



# Enhancing Employability in OIC Countries

## The Role of Capacity Building and Microfinance

DR. SAVAS ALPAY  
Director General  
SESRIC





## Crises and Unemployment

- Increase in global unemployment rates
- Millions of jobless workers (particularly poor and unskilled)
- Young people faced greater challenges

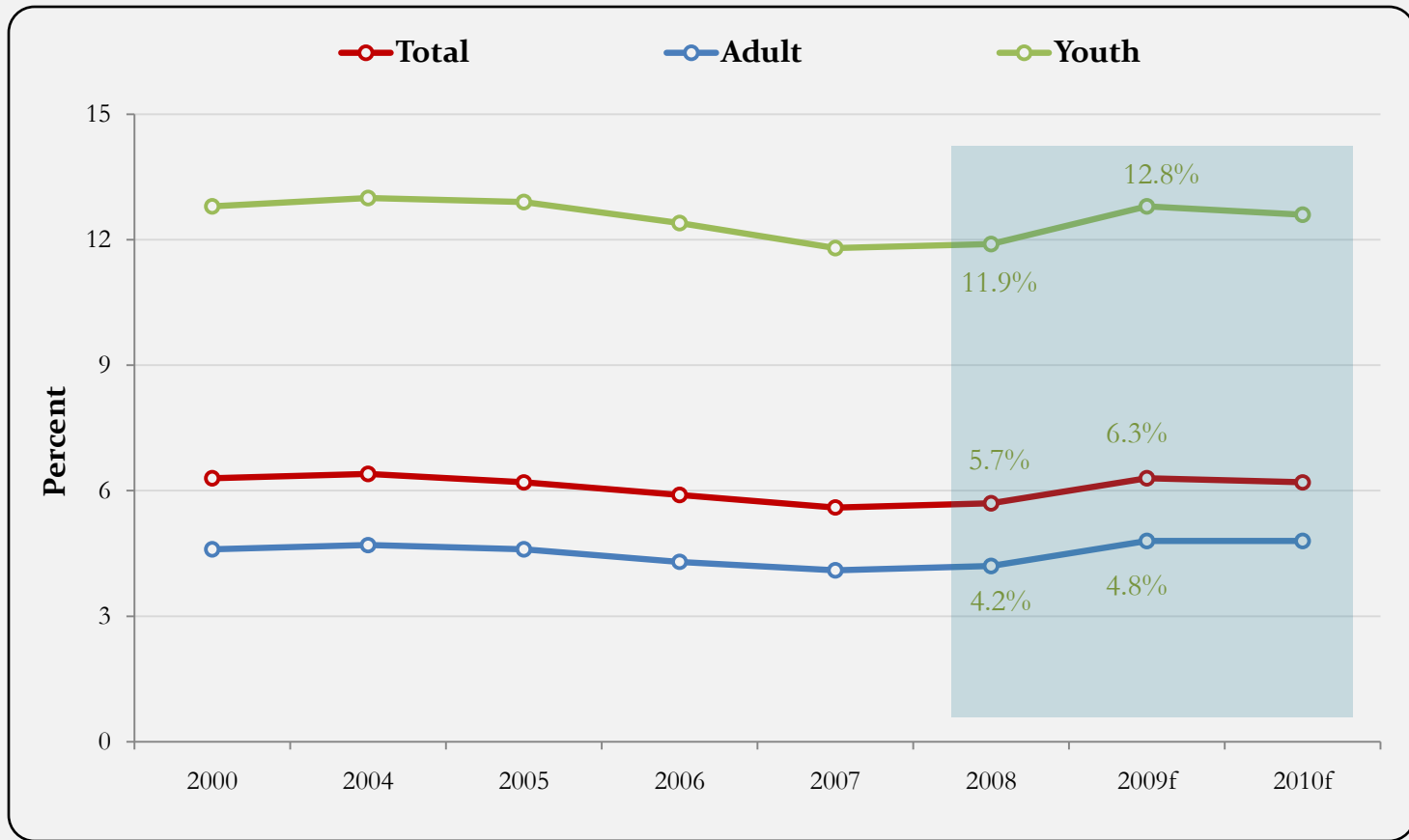
## Solutions to Unemployment

- Economic growth and cut in real wages
- Policies for reducing the supply of labor: e.g. work sharing, early retirement, reduced migration
- Vocational Education and training programs (particularly for youth)

## Enhancing Employability

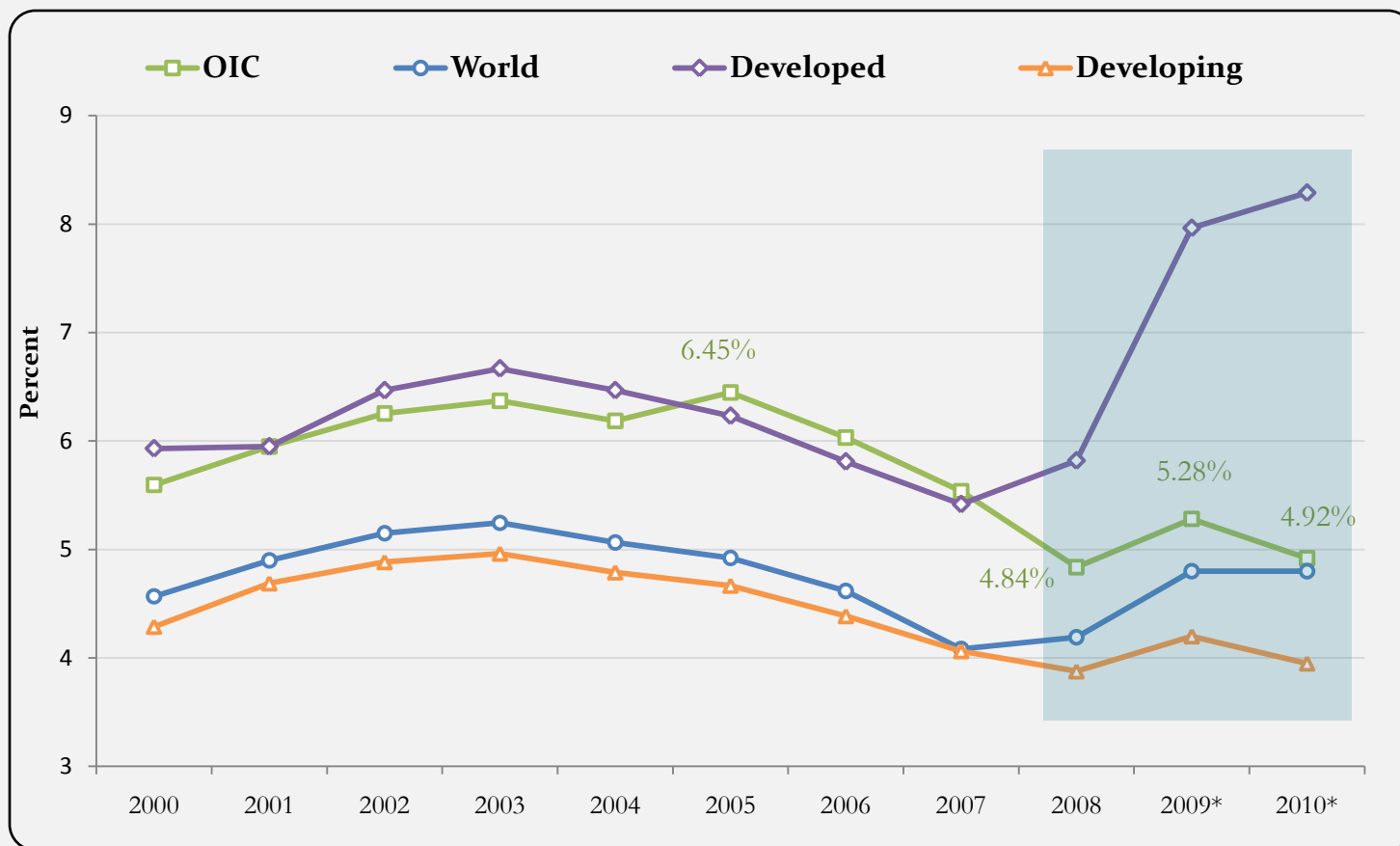
- Capacity building through a compatible VET system
- Enhancing self-employment opportunities through microfinance

# Unemployment Worldwide (Adult and Youth)



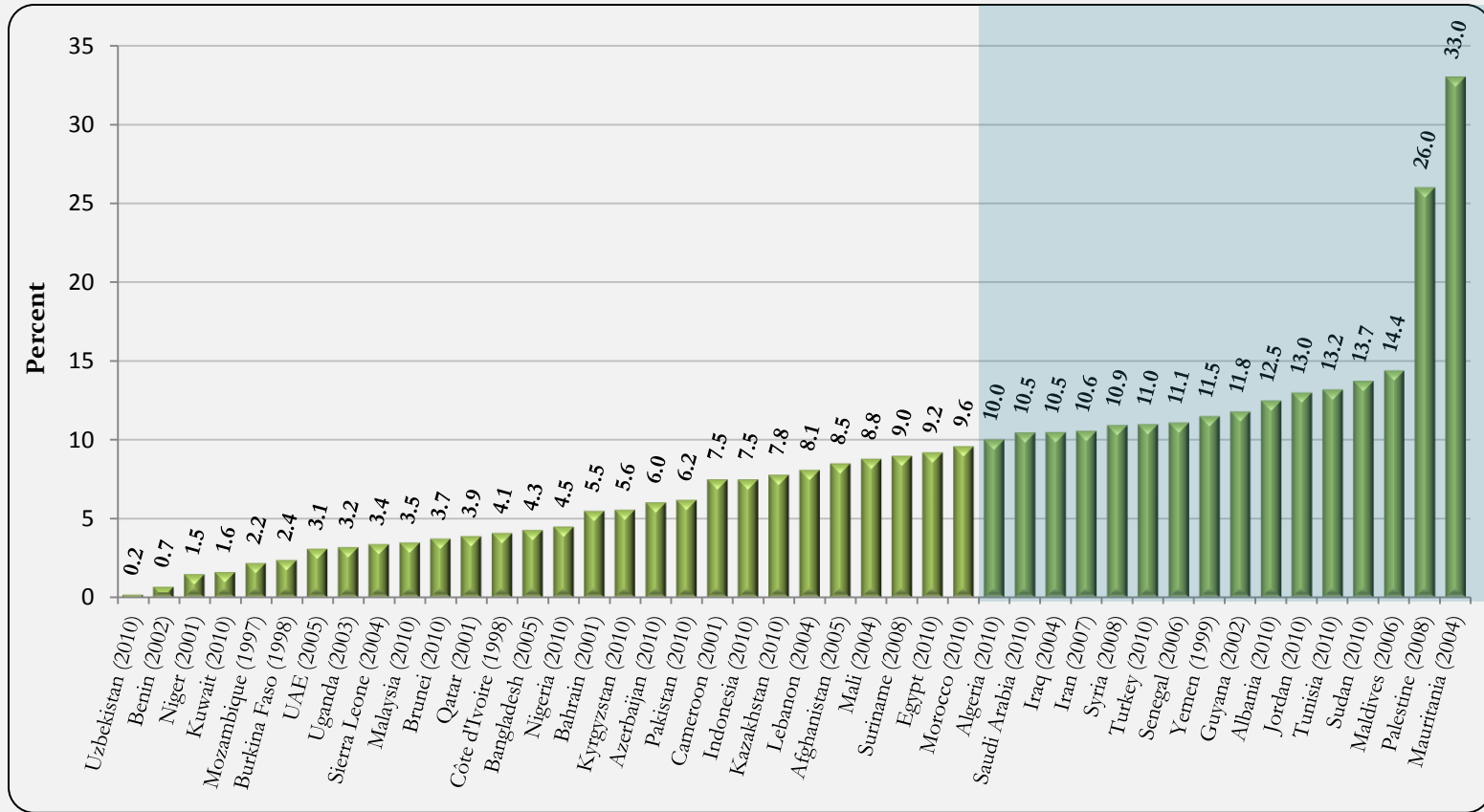
The declining trend in worldwide average unemployment rates reversed during and after the crisis, with youth unemployment recorded higher levels.

# Unemployment in the World and OIC Countries (Adult)



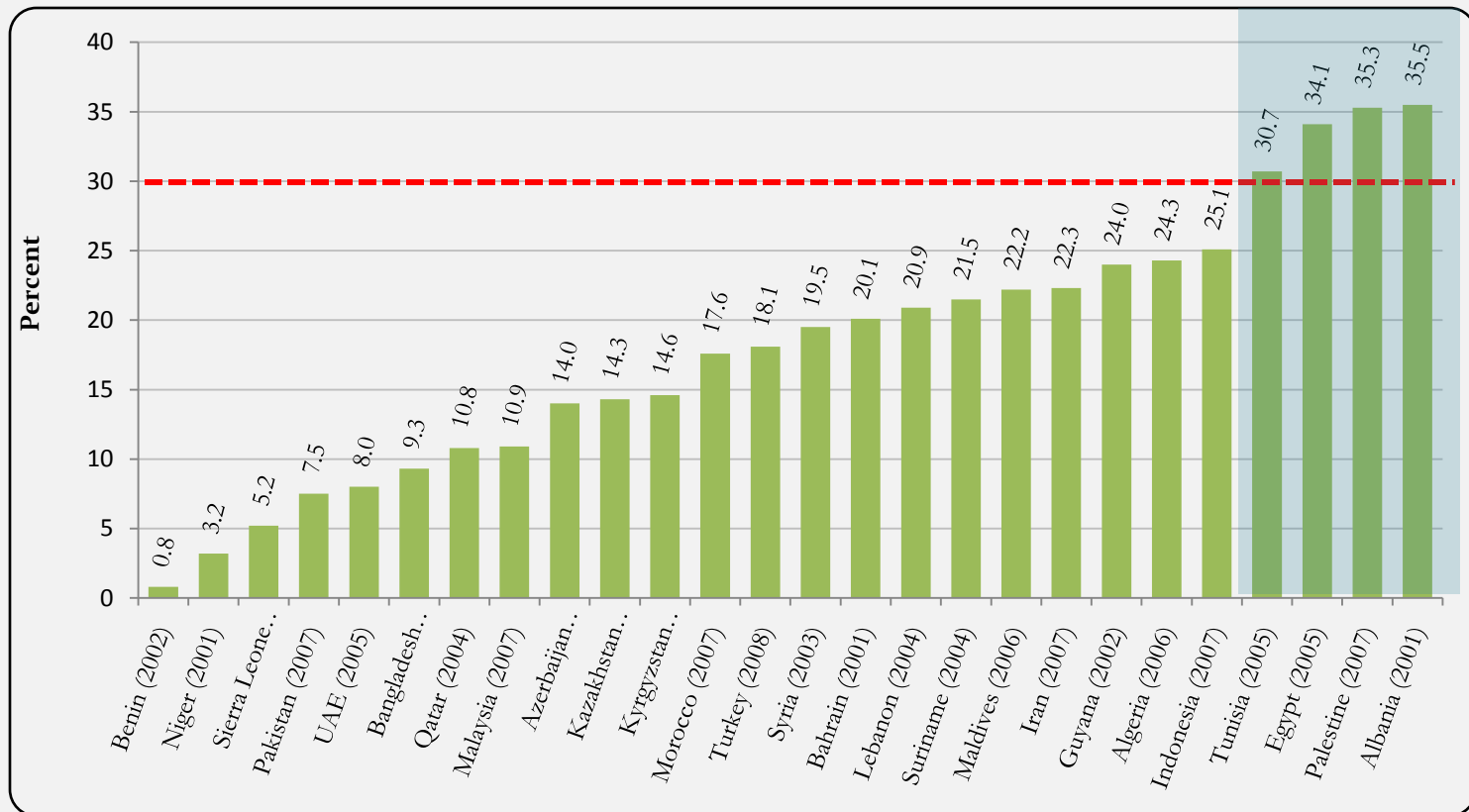
Adult average unemployment rate of OIC countries decreased steadily from a level of above 6% in 2005 to slightly below 5% in 2008. Yet, in 2009 it reached 5.3%, a rate which is higher than the world average and the average of the DCs.

# Unemployment in OIC Countries - Country Level



In recent years, unemployment rates were above the level of 10% in many OIC countries, and ranged between 7 to 11% in some major countries like Turkey, Indonesia, Iran, Saudi Arabia and Egypt.

# Youth Unemployment in OIC Countries



Youth unemployment rates are very high in many OIC countries. They reached above 30% in some countries like Tunisia, Egypt, Palestine and Albania.

**The Arab countries suffer the highest youth unemployment rates in the world**

- Average youth unemployment rate is higher than 25% vs. world average of 12.6%
- Labour force participation is only 35% vs. world average of 52%

In order to only maintain the current average unemployment rates

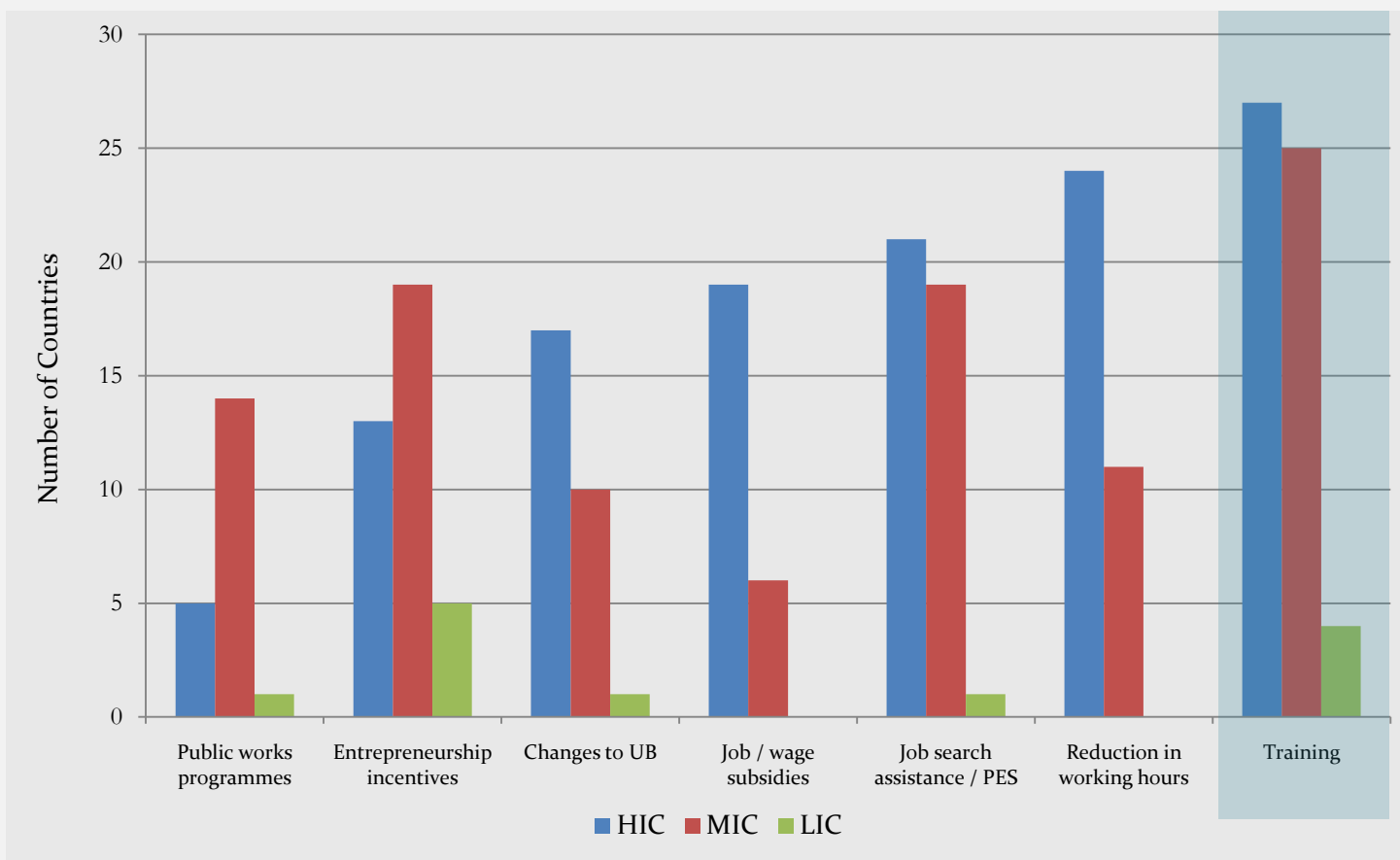
⇒ **35-40 million jobs should be generated in the region**

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 generated over the next ten years**

# Labour Market Policies in Times of Crises

ILO (2009) Survey (79 countries)



**Training** was the most frequently used policy measure to mitigate the unemployment impact of the crisis



# Labour Market Policies in Times of Crises - 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	
<b>Training</b> (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	

**9 out of the 10 OIC countries, included in the ILO Survey, used training as a policy response to mitigate the impact of the crisis on labour market.**



# Enhancing Employability - The Role of Capacity Building

## Importance, Concerns and Challenges

The **importance** of a person's **capacity** 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.

**Capacity building** is the “sustainable creation, retention, and utilization of capacity in order to reduce poverty, enhance self-reliance, and improve people’s lives.” (UNDP)

### Concerns & Challenges

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A significant portion of the jobs available are either low-quality informal jobs or formal jobs in the public sector

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Weak linkages between education institutions, enterprises and employment offices

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lack and low quality of vocational education and training trap the poor workers in low-skilled, low-productive and low-wage jobs

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Mismatch between composition of skills and capabilities and the needs of the labour market

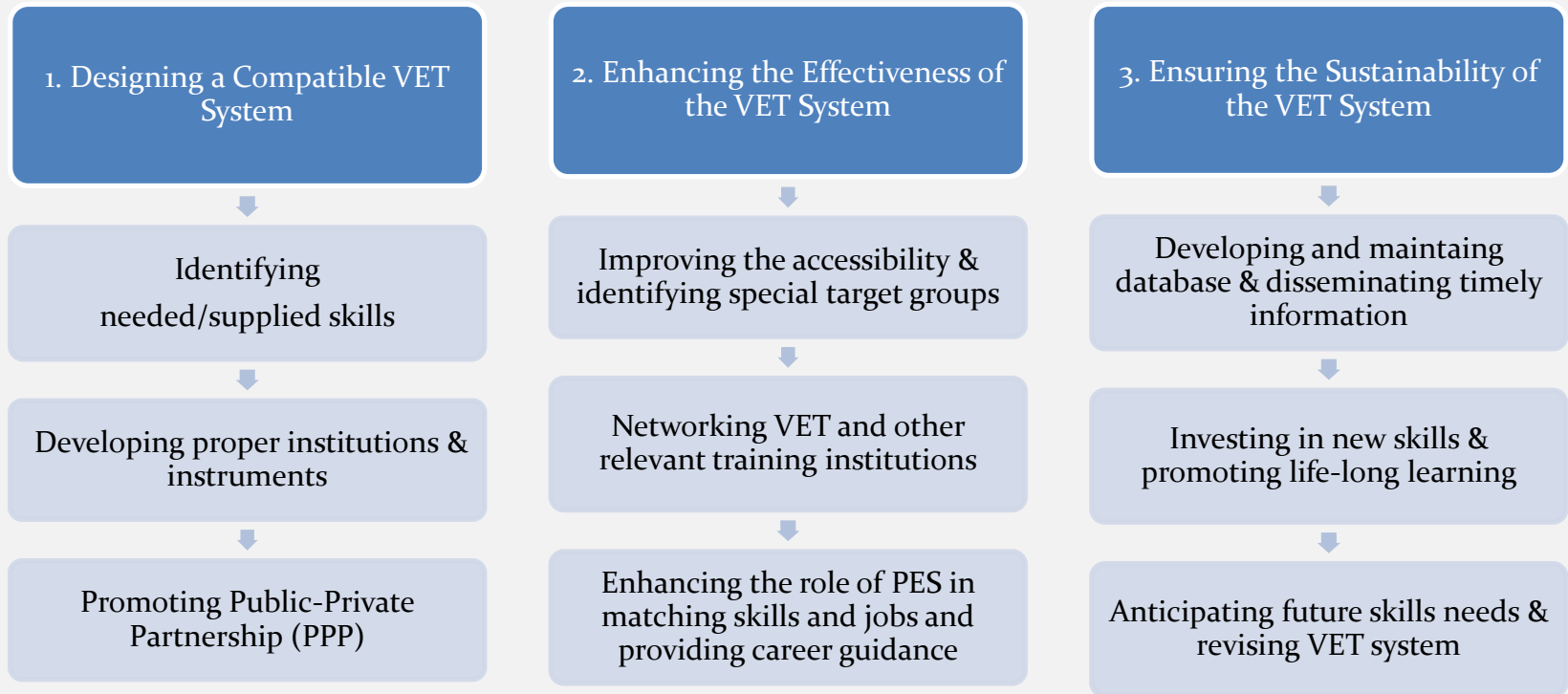
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Difficulties for workers to move between jobs prevent them finding jobs suitable to their skills

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High unemployment rates for women and young people

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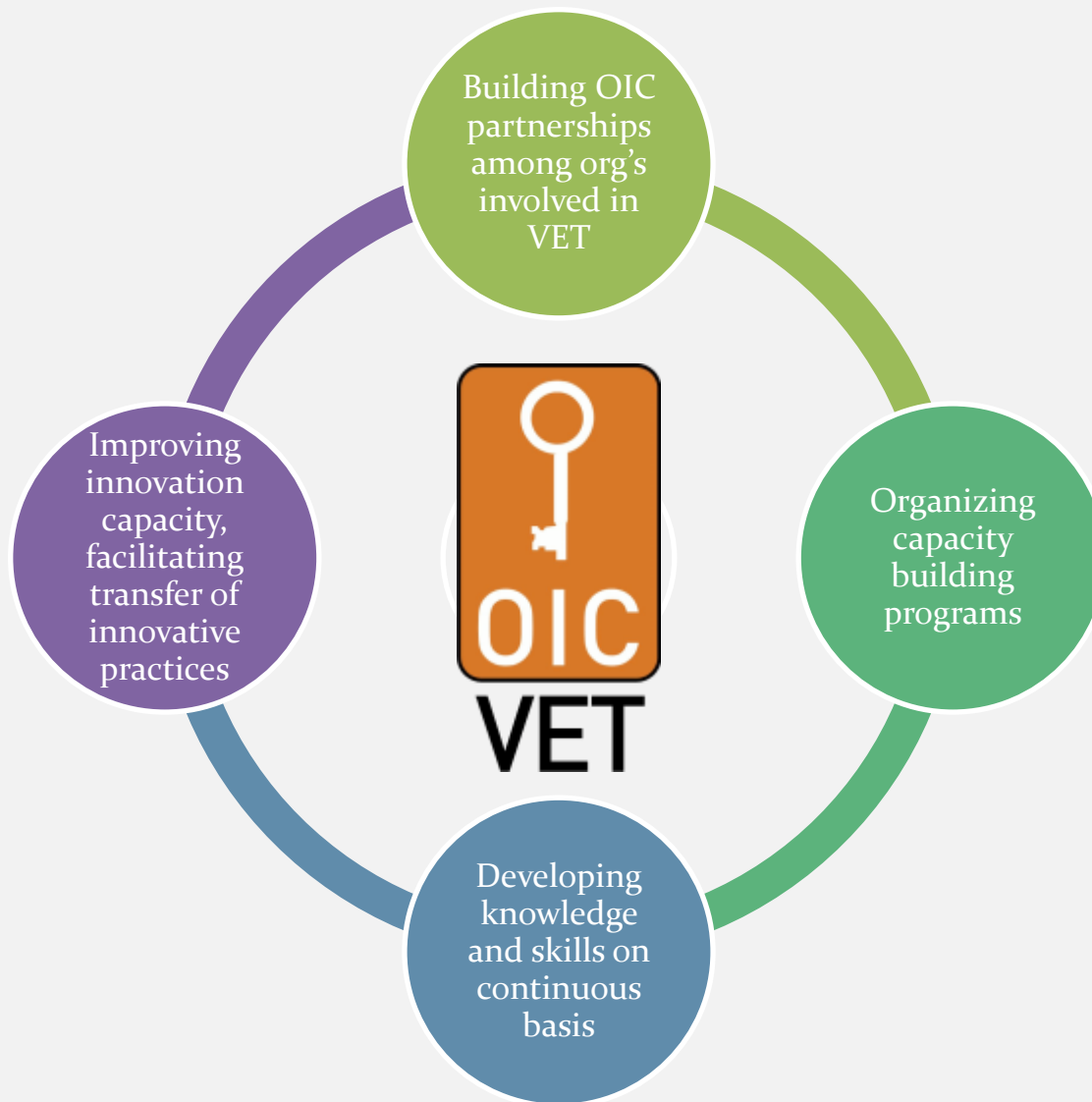
# Vocational Education and Training Programme for OIC Member Countries (OIC-VET)



To improve the quality of vocational education and training in public and private sectors with the aim of improving the competencies and skills of the people according to the needs and priorities of labour markets through intra-OIC partnerships at institutional level

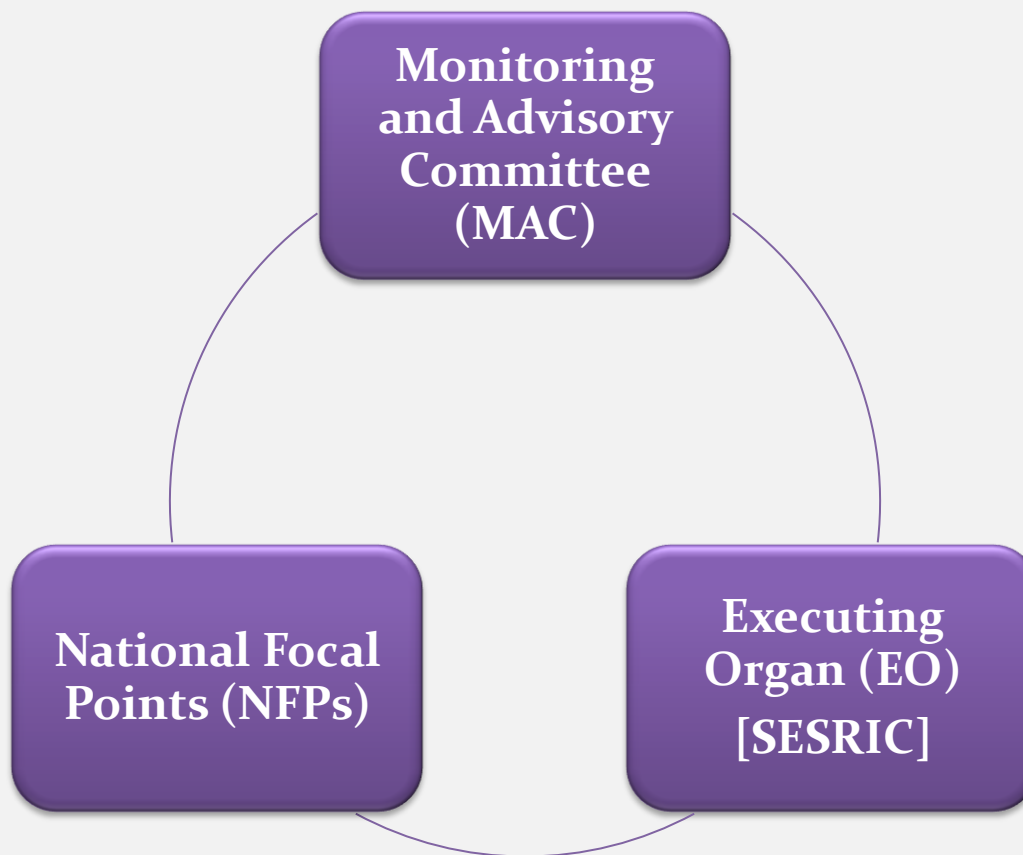
## Three operational actions under OIC-VET

- i. OIC Transnational Exchange Projects (OIC TEPs)
- ii. OIC Transnational Innovation Projects (OIC TIPs)
- iii. OIC Training Networks (OIC NETWORKS)



The OIC-VET Programme has been officially launched by the COMCEC Economic Summit held in Istanbul on 9 November 2009.





## Implemented Projects

- **SESRIC- ISMEK Master Trainer Programme**
  - Workshop on local vocational courses: the experience of ISMEK (Participants: Azerbaijan, Indonesia, Iran, Kuwait, Libya, Morocco, Pakistan, Syria and Yemen), Istanbul, June 2010
  - ISMEK Master Trainer Program for Pakistani Trainers, Istanbul, 21 March-1 April, 2011
  - SESRIC-ISMEK-Indonesia Technical Cooperation within the Framework of OIC-VET Program
  
- **Occupational Health and Safety Capacity Building Training (OHSCaB):**
  - ISGUM, Ankara, 24-28 May 2010
  - Environmental and Occupational Health Department of the Ministry of Health of Sultanate of Oman, 25-27 April 2011
  - Ministry of Health - Occupational Health Division, Bandar Seri Bagawan, Brunei, 19-21 April 2011
  - Ministry of Labour and Manpower, Islamabad, Pakistan, 26-28 April 2011
  
- **OIC International Students Internship Programme, Istanbul, Summer 2010**



## Planned Projects

The Programme covers a wide range of sectors including:

Tourism

Agriculture and Food

Trade and Industry

Transportation

Information and Communication Technology

Energy

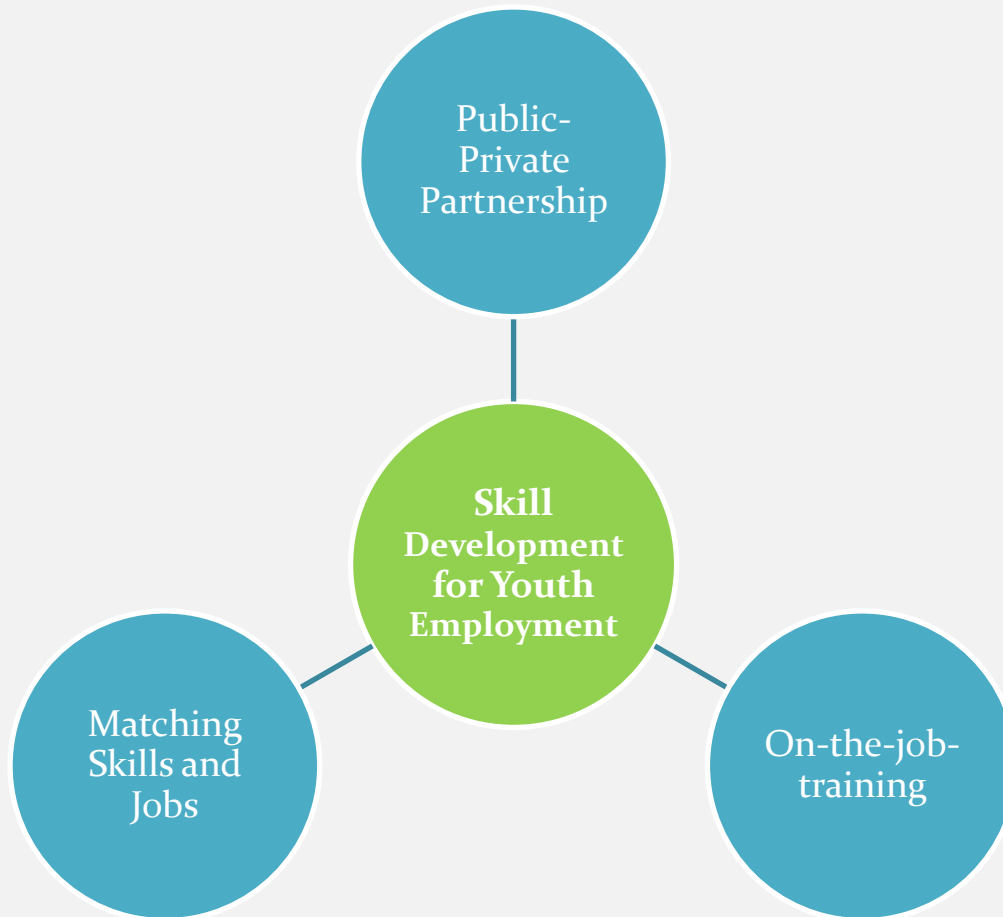
Labour and Social Issues

Science and Technology

Poverty Alleviation

Monetary and Financial Issues

Development and Cooperation



SDYE is expected to contribute substantially to OIC efforts in fighting Youth unemployment, enhancing their capability for job creation and empowering SMEs with skilled labour force.

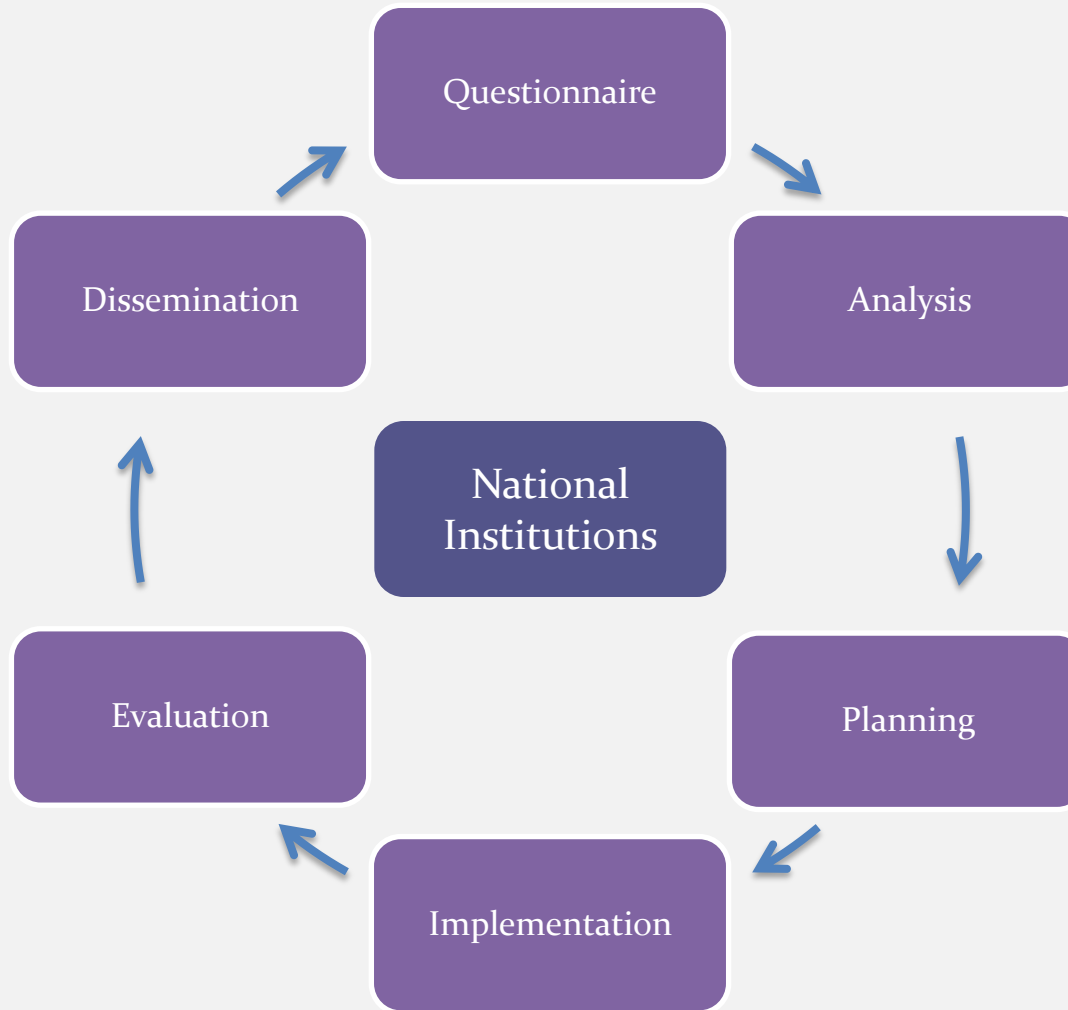
It helps to adjust the skills of young people to the changing labour market conditions and new technologies, and thus increase their employability.

The initiative of the IDB and the World Bank (IFC): **Education for Employment (e4e)**

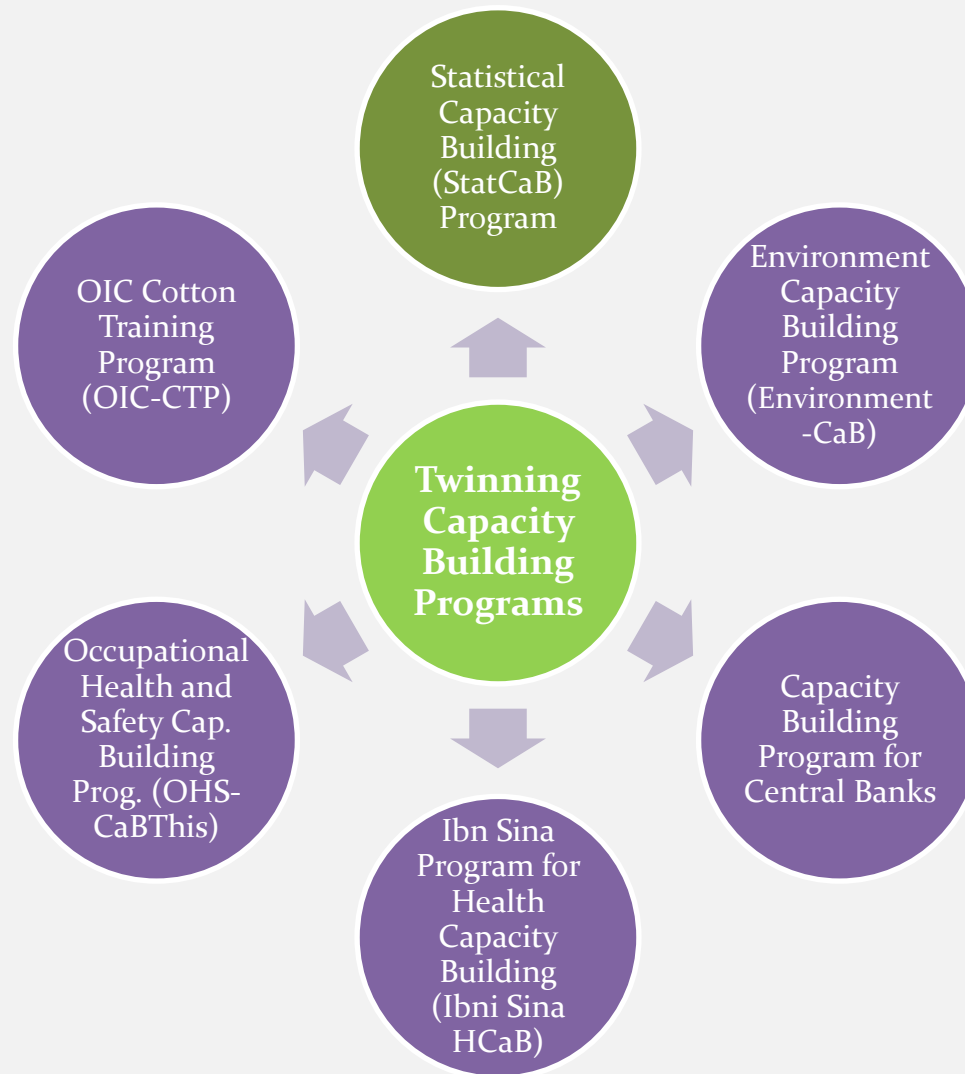
With the aim of

- Bridging the gap between existing education and employment
- Narrowing the skills gap among young people in the Arab world

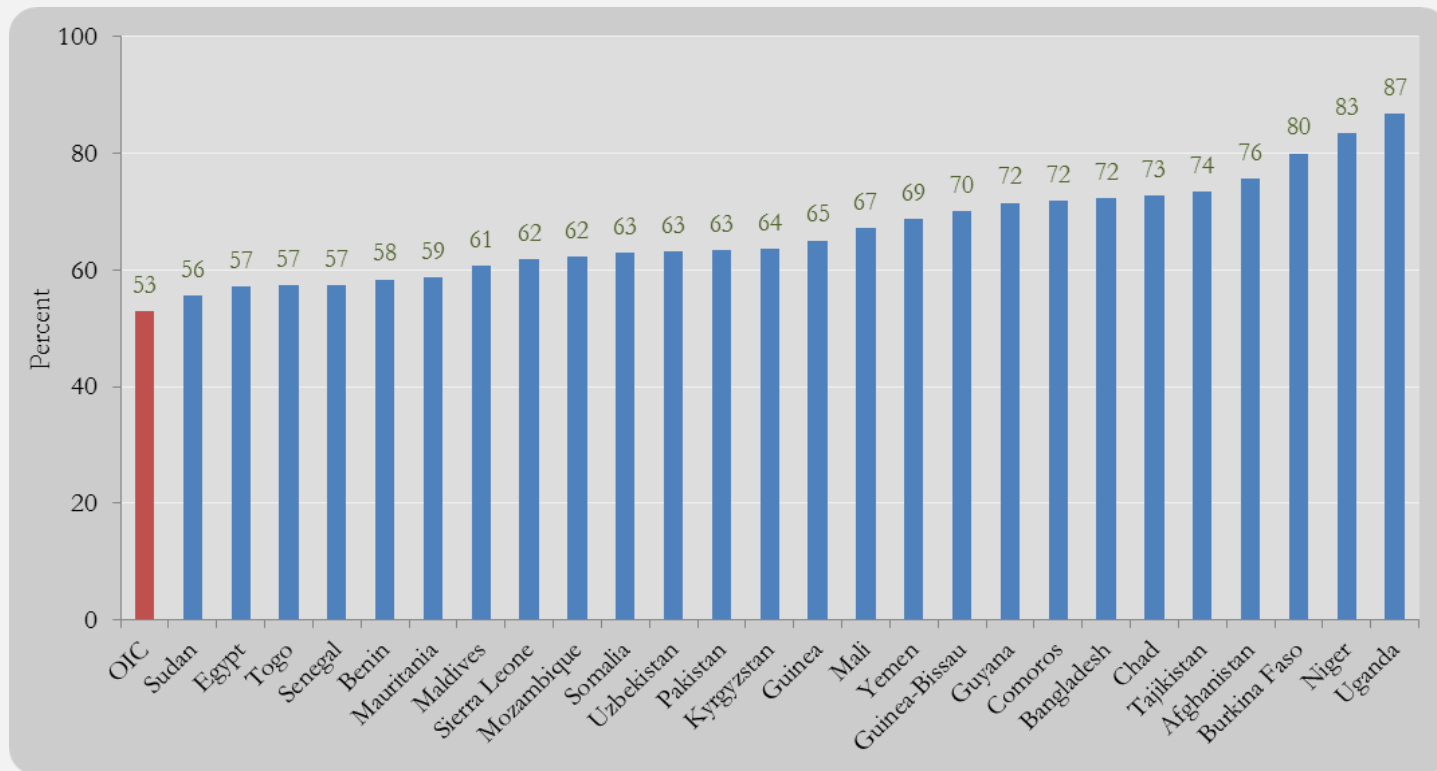
## II. Twinning Capacity Building Programs



# Twinning Capacity Building Programs



**Effective aspect of enhancing employment opportunities through supporting and facilitating self-employment and income generation for millions of poor people and small and marginal farmers particularly in rural areas, and thus contribute to poverty alleviation**



# Enhancing Employability - The role of Microfinance



## Outreach of Microfinance Institutions in OIC Countries 2005 vs. 2009



### 2005

**384 MFIs in 37 OIC countries (35.2% of the total reported MFIs) reached 25.2 million active borrowers (53.5%) with a gross loan portfolio of USD 5.2 billion (29.1%)**

### 2009

**329 MFIs in 38 OIC countries (29.5% of the total reported MFIs) reached 28.4 million active borrowers (31.8%) with a gross loan portfolio of USD 7.3 billion (11.5%)**

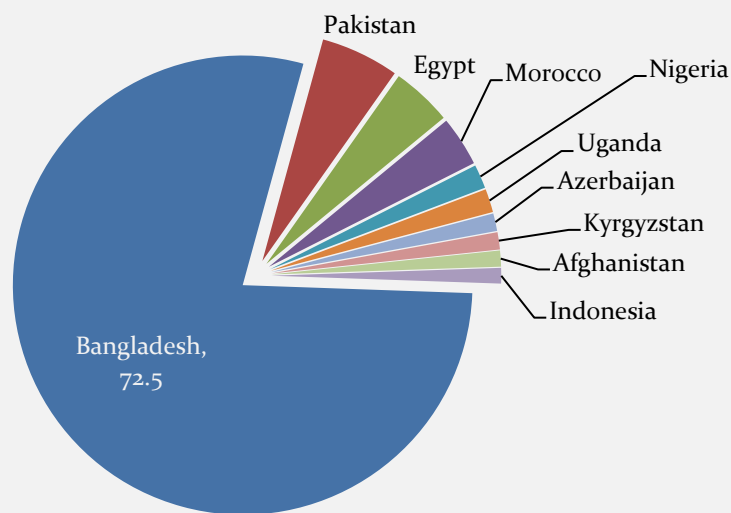
# Enhancing Employability - The role of Microfinance

## Outreach of MFIs in OIC Countries - Individual Country Level



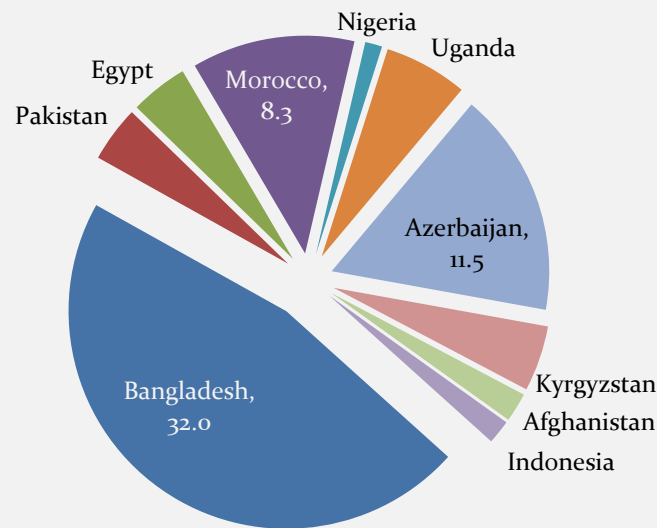
Microfinance industry is still concentrated in few OIC member countries

Share of Active Borrowers, 2009



**Number of active borrowers** of the MFIs in only 10 OIC countries accounted for 92% of the total active borrowers of all MFIs in 38 OIC countries in 2009, with Bangladesh accounted for 72.5%

Share of Gross Loan Portfolio, 2009



**Gross loan portfolio** of the MFIs in these countries accounted for almost 69% of the total gross loan portfolio of all MFIs in 38 OIC countries in 2009, with Bangladesh accounted for 32%

**Despite the successful experience of MFIs in some OIC member countries, millions of unemployed poor and low income people still do not have access to the financial services provided by the MFIs**

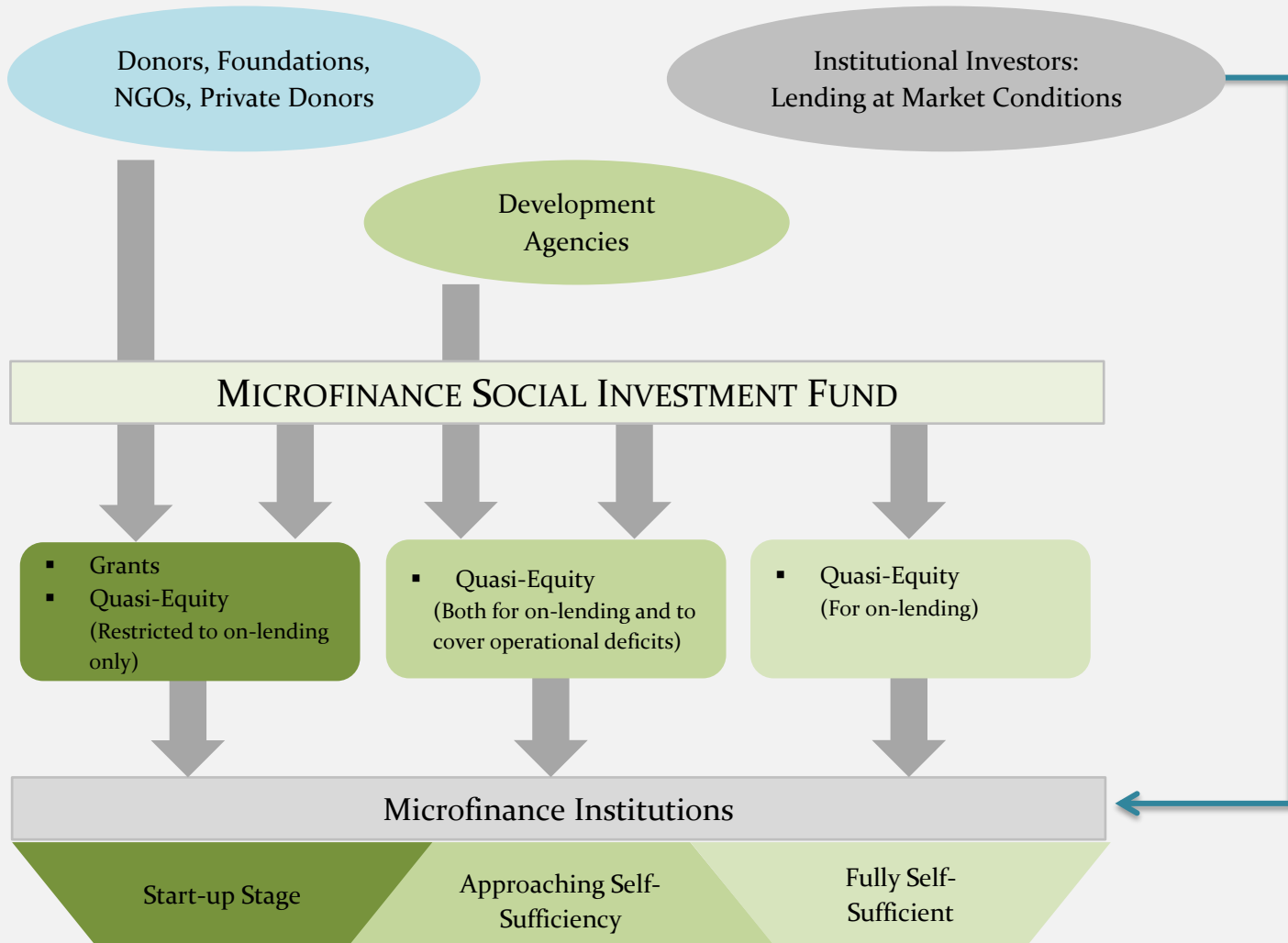
### Challenges & Concerns

- Limited financial resources to support the operations and programs of the MFIs
- High operating costs and financial capital constraints vs. increasing demand
- Non-conformity of conventional microfinance loans to Islamic principles
- Lack of product diversity of Islamic MFIs



# Empowering MFIs to Support Self-employment

## Establishing a Microfinance Social Investment Fund



### **Some Features of Equity-like Financial Instruments** to be developed under OIC Microfinance Social Investment Fund

#### **1. Ability to absorb losses**

- \* Not restricted to on-lending only
- \* Support the MFIs to finance its operating deficits prior to break-even

#### **2. Legal Subordination**

- \* Structuring quasi-equity funds to make them legally subordinated to loans
- \* Greater certainty of repayment in case of a default

#### **3. Repayments**

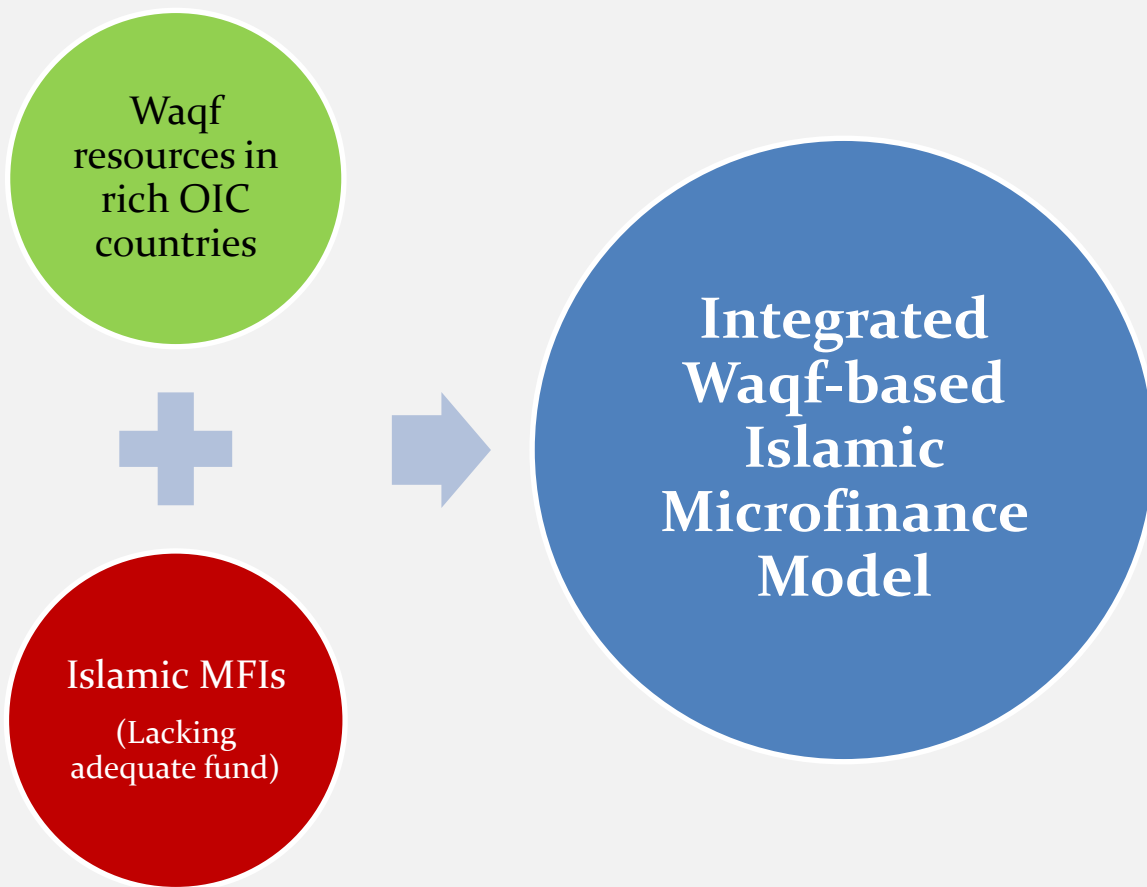
- \* A defined repayment schedule with flexible terms and conditions of lending

# Empowering MFIs to Support Self-employment

Developing an Integrated Waqf-based Islamic Microfinance Model



## Creating a Resource Bridge among the OIC Countries



## 1. Developing a compatible, effective and sustainable VET system

Issues and measures that should be considered in developing compatible, effective and sustainable VET system:

- 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

## 2. Promoting a sustainable microfinance sector

To promote a 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.

## 2. Promoting a sustainable microfinance sector

### *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.

## 3- Supporting and facilitating the operations of the MFIs

### **Two Proposals**

**for supporting and facilitating the operations of the MFIs  
with a view to increasing their outreach for generating self-employment:**

- 1. Establishing a Microfinance Social Investment Fund (MSIF)**
- 2. Developing an Integrated Waqf-based Islamic Microfinance Model**

A world map with a light purple background. Several regions are highlighted in a vibrant green color. These regions include: a small area in South America (likely Guyana), the entire African continent, the Middle East, Central Asia, and parts of Southeast Asia (including Indonesia, Malaysia, and the Philippines).

Thank you for your attention!

