforts should be made to establish efficient networks among the VET and other relevant training institutions. In this context, it is also important to strengthen the role of Public Employment Services (PES) in matching skills and jobs.

Improving the accessibility and identifying special target groups: To ensure the effectiveness of the VET system, all segments of labour force should have the chance to access to training opportunities and programmes provided by the system. To this end, a regular assessment of the accessibility and quality of the VET system should be undertaken in order to improve the provision of the VET services with a view to focusing on areas where national resources can be utilized more effectively to generate more value-added. In so doing, special attention should be given to the issue of identifying special target groups, such as young people, people in rural areas, and disabled persons.

Networking VET and other relevant training institutions: To avoid duplications in the VET services provided by different public and private institutions and to enhance the effectiveness of the VET system, efforts should be made to establish efficient networks among all VET and other relevant training institutions and enhancing cooperation between educational institutions and companies for appropriate curriculum.

Enhancing the role of PES in matching skills and jobs and providing career guidance: The Public Employment Services (PES) must play a leading role in matching jobs and skills through providing timely information on the declining and emerging jobs as demanded by enterprises. Such information will enhance the effectiveness of the VET institutions through determining the appropriate curriculum and targeting the needed groups and developing career guidance, especially for young people and fresh graduates.

3. Ensuring the Sustainability of the VET System

Overall composition of skills requirements are changing as the job contents are changing with the introduction of new technologies. In order to keep the labour force employable, the right mix of skills must be continuously acquired. That requires developing a database on declining and emerging jobs, providing vocational and career guidance, promoting life-long learning and providing incentives for private initiatives for capability enhancement, and anticipating future skills needs.

Developing and maintaining database and disseminating timely information: Developing and maintaining database and disseminating timely information on jobs, skills, learning and training opportunities is crucial for the sustainability of the compatible VET system. In order to improve employability effectively, it is important to know the composition of the demanded skills when organizing the training programmes. Such a database will also enable labourers to develop and update the necessary capacities and skills they consider as necessary for their productive occupation in the job market.

Investing in new skills and promote life-long learning: New skills are required for labour force to remain employable, but it is also needed by enterprises to remain competitive and retain their workers.

New skills are also important to boost productivity in the recovery from crisis. Accordingly, the sustainability of the VET system should be ensured through: (1) allocating higher investment in VET programmes in new emerging sectors, (2) considering development of skills in informal sector and address their needs to improve productivity, and (3) encouraging firms to utilize and invest in new technologies by making appropriately skilled workers available. It is also important to encourage life-long learning to help workers to remain employable.

Anticipating future skills needs and revising VET system: Anticipation of future skills needs is important for adjusting the VET system and keeping it compatible. To this end, efforts should be made to: (1) ensure good quality data on the respective employment possibilities and related gains associated with different qualification levels (2) adjust the fundamentals of initial education to current and future skills needs, (3) monitor trainees' success on the labour market and share the information with education and training institutions, and (4) provide timely information to all stakeholders about declining and emerging industries and give them chance to make early decision on shifting their sectors.

Moreover, in order to ensure the sustainability of the VET system, it is important to monitor demographic trends and global economic changes. Technological improvements may increase productivity and lead to emergence of new industries. That may create new skills and new jobs, but also cause job losses in declining sectors. Integrating to world economy through international trade offers potential for joining in global production chain, but may also result in significant challenges for domestic industries. In both cases capability enhancement is required to remain competitive.

Capacity Building and VET Programmes: SESRIC Initiatives

Within the framework of its mandate in the area of training and technical cooperation, SESRIC has since 2007 developed and initiated various capacity building programs in different areas and fields and further enhanced its cooperation with the most relevant international and regional organizations to provide high-level training opportunities to an increasing number of staff from the member countries in various branches of socio-economic activity. The Capacity Building programmes of SESRIC are classified under the following two main categories:

1. Vocational Education and Training Program for OIC Member Countries (OIC-VET)

The Vocational Education and Training Program for OIC Member Countries (OIC-VET) is a program, which has been recently initiated, designed and developed by the Centre in order to improve the quality of Vocational Education and Training (VET) in the public and private sectors with the aim of supporting and enhancing the opportunities for individuals in the member countries to develop their knowledge and skills and thus to contribute to the development and competitiveness of the economies. The OIC-VET Program aims at:

- Building OIC partnerships among organizations involved in VET with the aim of exchanging best practices and experiences, and developing high quality skills and competencies of the human resources;

- Organizing capacity building programs in various areas with the aim of developing human capacity in the member countries to meet the requirements of the high global competitiveness and rapid changes in technology;
- Developing knowledge and skills of people on continuous basis, so that they can live and work decently in the society, and raise their contribution to the economy by generating more income.
- Improving innovation capacity of the organizations, facilitating the transfer of innovative practices, and developing ICT-based content, services, and practice.

The program includes three sub-programs and projects: OIC Transnational Exchange Projects (OIC TEPs), OIC Transnational Innovation Projects (OIC TIPs), and OIC Training Networks (OIC NETWORKS). In general, these programs provide an opportunity for people to build OIC partnerships, exchange best practices, increase the expertise of their staff and develop the skills and competencies of the participants (for more information, visit www.oic-vet.org).

The implementation mechanism of the OIC-VET Program was endorsed by the OIC member countries during the 24th Session of the COMCEC in October 2008 and accordingly SESRIC was entrusted to assume the role of the OIC Executing Organ of the OIC-VET Program, which has the lead responsibility for the proper implementation and management of the Program in conformity with the decisions taken by the Monitoring and Advisory Committee (MAC) of the Program, which comprises the National Focal Points institutions of the Program in the member countries. The 24th Session of the COMCEC also decided that the OIC-VET shall be a common platform for human resource development initiatives in the OIC Member Countries. With the aim of supporting the OIC efforts to enhance the capacity building and the quality of human resources in its member countries, the OIC-VET Program has been latter officially launched by H.E. Abdullah Gül, President of the Republic of Turkey and Chairman of COMCEC, at the COMCEC Economic Summit held on 9 November 2009 in Istanbul on the occasion of the 25th Anniversary of the COMCEC.

In its capacity as the Executing Organ of the Program, SESRIC has undertaken several works and actions in order to establish a sound mechanism and infrastructure for the implementation of the Program. In 2010, the following three OIC-VET pilot projects have been implemented: (1) Study visit on Occupational Health and Safety; (2) Strengthening VET through local vocational courses: the experience of ISMEK; and (3) OIC International Students Internship Program.

The OIC International Student Internship Program (OIC-ISIP) is now developed as a special international internship program under the OIC-VET Program, and aims at enhancing the quality of workforce employed in OIC member countries, strengthening integrity and convergence of labour markets, and promoting competitiveness of OIC economies through increasing knowledge and skills of university students about to enter into the labour market in accordance with national legislation and practices. The pilot application of the OIC-ISIP has been implemented in the summer 2010 in collaboration with two NGOs, namely the Independent Industrialists and Businessmen's Association (MÜSİAD) and BABIALEM International Student Association, by offering training for 14 university students from different OIC Member Countries in companies in Istanbul.

Finally, Skill Development for Youth Employment (SDYE) is a new initiative that aims at improving the skills of unemployed young people due to changing job contents with rapid economic developments. With the implementation of the program, it is intended to place the successful beneficiaries in the training program to the jobs that looks for matching qualifications. Moreover, this program involves a Public-Private Partnership (PPP), a feature that will differentiate it from its counterparts, bringing the resources available by business world and government together. By this way, the unemployed young people will be trained in public schools according to the demands of firms for specific skills, making a significant contribution to the narrowing down of the mismatch between supply and demand in labour markets. It will encourage initiatives for on-the-job-training, support cooperation between educational institutions and companies and by this way match the needs of sectors and qualified workers.

With the realization of the ongoing and planned OIC-VET pilot projects and close cooperation with the National Focal Points of the OIC-VET Program and other relevant OIC institutions, the Program is expected to reach, during the coming period, a wider audience of beneficiaries from member countries and become a successful model and a brand for human capacity development in OIC member countries.

Education for Employment (e4e): Realizing Arab Youth Potential

The Arab countries suffer the highest youth unemployment rates in the world with an average of more than 25% compared to the world average of 12.6%. Average labour force participation rate is only 35% compared to the world average of 52%. For demographic reasons, the Arab region has to create 35 to 40 million jobs in order to only maintain current average unemployment rates. However, in order to reduce the average unemployment rate of the region to the global average and to approach the world average work force participation rate, more than 85 million jobs should be created over the next ten years. Yet employers in the region frequently complain about the skills of the young graduates and their lack of relevance. Young people, on the other hand, complain about the lack of guidance on what skills employers are looking for, and where the employment opportunities will be once they graduate.

Recognizing this fact, two of the SESRIC recent initiatives, Vocational Education and Training Program for OIC Member Countries (OIC-VET) and Skill Development for Youth Employment (SDYE), already pursue objectives for youth skill development in OIC member countries. More recently, in partnership with the Islamic Development Bank (IDB) Group, the International Finance Corporation (IFC) of the World Bank Group, the largest multilateral investor in the private education sector in emerging and developing countries, initiated a large-scale program of between $1.5bn and $2bn aimed at bridging the gap between existing education and employment and narrowing the skills gap among young people in the Arab world. The joint initiative of "Education for Employment (e4e)" focuses on the goal of ensuring that education leads to improved employment prospects, whether in attractive and sustainable jobs or in self-employment. In terms of its scope and priorities, the e4e initiative is focused on matching the skills taught to young people to those in demand by employers. In this context, the initiative aims at exploring the ways and means through which all stakeholders can contribute to meeting these goals and identifying the enabling environment required for these activities to flourish.

2. Twinning Capacity Building Programmes

Another initiative of SESRIC in the area of capacity building is the Twinning Capacity Building Programme. This programme has been initiated in early 2007 with the aim of matching the capacities and needs of the member countries in various socio-economic areas and fields through analysing the responses of the member countries to the related questionnaires. Based on the results of these questionnaires, the Centre matches these needs and capacities through sending experts among these countries to offer the needed training programs. These programs were initially focusing mainly on the needs and capacities of the National Statistical Organizations (NSOs) of the member countries. Recently these programs have been extended to cover other areas and institutions such as Central Banks, health institutions, agriculture, and environment. Currently, there are six major categories under capacity building programs organized by SESRIC as follows:

1- Statistical Capacity Building (StatCaB) Program for National Statistical Organizations
2- Capacity Building Program for Central Banks
3- Ibn Sina Program for Health Capacity Building (Ibni Sina HCaB)
4- Occupational Health and Safety Capacity Building Program (OHS-CaB
5- OIC Cotton Training Program (OIC-CTP)
6- Environment Capacity Building Program (Environment-CaB)

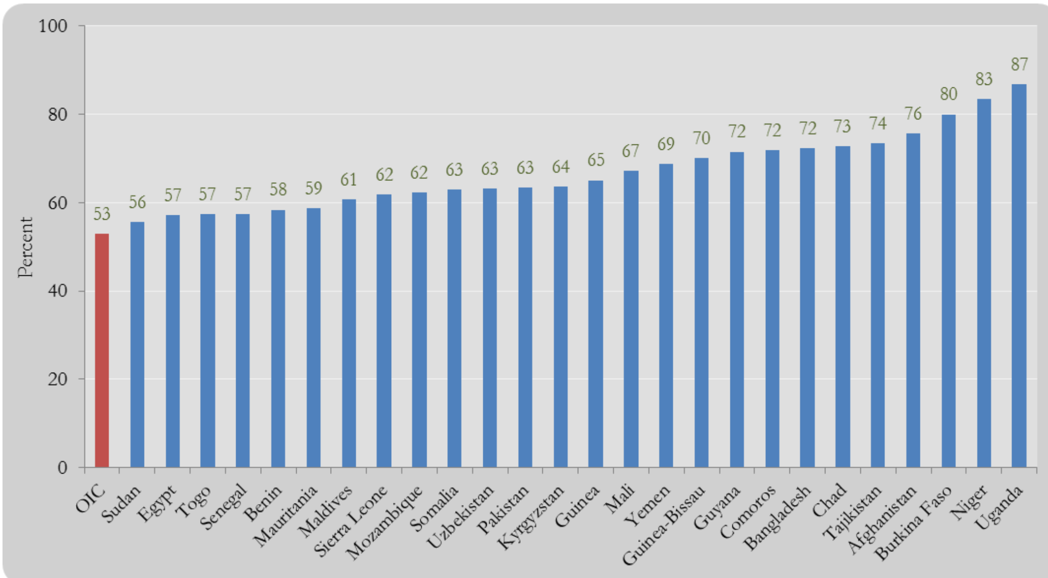
Currently, these categories constitute the capacity building programs being implemented by SESRIC. However, according to the needs of OIC member countries, research is still being done to identify new fields and areas for designing and implementing other capacity building programs.

IV. Enhancing Self-employment Opportunities through Microfinance

Microfinance refers to the activity of provision of financial services to clients who are ignored by and/or unable to benefit from the traditional or conventional financial system, i.e. the poor and low income people, particularly in rural areas. These services are usually provided through small loans to very poor people with the aim of creating and/or expanding their small businesses with a view to generating income and allowing them to care for themselves and their families. Unlike those of the conventional financial banks, the loans provided by the microfinance institutions are smaller in size and rely on trust rather than collateral as a guarantee.

As such, microfinance could be considered as another effective aspect of enhancing employment opportunities, and thus reducing poverty, particularly through supporting and facilitating self-employment and income generation for millions of poor people and small and marginal farmers in rural areas. This role of microfinance is more important in the case of OIC countries considering the fact that 53% of the total population of these countries are still living in rural areas and the majority of them involving in subsistence farming activities. As shown in Figure 7, the percentage of rural population in the total population was higher than the OIC average of 53% in 26 OIC member countries in 2009. It was above 70% in 10 countries and over 80% in Burkina Faso, Niger and Uganda (see also Annex 1).

Figure 7: % of Rural Population in Total Population, 2009



Source: SESRIC Database, 2011.

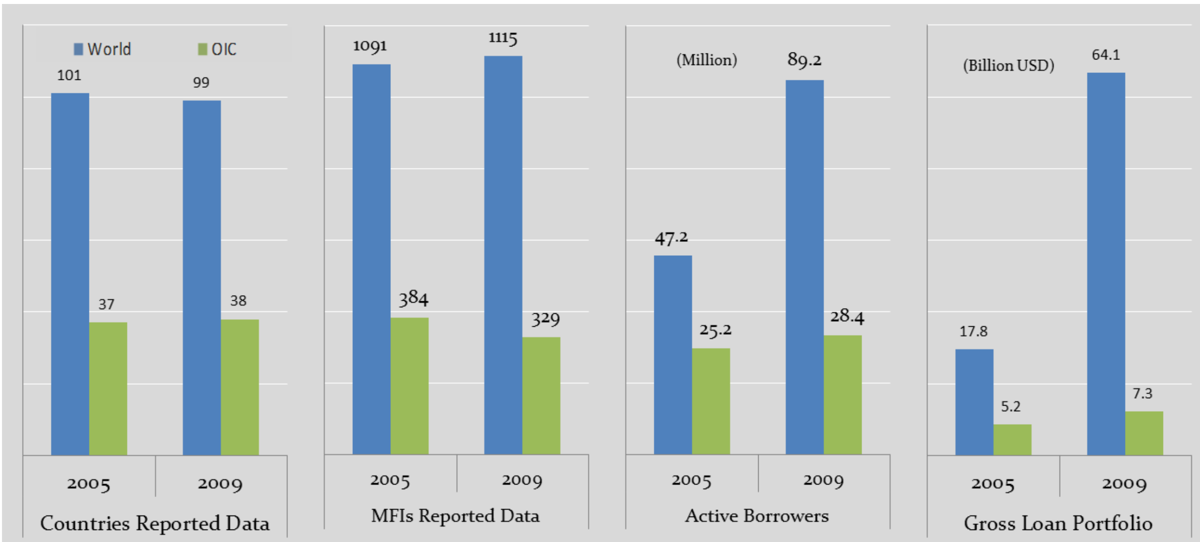
In fact, the use of microfinance as a tool for reducing unemployment is not a new idea. It has long been recognized as having significant potential to create jobs and reduce poverty. Various impact studies have reported successful outcomes of microfinance programmes in terms of creating job opportunities and improving the income of millions of poor and vulnerable people around the world. However, as unemployment has become a major concern in today's world after the severe global economic crisis, microfinance became a valuable alternative again in particular in targeting the needs of the most vulnerable people. Although microfinance has been in place for over two decades, it has gained popularity all around the world particularly after Muhammad Yunus, a Bangladeshi economist and founder of the Grameen Bank, an institution that provides microcredit loans to help its poor clients obtaining financial self-sufficiency, received the Nobel Peace Prize in 2006.

Outreach of Microfinance Institutions

According to recent statistics of the MIX Market, a global web-based microfinance information platform, 1091 microfinance institutions (MFIs) in 101 countries around the world reported that they had 47.2 million active borrowers with a gross loan portfolio of USD 17.8 billion in 2005. These figures increased significantly in the following few years where 1115 MFIs in 99 countries reported that they had 89.2 million active borrowers with a gross loan portfolio of USD 64.1 billion in 2009 (Figure 8).

The number of people so far reached by MFIs across the world and the increase in the gross loan portfolio of these institutions clearly indicate how large the microfinance industry is and how fast it is growing. In fact, the global demand for microfinance services is considered to be much higher than what is currently served. Although MFIs are currently serving almost 100 million people, estimates for the actual demand ranges from around 1 billion to 2.5 billion people, implying that a very significant portion of the market still remains untapped.

Figure 8: Microfinance Industry 2005 vs. 2009*



Source: MIX Market. * Data retrieved as of 24 March 2011.

As for OIC member countries, 384 MFIs in only 37 OIC countries reported that they had 25.2 million active borrowers with a gross loan portfolio of USD 5.2 billion in 2005. In 2009, there were 329 MFIs in 38 OIC countries reported that they had 28.4 million active borrowers with a gross loan portfolio of USD 7.3 billion. Save the unreported data, the outreach and loan portfolio of the MFIs in OIC countries seems not to have expanded as much as those in other parts of the world. According to the available data (Figure 8), the number of MFIs in OIC countries which have reported to the MIX Market platform in 2009 represented 29.5% of the total reported MFIs worldwide compared to 35.2% in 2005. More important, while in absolute term, the number of active borrowers of the MFIs in OIC countries increased in 2009 compared to 2005, their share in world total MFIs borrowers has decreased from 53.5% in 2005 to 31.8% in 2009. This is also true for the gross loan portfolio of the MFIs in OIC countries where their share in gross loan portfolio of all MFIs worldwide decreased from 29.1% in 2005 to only 11.5% in 2009.

At the individual country level, it is also observed that microfinance industry is still concentrated in few OIC member countries (see Table 2 and Annex 2). Almost half of the 329 MFIs in 38 OIC countries (151 MFIs) were operating in only 10 countries, with Bangladesh and Pakistan at the top of these countries. The number of active borrowers (26.14 million) of the MFIs in these 10 countries accounted for 92% of the total active borrowers of all MFIs in the 38 OIC countries, for which the data are available, in 2009, with the MFIs in only Bangladesh accounted for 72.5%. Similar to the outreach, the gross loan portfolio of the MFIs in these 10 OIC countries accounted for almost 69% of the total gross loan portfolio of all MFIs in the 38 OIC countries in 2009, with the MFIs in Bangladesh accounted for almost 32% followed by the MFIs in Azerbaijan (11.51%), Morocco (8.33%) and Uganda (4.27%). This is a clear indication that most of the MFIs in OIC countries suffer shortages in financial resources which are needed to support these institutions in extending their operations and consequently to increase their outreach levels.

Table 2: Microfinance Industry in Selected OIC Member Countries*, 2009

Country	Total Number of MFIs	Active Borrowers		Gross Loan Portfolio	
		Total Million	**Share in OIC Total**	**Total US$ Billion**	**Share in OIC Total**
Bangladesh	28	20.57	72.51%	2.35	31.96%
Pakistan	23	1.44	5.08%	0.21	2.86%
Egypt	13	1.11	3.92%	0.22	2.95%
Morocco	10	0.92	3.24%	0.61	8.33%
Nigeria	5	0.44	1.55%	0.06	0.87%
Uganda	10	0.43	1.52%	0.31	4.27%
Azerbaijan	19	0.32	1.14%	0.85	11.51%
Kyrgyzstan	12	0.32	1.12%	0.25	3.36%
Afghanistan	15	0.3	1.04%	0.11	1.49%
Indonesia	16	0.29	1.01%	0.09	1.23%
Total	**151**	**26.14**	**92.13%**	**5.06**	**68.83%**

Source: MIX Market, March 2011. * Top 10 ranked in terms of MFIs total active borrowers.

Empowering MFIs to Support Self-employment

In fact, despite the successful experience of many MFIs in OIC member countries in various regions, millions of unemployed low income and poor people still cannot get access to the services provided by the MFIs. Since those people have already been facing barriers in accessing commercial loans, the provision of microfinance services is of great importance. On the other hand, high operating costs and financial capital constraints have been identified as the major obstacles in preventing MFIs to meet the enormous demand.

There is also overwhelming evidence that mainly due to its non-compliance with Islamic principles, a large number of potential clients especially in OIC countries, refrained from using conventional microfinance loans. According to the market studies conducted by the International Finance Corporation (IFC), in Algeria and Jordan, approximately 20% of the poor cited religious reasons for not seeking conventional microfinance loans, while in Yemen and Syria; this percentage rose to 40%. Currently, however, the outreach of Islamic microfinance is very limited. According to a survey of the Consultative Group to Assist the Poor (CGAP) conducted by Karim et al. (2008), Islamic MFIs reached 380,000 clients through 126 institutions operating in 14 countries. In other words, Islamic microfinance accounted for only 0.5% of global microfinance outreach. Moreover, the supply of Islamic microfinance remained highly concentrated in a few countries, with Indonesia, Bangladesh and Afghanistan ranking in the top three (Karim et al, 2008).

In addition, according to the CGAP survey, over 70% of the products currently offered by the Islamic MFIs are Murabaha based where the MFI purchases a specific good which the client will purchase from the MFI at a deferred mark-up that may be paid in instalments. Islamic MFIs generally offer only one or two Sharia-compliant products. This signifies the need for product diversification so that Islamic MFIs can serve the various financial needs of the poor. To achieve this end, it is imperative for the Islamic microfinance industry to develop new products and services through comprehensive market research and financial innovation. In this context, governments of Islamic countries should also play an active role and pursue pro microfinance policies to encourage and facilitate the Islamic MFIs.

Alternative approaches and modalities for funding and managing MFIs should be developed in order to overcome these constraints and, thus, empowering their role in enhancing self-employment and poverty alleviation. It is also important to design and pursue financial sector policies that create an enabling environment in which MFIs can effectively operate. To improve the outreach, scale and further growth of microfinance industry in OIC countries with a view to supporting and enhancing self-employment and thus contribute to poverty alleviation efforts, the rest of this section presents two modalities for supporting the financing and organization of MFIs.

1. Establishing an OIC Microfinance Social Investment Fund (MSIF)

The study prepared by SESRIC in 2008 titled "Microfinance Institutions in the OIC Countries" evaluates the state and performance of MFIs in the OIC countries. It highlights some of the successful stories and best practices of microfinance systems and institutions in the member countries and draws useful lessons from their experience. The study surveys all the types of MFIs in OIC countries and presents a ranking of the top 100 MFIs in these countries. This ranking, which will be updated by the Centre regularly, is an important contribution as a useful instrument for the creditors who support and/or wish to invest in these institutions. The study also introduces "Institution Profiles" for the top 50 MFIs in OIC countries. These profiles include data and graphical analysis on the following three major performing groups of indicators of each MFI: (1) Key financial indicators (such as total assets, gross loan portfolio, etc.); (2) Key financial ratios (such as borrowers per staff, return on assets, cost per borrower, portfolio at risk, etc.); and (3) Outreach indicators (such as number of active borrowers, percentage of women borrowers, percentage of the clients below poverty line, etc.).

The study also discusses the possibility of developing a network among the MFIs in the OIC member countries through introducing a proposal for developing sustainable OIC microfinance mechanism or system to support the role of these institutions in poverty alleviation and enhancing self-employment for the jobless poor people. To this end, the study proposes the establishment of a special Microfinance Social Investment Fund (MSIF) within the OIC framework.

The MSIF may develop equity and/or quasi-equity based financial instruments. The quasi-equity funding approach has several advantages. It can be tailored according to the needs of MFIs. Furthermore, the repayments can be re-invested to further help the growth of MFIs. The Islamic Development Bank (IDB) may take a leading role in establishing and managing such a fund and developing suitable financial instruments for its disbursement in collaboration with donor agencies, private business firms and the active NGOs in the member countries.

2. Developing an Integrated Waqf-based Islamic Microfinance Model

Historically, waqf institution has been successfully used to mobilize additional resources to address various socio-economic needs of the people in the Islamic world. However, its effectiveness was greatly undermined by the colonial rulers in Muslim countries. The institution was badly handled and later forcefully uprooted by the colonial rulers. Keeping in view the potential of waqf to eradicate poverty, there has been an increasing awareness about the need to revive, restructure and modernize the waqf institutions across the OIC member countries. Nevertheless, experts are of the view (Khan, 2007) that a bulk of awqaf resources both in Muslim and non-Muslim countries are not being used for productive purposes.

On the other hand, Islamic MFIs are at a nascent stage and lagging far behind the required demand for microfinance in the Islamic world. Many renowned scholars are of the view that the financial capacities of the Islamic MFIs can be enhanced by channelling waqf fund to these institutions. To achieve this goal, many theoretical models have been developed and proposed. One of these models is based on the concept of cash waqf, with the aim of serving the social objectives in contemporary times by providing microfinance to the poor. Similarly, another model proposes establishing a non-profit financial intermediary, the qard hassan bank that gives interest free loan (qard hassan) to finance consumer lending for the poor. The capital of the bank would come from monetary (cash) waqf donated by wealthy Muslims. The third model proposes developing a microfinance system based on zakat, awqaf, and sadaqat. According to this model, the returns from awqaf and funds from sadaqat could be used to finance productive microenterprises at subsidized rates whereas, zakat can be given out to the poor for consumption purposes to avoid diversion of funds from productive heads (Ahmad, 2007).

Given this background, it seems that there is a strong potential for waqf funds as a source for enhancing the financial capacities of the Islamic MFIs. In this context, it seems rational to develop an integrated waqf-based Islamic microfinance model to optimize the resources of these two institutions in the OIC member countries. Waqf resources in rich OIC member countries are largely remained underutilized whereas some member countries with active Islamic MFIs suffer from lack of adequate fund to maximize their support for the need of the poor. This model therefore is expected to create the much needed resource bridge among the OIC member countries and help to fight more efficiently against poverty and unemployment in the Islamic world.

V. Concluding Remarks and Policy Implications

This paper focuses on enhancing employability and employment opportunities in OIC member countries through two key approaches: (1) capability enhancement through developing a compatible vocational education and training (VET) system; and (2) promoting self-employment and income generation for poor and unskilled workers through supporting and facilitating the operations of microfinance institutions.

Although labour market conditions are varied significantly in OIC member countries, the following issues and challenges related to capacity building are considered as common in many of these countries:

- A significant portion of the jobs available in many OIC countries are either low-quality informal jobs or formal jobs in the public sector.
- Weak linkages between education institutions, enterprises and employment offices
- The lack and low quality of vocational education and training trap the poor workers in low-skilled, low-productive and low-wage jobs.
- Skills and capabilities of the educated people mismatch the needs of the labour market.
- Difficulties for workers to move between jobs prevent them to find positions suitable to their skills.
- Unemployment is persistently high for women and young people.

Given these challenges, OIC member countries should develop compatible, effective and sustainable VET systems through considering the following measures:

- Identifying the demand and supply structure of skills through developing Skill Recognition System (SRS)
- Enhancing the role of Public Employment Services (PES) in matching skills and jobs and providing career guidance
- Developing appropriate VET institutions and instruments
- Promoting Public-Private Partnership (PPP) for enhancing the effectiveness of VET programmes
- Improving the accessibility to VET services and identifying special target groups
- Networking VET and other relevant training institutions
- Developing and maintaining database and disseminating timely information on jobs, skills, learning and training opportunities
- Investing in new skills development programmes and promoting life-long learning
- Anticipating future skills needs and revising VET system accordingly

Another approach for enhancing employment opportunities is self-employment through microfinance programmes. Microfinance is widely recognized as a tool for poverty alleviation through increasing self-employment opportunities, particularly for the poor and vulnerable people. Yet, despite the successful experience of Microfinance Institutions (MFIs) in some OIC member countries, millions of unemployed low income and poor people still cannot get access to the services provided by the MFIs. In this contect, the major challenges facing microfinance industry in OIC Countries can be summarized as follows:

- High operating costs and financial capital constraints have been identified as the major obstacles in preventing MFIs to meet the enormous demand.
- Non-conformity of conventional microfinance loans to Islamic principles: There is overwhelming evidence that, mainly due to its non-compliance with Islamic principles, a large number of potential clients, especially in OIC countries, refrained from using conventional microfinance loans.
- Lack of product diversity: Islamic MFIs generally offer only one or two Sharia-compliant products. Over 70% of the products currently offered by the Islamic MFIs are Murabaha based.

In general, to overcome such bottlenecks that prevent the expansion of microfinance services and to promote sustainable microfinance sector in the OIC countries, the following recommendations can be made for governments and MFIs:

Governments:

- Facilitate an open and inclusive dialogue on microfinance in their countries and create conducive environments for MFIs
- Implement policies that are in line with international best practices to foster growth of microfinance industry
- Promote the development of transparent and effective mechanisms to transfer adequate funds to MFIs
- Strengthen microfinance expertise of the staff in key ministries that work with microfinance projects

Micro-Finance Institutions:

- Improve networking and adopt modern international microfinance management techniques, comply with international standards in accounting and reporting, and improve international ratings
- Become proactive in their strategies by developing creative and innovative methodologies to expand their outreach, especially in rural areas, where the poor are concentrated
- Facilitate knowledge sharing of best practices among MFIs in the OIC countries and approach national and international commercial banks, as well as international private investors, to attract and increase their financial resources
- Participate and involve in the process of developing national microfinance strategy and propose specific solutions to current challenges facing microfinance industry
- Diversify Islamic microfinance products so that Islamic MFIs can serve the various financial needs of their clients

In order to support and facilitate the operations of the MFIs to increase their outreach for generating self-employment, the paper proposed establishing of Microfinance Social Investment Fund (MSIF) and developing an Integrated Waqf-based Islamic Microfinance Model.

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Annex 1: Percentage of Rural Population in Total Population, 2000-2009

Country	2000	2005	2009	Country	2000	2005	2009
Afghanistan	79	77	76	Malaysia	38	32	29
Albania	58	55	53	Maldives	72	66	61
Algeria	40	37	34	Mali	72	70	67
Azerbaijan	49	49	48	Mauritania	60	60	59
Bahrain	12	12	11	Morocco	47	45	44
Bangladesh	76	74	72	Mozambique	69	66	62
Benin	62	60	58	Niger	84	84	83
Brunei	29	27	25	Nigeria	58	54	51
Burkina Faso	83	82	80	Oman	28	29	28
Cameroon	50	46	42	Pakistan	67	65	63
Chad	77	75	73	Palestine	29	28	28
Comoros	72	72	72	Qatar	5	5	4
Cote d'Ivoire	57	53	51	Saudi Arabia	20	19	18
Djibouti	17	14	12	Senegal	59	58	57
Egypt	57	57	57	Sierra Leone	65	63	62
Gabon	20	16	14	Somalia	67	65	63
Gambia	51	46	43	Sudan	64	59	56
Guinea	69	67	65	Suriname	28	26	25
Guinea-Bissau	70	70	70	Syria	48	47	45
Guyana	71	72	72	Tajikistan	74	74	74
Indonesia	58	52	47	Togo	64	60	57
Iran	36	33	31	Tunisia	37	35	33
Iraq	32	33	34	Turkey	35	33	31
Jordan	22	22	22	Turkmenistan	54	53	51
Kazakhstan	44	43	42	Uganda	88	88	87
Kuwait	2	2	2	United Arab Emirates	22	22	22
Kyrgyzstan	65	64	64	Uzbekistan	63	63	63
Lebanon	14	13	13	Yemen	74	71	69
Libya	24	23	22	**OIC**	**58**	**55**	**53**

Source: SESRIC Database, 2011.

Annex 2: Microfinance Industry in OIC Member Countries, 2005-2009

Country	Number of MFIs		Number of Active Borrowers (Thousand)			Gross Loan Portfolio US$ (Million)		
	2005	2009	2005	2009	%	2005	2009	%
Afghanistan	14	15	148.4	295	98.9	28.4	109.4	285.2
Albania	5	6	47.2	95	101.2	158.8	366.8	131.0
Azerbaijan	18	19	79.4	323.5	307.2	88.1	845.7	859.9
Bangladesh	61	28	18065.4	20571.8	13.9	1205.5	2347.3	94.7
Benin	11	7	157.3	143.5	-8.8	117.4	117.8	0.3
Burkina Faso	2	7	91.9	152.7	66.1	56.7	139.3	145.7
Cameroon	10	7	110.9	197.8	78.3	68.9	220.6	220.2
Chad	2	2	12.3	23.3	89.9	2.9	10.7	269.0
Cote d'Ivoire	3	3	4	47.4	1099.3	1.8	62.7	3383.3
Egypt	12	13	488.4	1112.9	127.9	96	216.9	125.9
Gabon	…	1	…	0.5	…	…	0.7	…
Gambia	1	2	16.3	13.3	-18.5	0.7	3.6	414.3
Guinea	4	3	145.8	70.8	-51.4	6.3	10.1	60.3
Guinea-Bissau	3	…	3.7	…	…	0.1	…	…
Indonesia	29	16	3398	286.1	-91.6	2354.7	90.1	-96.2
Iraq	1	6	4.1	43.3	948.5	5.7	35.8	528.1
Jordan	6	8	47.5	28.8	-39.4	58.5	22.3	-61.9
Kazakhstan	26	17	36.6	57	56.0	36.2	145.6	302.2
Kyrgyzstan	31	12	97.3	316.5	225.3	133.6	246.7	84.7
Lebanon	3	3	14.3	44.5	212.1	12.1	28.9	138.8
Malaysia	…	1	…	206.4	…	…	185	…
Mali	14	9	195	172.2	-11.7	62.7	87.6	39.7
Morocco	10	10	627.2	919	46.5	163	611.7	275.3
Mozambique	8	8	56.7	90.3	59.3	18.6	62.2	234.4
Niger	5	2	43.6	48.9	12.1	5.2	10.6	103.8
Nigeria	6	5	74	439.9	494.5	5.1	64	1154.9
Pakistan	18	23	684.7	1441.1	110.5	109.8	209.9	91.2
Palestine	4	8	11.9	10.8	-9.1	21.4	24	12.1
Senegal	11	8	194.8	249.6	28.1	138	292.6	112.0
Sierra Leone	7	4	33	37.4	13.3	3.2	2.6	-18.8
Sudan	1	3	3	20.3	575.5	0.7	3.9	457.1
Syria	1	2	7.2	21.3	195.1	6.1	18.2	198.4
Tajikistan	22	26	39.4	109.7	178.8	79.5	110.1	38.5
Togo	9	4	48.1	96.2	100.3	34	98	188.2
Tunisia	1	1	25	123	391.8	6.2	41.4	567.7
Turkey	1	2	1.3	30.2	2218.8	0.4	8.8	2100.0
Uganda	12	10	178	431.4	142.4	76.5	313.5	309.8
Uzbekistan	9	21	29.8	64.9	117.7	4.5	175.6	3802.2
Yemen	3	7	12.3	32.8	166.4	1	4.3	330.0
OIC Total	**384**	**329**	**25233.9**	**28369.4**	**12.4**	**5168.2**	**7344.8**	**42.1**

Source: MIX Market, March 2011.