

# Live and learn

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## AFTER THE FIREWORKS

### NEW ETF CHALLENGES AHEAD

*The European Training Foundation is the European Union's centre of expertise supporting vocational education and training reforms in the context of the European Union's external relations programmes.*  
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EU accession celebrations in the Czech Republic

Photo: S. Gallup / Getty Images

# AFTER THE FIREWORKS: NEW ETF CHALLENGES AHEAD

**As the fireworks fade across central and eastern European capitals celebrating their new status as EU members, the European Training Foundation must look back on the part it has played in accession preparations since 1995 and evaluate how much of the experience can be used to prepare the next wave of applicants.**

**T**he ETF has learned valuable lessons in identifying and directing the most progressive leaders and innovators in vocational education and training in eight former Soviet Bloc countries which have undergone a very rapid transition plus Cyprus and Malta.

Its staff has helped create powerful networks of talented and energetic stakeholders who are dedicated to human resource development and have helped forge the related reforms integral to their countries' transition from centrally-planned to increasingly knowledge-based democratic market societies.

As the local and regional partnerships developed and grew, the ETF played a key role in providing support and expertise to build capacity, cascade best practice, and interact with Europe's social, political and educational institutions.

In a very real sense the ETF's contribution, as a key agent of change in countries where the people yearned to return to their common European heritage, has been to foment and support the rebirth of European attitudes and ambitions in the accession countries.

Economic growth – supported in part by increasing the focus of the countries' policies to the more efficient development of human capital – has been above the EU average in most accession countries over the last four years. It has been accompanied by the rapid development of a private sector and the strong growth of small businesses.

Rates of early school leaving are down across the new member states; participation in education up to the age of 17 is higher than the EU average and access to higher education has been rapidly increasing.

**As the fireworks fade across central and eastern European capitals celebrating their new status as EU members, the ETF must look back at the part it has played in preparations since 1995**



Photo: J. Waidie / Getty Images

Fireworks mark EU Enlargement

Education and employment policies in new member states are moving towards EU standards and there has been a marked shift in the motivation to learn in large parts of the younger population.

However, a number of structural problems within employment and training practices and policies persist. They will demand the countries' attention and resources as the EU settles into its new shape.

Employment rates in the new member states, with the exception of the Czech Republic, Cyprus and Slovenia, are below the EU average and markedly lower than the EU benchmark of 70%. In Poland, where unemployment currently stands at 19.3% (as of Dec 2003), the situation is particularly acute.

Public funding for labour market training for the unemployed remains low in new member states, with the exception of Cyprus, Hungary and Slovenia, and more needs to be done to encourage training in the service sector where unemployment is particularly acute in many of the states.

As Haralabos Fragoulis, deputy head of the ETF's Enlargement and South East Europe department, notes: "Although recent data suggest some improvement,

unemployment is still a major problem in half of the new member states, in particular for young people after graduation from upper-secondary education."

"Participation rates in education and training after age 17 remain lower than desirable, as do educational attainment at tertiary level and the degree of involvement of the adult working age population in lifelong learning," Mr Fragoulis says, noting that with the exception of the Czech Republic, continuous vocational training, for example, is only slowly developing in companies in the new member states.

## Reform of VET systems

The importance of VET to economic growth and modernisation continues to rate relatively low on political agendas and is only beginning to receive "proper attention in most countries," he says.

"Globally there are indications that the best ranking countries in terms of employment and human capital performances are those that are most advanced in the modernisation of their VET systems, particularly in terms of renovation of content and methods of learning to make

it more responsive to the new needs of society and the economy," Mr Fragoulis adds.

Systemic reform, despite the wide number of important curricula reforms in VET that have been achieved, still needs attention, as does the upgrading of the teaching profession and the delivery of resources to enable VET schools to modernise and update outmoded technical equipment – a crucial prerequisite for wider social partnership cooperation with enterprises and other key players. "Higher investment in human capital is required if the new member states are to advance in critical training areas," Mr Fragoulis says.

The effects of the above on the internal labour market will be an important measure from which the focus, type and scale of future EU support to the new member states will be projected.

## Future challenges

Although the ETF has all reason to be proud of its contribution to the EU's smooth expansion, this is no time to rest on its laurels. Enlargement has brought new challenges to the ETF and now is the time for the organisation to refocus and redefine its role for the future.



As the EU prepares for the accession of Romania and Bulgaria in 2007 and looks ahead to beginning negotiations with Turkey, the need for ETF expertise in helping further develop the skills and talents that exist within the educational communities in these countries is clearly evident.

In the years ahead, the ETF's role as an agent for change will become even more critical in those countries beyond the new Europe's borders. Also its expertise in VET development, the promotion of lifelong learning and workplace training in countries beyond Europe's political and physical boundaries will be just as much in demand in the years ahead as it has been in the past ten years.

## Neighbourhood Policy

As Gunter Verheugen, the EU Commissioner responsible for the community's new 'Neighbourhood Policy' noted in Bratislava in March during a conference of European prime ministers: "An 'undivided Europe' cannot be a united but inward-looking European Union that does not care about what happens beyond its border. Instability in one part of Europe immediately affects the other parts."

Commissioner Verheugen added in Bratislava that "on-going EU enlargement will not only benefit the acceding states and the union as a whole, but also our neighbours. Increased prosperity in an enlarged union, based on the rule of law and well-functioning, open market economies, will generate opportunities for trade, investment and economic cooperation with non-member countries. It will do so first and foremost with our neighbours." He warned, however, that "neighbourhood policy is distinct from enlargement. It neither prepares for enlargement, nor rules it out at some future point. For the time being the accession of these countries is not on our agenda."

The ETF's out-going director Peter de Rooij, who is stepping down this summer after ten years at the helm, agrees in an interview elsewhere in this issue of *Live and Learn* that continued cooperation with those countries in Europe's neighbourhood is a key direction.

Both the Lisbon strategy of 2000 – where the European Council outlined a ten year plan to create the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion – and the Copenhagen declaration of 2002 – urging the continued expansion of European best practice in vocational education and training throughout the wide European and regional area, are key policy pointers for the new direction the ETF will follow.

The newly acceded members have a role to play in this work, as Mr Fragoulis points out: "As a result of enlargement, the EU has become more differentiated and culturally richer. It contains ten new member states that are very familiar with the ETF; they can provide us with well-informed experts for our work in other countries. This will also be reflected on our governing board."

"The first round of enlargement has provided, and will continue to provide, important experience for the ETF on how we should proceed with EU support to human resources development and active labour market policies in the countries neighbouring the EU. We will build our future activities on the positive experiences with the ten new members of the EU family."

That work has already begun: the immense amount of information and experience generated over the past decade during the preparation of the education and training systems and labour markets of the ten new member states will not be wasted.

The ETF's vast database mapping the progress of reform, activities and stakeholder structures that have been developed, has been shared with the European Centre for the Development of Vocational Training (Cedefop) and remains available to support continued reforms beyond EU borders.

The ETF has shared with Cedefop country files detailing major publications and key VET personnel in the new member states, and it has helped the National Observatories prepare for participation in Cedefop's 'Network of Reference and Expertise' and its activities.

***The ETF's vast database mapping the progress of reform ... has been shared with Cedefop***



Peter de Rooij (right) hands over ETF work to John van Rens, Director of Cedefop

Photo: ETF/E. Luntang



Group photo with 25 EU members and candidate countries

***With enlargement, the organisation has gained a network of colleagues that can help take its work forward***

In those countries likely to remain for the foreseeable future outside the EU's borders, continued work with the ETF is a high priority.

In Russia where the National Observatory established by the ETF (along with a network of similar bodies in its partner countries in the mid 1990s) is now an independent and self-sustaining non-governmental organisation, reforms in VET and labour market modernisation continue to face formidable challenges.

Olga Oleynikova, the head of the Russian National Observatory, acknowledges in a separate interview in this issue of *Live and Learn* that while considerable progress has been made since the ETF began its work in her country, the process must continue.

"Russia still has a long way to go before its VET system may approach the level of responsiveness and relevance found in VET in the EU, but we do now have a network of some really advanced colleges that can help take it forward." Drawing on the expertise and support of the ETF will remain a feature of that work, she says.

This ETF, however, will not be the same as it was until 2004. With enlargement, the

organisation has gained a network of *colleagues* that can help take its work forward.

"The Union has always exerted a strong pull on its neighbours even beyond the circle of countries to which we have held out prospects of membership," said Commissioner Verheugen in Bratislava. "It is our task now to use this attraction to foster the necessary reforms in those countries, in order to step up our relations with them in our mutual interests and for the sake of the peoples concerned."

"Our new member states will be in a good position to help us with this and to benefit from this.

Bordering on Ukraine, Slovakia for instance is well placed to help in this area. A thorough knowledge and historical experience of the region and its peoples means our new members can play a key role in establishing relations with countries further east."

*Nick Holdsworth & Ard Jongsma  
International Correspondents in  
Education*

*Many thanks to Haralabos  
Fragoulis, Deputy Head of  
department Enlargement and  
South Eastern Europe, ETF  
for his contributions to this article*



Raising of the 25 flags



# CHANGING OF THE GUARD

## AN EXCITING AND CHALLENGING MANDATE

On 1 July Dr Muriel Dunbar (52) will take over at the helm at the European Training Foundation. Current director Peter de Rooij bids the position farewell after having guided the ETF through its first ten years.

Muriel Dunbar leaves a position as deputy director and senior consultant for education and training at the British Council in Jakarta, Indonesia. Since 1983 she has worked for the City & Guilds of London Institute – a National VET qualifications agency – the Scottish Qualifications Authority and, from 1996 onwards, for the British Council. In the last ten years she has been involved in VET development projects in Russia, Namibia, the Palestinian Territories, Mexico, Colombia, Egypt, Bulgaria and Tunisia. She started working in Jakarta in 2000 and her work there and throughout her career has given her a solid preparation for the challenges awaiting her in Turin.

“The job in Turin presents an excellent opportunity to use all the strands that have emerged in my career so far,” she explains on the phone from Jakarta. “I have worked with vocational education and training for the better part of 30 years. A fair share of my experience with VET involves the developing and transition countries. And the senior management experience is, of course, indispensable.”

### Similar activities

Her hands-on experience with VET development projects will undoubtedly prove to be an enormous asset. Even the most recent work in Indonesia involved activities very similar to those in which the ETF is engaged in other parts of the world – a feasibility study on

local skills development in Papua, a project helping to build local capacity in preparation for the Indonesian decentralisation of education funding, and a project providing management training to senior university administrators.

“In Papua gas was discovered quite recently. To ensure local benefit rather than exploitation in the broadest sense of the word, local skills needed to be developed in a raft of fields. But the region is a sensitive one. It is remote, environmentally sensitive and very underdeveloped. Our work aimed to establish the potential scope of local capacity development and prepare the ground for what hopefully will become a larger project.”

“The project that helps develop local capacity to deal with decentralised financing of education is also very similar to some of the work the ETF has carried out, particularly in central and eastern Europe. The Indonesian government plans to decentralise the financing of education and this puts an immense strain on regional and local authorities. Many lack the skills they need to successfully take on the responsibilities that come with such a move. We are helping three regions prepare, and obviously hope that the experience accrued can be used in other regions too.”

### Economic development

The British VET development projects in Indonesia closely link education and training to the labour market and economic development, again very much in line with how the ETF feels that VET should be approached. “I have always seen VET as a tool



New ETF Director, Dr Muriel Dunbar

for economic development,” says Dr. Dunbar, “not as just another part of the education system. The work at the ETF will allow me to continue to follow that philosophy. I am very excited about the prospect of working for an organisation that is itself building the capacity to operate as a centre of expertise in vocational education and training.”

“If you approach VET as a tool for economic development, the ETF has an exciting and challenging mandate. It is crucial for the European Union to work on the development of strong economies in its neighbourhood, both for the development of new markets for goods and services, and for the management of sustainable employment. A strong and prospering buffer zone around the European Union will take the strain off migration problems and social unrest.”

***The job in Turin presents an excellent opportunity to use all the strands that have emerged in my career so far***

Photo: ETF/FA. Ramella

*I want to take good time to go around the staff and find out where they stand, what their strengths are and where they might feel ill-equipped*



Photo: ETF/Alberto Ramella

Dr Muriel Dunbar with Nikolaus van der Pas (left), chair of the ETF Governing Board and Peter de Rooij

## The ETF and Turin

When she starts in Turin on 1 July, Dr. Dunbar's top priority is to do an extended tour of the organisation. "I want to take good time to go around the staff and find out where they stand, what their strengths are and where they might feel ill-equipped.

For strategic development it will be crucial to have a clear insight into the strengths and weaknesses of the organisation. After that I want to spend some time with other stakeholders and colleagues at the organisations we will work most closely with."

Relocating from Jakarta to Turin seems no issue of concern. Quite the contrary, in fact: "I have visited Turin before, last time for the Meda Policymakers Conference in 2000, and my days in the city so far have been a real eye-opener. Turin is a gem."

This she says even before she has seen one of the absolute highlights of the city: the 180 degree alpine panorama from the roof of the Villa Gualino on a clear wintry day. "I have never been at the Villa during the daytime. The interviews for the job took place in the city centre, and this time round I thought it would be tempting fate to go up the hill, so I refrained."

"My husband and I both love skiing and hiking and it would seem as if there are ample opportunities for that. We also love opera and, last but not least, good food and wine. To compensate a bit, I may have to consider cycling into work." The latter she says fully aware of the tough ascent a cycling trip to the Villa involves – cycling to the

ETF is not for the faint-hearted. "Well, if it proves to be too tough I can always ask my husband to drive me up in the morning and free-wheel down myself in the afternoon."

*Ard Jongsma  
International Correspondents in  
Education*

## AN OPPORTUNE MOMENT TO LEAVE

This year, Peter de Rooij (60) will leave his position as director of the European Training Foundation. He led the ETF from its inception in 1994 through a decade that was turbulent at times and never void of challenges. He faced the task of building up an EU agency from scratch; the Turin-based ETF was to be developed into a knowledge and support base for vocational education and training development in the regions surrounding the European Union. On 1 July he will pass to Muriel Dunbar the helm of what grew into the European centre of expertise in the field.

"I knew you were going to ask me what my expectations were before I took the job ten years ago and to be perfectly

honest with you I had not the faintest memory of it," Peter de Rooij sets out. Then, ever the unstoppable, he continues without a pause:

"I blew the dust off my personal archive to find evidence of how we embarked on the job in 1994. It made for fantastic reading. I was amazed. I found the minutes of a Governing Board meeting from September 1994. All the important people that were involved in the start-up phase of the Foundation were there when the Deputy Director, Ulrich Hillenkamp, and I presented the Work Programme we had written, burning the midnight oil, to cover the first year of the ETF. It was peppered with all the issues we still talk about today: expertise centres;



demand-driven approaches; networking key people; partnerships; ‘east-east cooperation’ – the way we referred to it before the Med region came into view; National Observatories – well, they were there as ‘observatory function’, but still, it was all there in autumn 1994.”

“In fact, our work had started much earlier of course. At the end of 1993, Ferdinand Mertens, the first Dutch Governing Board member, from the Dutch Ministry of Education, was the first to mention the position to me. I’m a geographer but I didn’t even know exactly where Turin was. I remember I came home and found an atlas even before greeting my wife. Small surprise she was curious as to what I was up to.”

## Early days

“I started my job on 1 July 1994, six months before we moved into the Villa Gualino. It was a hot summer and we had a daunting task ahead of us. We had a cupboard with 1,400 applications for the 60 jobs we were to launch the ETF with. We started our work with one ongoing operation: Tempus. Of the 60 jobs, 23 were for Tempus administration which provided the backbone of the organisation from day one. Incidentally, in the papers I dug up yesterday, I found a remark on Tempus which, with hindsight, is interesting too. It read: ‘Tempus should not be allowed to dominate our work.’”

“What truly hit me though, were the comments about our mandate in the first Work Programme. Now, this is ETF history: It said that ETF staff should not primarily carry out project activities but instead be involved in the design, monitoring and evaluation of projects. What a detour we made to get there. And how wonderful it is to see today that we got there after all.”

“In spite of all those good intentions, we started out with 10

programmes in 10 different countries worth € 130 million. We talk of policy learning today... well, those first programmes had been made on a photocopier. They covered the Phare region and were soon followed by activities in the countries covered by the Tacis Programme. We were gathering expertise, no doubt, but the pressure of the work, the explosive growth – we were 130 staff by 1998 – and a host of other factors pushed those original visions aside and in fact, what we did was project work – exactly what we had said we were not going to do back in 1994.”

## Centre of expertise

“Two factors entirely beyond our control returned the original vision of the expertise centre back onto the agenda. The Cresson<sup>1</sup> affair had implications throughout the European Union. The consequence of it for us was that we were no longer allowed to have direct financial responsibility for large programmes.”

“The second factor was impending enlargement. In 1994 accession wasn’t yet an issue. It only appeared on the agenda in the following years. But in 2000 accession had come so close that the Commission decided we could do with fewer people with the ‘loss’ of so many of our partner countries. I won’t hide the fact that I thought that was as premature then as I do now. At the time “Brussels” simply didn’t realise the immense need for preparation that still existed in the accession countries. We lost 26 staff, and if any period in these ten ETF years can be typified as decidedly gloomy it must be those years. Insecurity eroded staff morale and it has taken an enormous effort to re-emerge from the tunnel.”

“I say two factors, but in fact there was a third. But where the first two were rather destructive, the third held an important clue to our future. At a meeting in



ETF Director, Peter de Rooij

Lisbon in 2000, things were decided that have since been propelled to the top of the European agendas. I well remember the euphoria at the following meeting of Directors General for Vocational Training. We knew the Lisbon Process was going to have a huge impact on the position of VET in European policy.”

“The loss of programmes and the loss of staff meant that we had to reorient our strategy. Lisbon left no doubt as to which direction we would have to move in. We anticipated a surge in demand for expertise in education training in what became known as ‘the wider Europe’ and finally, with a fantastic detour, we returned to the original aims of that very first Work Programme that Ulrich and I had put in front of the Governing Board in September 1994.

***We started our work with one ongoing operation: Tempus. Of the 60 jobs, 23 were for Tempus which provided the backbone of the organisation from day one***

<sup>1</sup> The European Commission was forced to resign in 1999 following a corruption scandal centred on Edith Cresson, former Commissioner for Education and Training.

***Policy learning...  
is a good  
example of  
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universal way  
of approaching  
VET reform***

Following a process of intense discussions involving all staff, we relaunched the idea of the expertise organisation. It took us the better part of a decade to build a high quality sustainable organisation with motivated staff, but we managed it. I think the best proof of that was last year's excellent 'Learning Matters' conference."

### **Wider Europe**

"The main challenge for the ETF in the years ahead will be to anticipate new EU policy directions. The EU is reflecting on its physical limits. A future EU is likely to include the Balkans and the current accession countries, but it is unlikely expansion will continue much further after that. This makes the currently emerging neighbourhood policy more than just a staging post. The policy will be different from when the new members were the main target for support and the end of that line was accession. The new policy will be to help countries in the 'wider Europe region' become more prosperous and stable, without the final aim of including them in the EU. So, the ETF must use all the experience

we have built up with the first wave of accession countries to prepare the next wave then use what can be taken from that for the development of a good neighbourhood."

"In the longer term I see some problems. Politicians still have very little interest in demographics. It's an unattractive zone for them. But the problem of an increasingly elderly population in Europe is massive and will have to be faced some time in the near future. To keep the economy growing we will need millions of extra skilled workers in the future, so more young people need to be educated and trained.

One way of getting extra labour in is to invite people to immigrate, but that is causing political problems these days. You can also take the labour, that is, economic activities within the EU, to the labourers."

"The EU must think very carefully about where it wants to draw its labour resources from. There are a number of options, the first of which involves Turkey. Statistics show that Europe will lose some 25 million people from its labour markets in the decades ahead. In the same period, Turkey will gain 15 million. So Turkey has a

potential, but only if and when people are well-educated. At this moment, 50% of the working population of Turkey have only five years of primary education behind them."

"Still, 15 million would not even be enough. We need at least another 10 million. These could be drawn from India or Africa but that seems unlikely. Latin America would offer much better perspectives, if only because it is culturally a lot closer to Europe. Ergo, more investment in education and training by the EU in Central and Latin America would be well worth considering."

"Now, this may sound somewhat far fetched. Should the ETF really anticipate this? In fact, we already do. We are now finding far more theoretical ways of working towards VET development. Policy learning, which I mentioned earlier, is a good example of a much more universal way of approaching VET reform. Some of our best experts have worked on this and taken our experiences in the field into a more theoretical framework, and we are making this operational now. The upshot of this is that it becomes much easier to transfer approaches from one region to another. That in itself is a form of anticipation."

"The ETF is well prepared for the years ahead, and with the way we have developed our human capital, our structure and activities, I can only see further improvement for the future. It is a very blessed moment to leave. I will not say that I am satisfied – I never am – but we are flourishing. Handing over to my successor at this moment in time is a prospect that makes me proud and very happy."

*Ard Jongsma  
International Correspondents  
in Education*

Photo: ETF



Peter de Rooij (front row, far right) with ETF Advisory Forum members, 1995



# SPORT IS THE BEST SCHOOL FOR LIFE



Theresa Zabell and Will Carling speaking at the Sport and Society: Winning Together conference

Photo: ETF/Alberto Ramella

## ***“Sport is the best school for life.”***

**W**ith that statement, former Olympic sailing champion and current Spanish MEP, Theresa Zabell caught the mood of the day at an ETF organised conference on sport and education. Held on 9 May, the one-day event coincided with the 54<sup>th</sup> anniversary of the Schumann Declaration and the European Year of Education through Sport. ‘Sport and Society: Winning Together’ drew visitors from 26 countries to Turin, the seat of the European Training Foundation.

The subject of sport and education is relatively unfamiliar territory for the ETF and the day

therefore brought perspectives on education that were both refreshing and inspiring for use in other settings. From the world of sports can be drawn many parallels with social skills development and citizenship training in VET.

Drawing parallels between sport and society, Theresa Zabell noted that, “sport teaches us respect for our opponents, referees and rules,” she said. “It teaches us to count on each other and it provides a constant reminder of the transient nature of victory.”

## **Desire to win**

Putting his money on an upbeat ending, Professor Alan Tomlinson of the Faculty of

Sports and Education of the University of Brighton, set out with his personal experience of the contradictions that surround sport. “Sport instilled in me the desire to win and sport taught me how to cheat,” he quipped. His subsequent examples of how sport helped develop social skills and even helped disadvantaged youth into work in his hometown of Brighton, however, were a prime example of the powerful potential of sport in strengthening the position of socially disadvantaged groups.

Professor Tomlinson nonetheless called for a collective effort to reverse some negative trends in sport today – ideas that were reiterated during afternoon panel discussions by, among others, La Stampa sports veteran, Gian Paolo Ormezzano.

***Sport teaches us respect for our opponents, referees and rules***



ETF makes its presence felt at the Stadio delle Alpi

***How often do you ask a colleague whom you think does a particularly good job, to teach you?***

“Sport has become all about winning,” Tomlinson said. “We must reverse this trend and return to the idea of respect, not contempt, for our opponents. There is no sense in talking about utilising sports [for learning purposes] and not at the same time looking at the function of sports icons today.”

The latter were represented at the conference by Will Carling who – both at the conference and during his years as captain of the England rugby team – managed to show with great

conviction that there are alternative ways to go about working with people in sport today.

With examples from his years with the England rugby team he returned the conference to the many positive links and parallels between education, society and sports, and demonstrated their potential as complements in the development of social skills.

“Generally, coaches tell people to win – not *how* to win,” he said. “We started looking at *why* we won games instead of

just why we *lost* them as is the general practice. We also brought things down to a very personal level however difficult that was for the rugby players. But if you want to get the best out of people you have to know who they are, what goes on in their minds and what they do. You have to be a good listener.”

Will Carling offered an interesting perspective on peer coaching when he said that the best coaches are team-mates. Keeping an audience of mostly civil servants captive he asked:



Photo: ETF/Alberto Ramella



already in full swing and regional education is involved at all levels. Its current and topical experience were fully utilised for the purpose of the conference.

Roberto Daneo, Managing Director of Authorities Relations of the Turin Organising Committee illustrated his support for the subject of the day with an impressive overview of the 82 twinning arrangements the city has set up between local schools and participating countries. "The schools run projects about 'their' countries and will be involved in the games, for example by putting together welcoming committees for their countries' athletes," he said. One of the teachers in a Turin video on the Games said they were "an important instrument to transfer the values of sport in a time when sports are not always seen in a positive light".

Another activity presented from the Piedmont region was a project by the Associazione Mondo Minore, a local NGO working for the prevention of child labour. The NGO's President, Federico Daneo explained the workings of a project exploiting the stabilising effect of sports. In Afghanistan, where 4% of the population are disabled, the NGO is preparing a team of handicapped athletes for

participation in the cross-country skiing competition in the 2006 Winter Paralympics.

## Inspiration

The day brought inspiration in a time where novel ways of training for citizenship are a much sought after commodity. It taught that when utilising sport as a tool for training, the differences as well as the relationships between top performance sport and common team-based sports must be kept under close scrutiny. But it also amply illustrated the rich potential of sport as a tool for social skills development in a non-formal setting.

Find out more:

**European Year of Education Through Sport:**  
<http://www.eyes-2004.info/>

**XX Olympic Winter Games:**  
<http://www.torino2006.org/>

**TOROC - Turin Organising Committee of the XX Olympic Winter Games 2006:**  
<http://www.jobpilot.it/profile/toroc/index.htm>

Ard Jongsma  
International Correspondents  
in Education

*The day brought inspiration in a time where novel ways of training for citizenship are a much sought after commodity*

"How often do you ask a colleague whom you think does a particularly good job, to teach you?"

## Winter Olympic Games

Examples demonstrating the scale to which sport can offer an enriching and complementary contribution to education came from the city of Turin itself. Host to the 2006 Winter Olympics, the city's exploitation of the event is



Peter de Rooij speaks to the conference participants in the Atrium, Torino

Photo: ETF/Alberto Ramella

# ETF IN FOCUS IN THE EUROPEAN PARLIAMENT

The role of the ETF in the future developments of vocational education and training in EU neighbouring countries has been the topic for discussions in the European Parliament on a number of occasions during the last year.

*“Agencies could be entrusted with more operational tasks” for example with executing Community programmes in the fields of education and health*



Photo: European Parliament

The European Parliament

Since the European Parliament, in a resolution accompanying the discharge to the Commission of the general budget 2001, noted that “Agencies could be entrusted with more operational tasks”, for example with executing Community programmes in the fields of education and health, the European Parliament, its Committees and its Members have followed up with a number of concrete proposals.

In the reports on the discharge to the Director of the European Training Foundation (ETF), Peter de Rooij, of the budgets in both 2001 (rapporteur Freddy Blak) and 2002 (rapporteur Jan Mulder), the

Budget Control Committee and the European Parliament have “called on the Commission to use the ETF’s expertise in a wider geographical context than at present and for providing technical assistance to programmes such as Tempus and Erasmus Mundus”.

## Quality and efficiency

In line with the position of the Budget Control Committee, the Committee on Employment and Social Affairs in its meeting on 18 March 2004 also discussed the assessment of the performance, the planning and the short and medium term

challenges for the ETF. The discussion followed a report on the ETF by the standing rapporteur, MEP Thomas Mann.

“We have repeatedly been able to confirm the quality and efficiency of the ETF as we have been able to see that the place works very effectively, and what is especially important is the Budget Committee of the European Parliament which has given an assessment and said that the ETF is a highly qualified organisation and is extremely careful in its dealings with money,” the rapporteur, MEP Thomas Mann, stated when he presented the report to the Committee.



Photo: ETF/Alberto Ramella



Ms Doris Pack MEP

## New activities

Following the meeting on the assessment of the priorities and work programme of the ETF, the Committee on Employment and Social Affairs addressed a letter to MEP and Chairman of the Committee, Terence Wynn in preparation for the budget 2005, pointing out "that ETF could assume the technical assistance for the new Erasmus Mundus programme, alongside that of the Tempus programme."

"This would deliver significant economies of scale and also take advantage of ETF technical expertise and experience with countries outside the EU," states

Photo: European Parliament



Mr Thomas Mann MEP

Theodorus J.J. Bouwman, MEP and Chairman of the Committee in the letter, which also underlines that "ETF should widen its expertise and activity for education and training activities outside the EU".

On 6 April 2004 the ETF Director Peter de Rooij was invited by the European Parliament's Committee on Culture, Youth, Education, the Media and Sport to present the activities of the ETF. In his introduction, Peter de Rooij underlined the role of education and training in developing socio-political stability and economic development around an enlarged Europe.

## Reform

"Education and training play a crucial role in creating a stable ring of countries around the enlarged European Union. From the experience that we have built up in the acceding countries and from the Western Balkan countries, hopefully the countries in the new "Neighbourhood Programme" that need more stability, that need more economic and socio-economic development will also benefit", Peter de Rooij said.

The intervention was welcomed by the Members of the Committee, and the remarks on the Western Balkans evoked a reaction from MEP Doris Pack, who made a link to the proposal by the European Commission on the new generation of education and training programmes after 2006: "Reform of the education and training systems in the region is crucial, otherwise it will be impossible to persuade businesses to set up shop there. Everything is so closely interconnected, including unemployment, and I believe that in this context the ETF is the right partner for us to work with. The experience which the agency has gained should really be combined with what the Commission is proposing. If Tempus Plus is to be extended to the Balkans then in principle a link must be created with the agency, because we cannot do without the know-how that has

been built up in the last few years," Doris Pack stated.

The debates in the European Parliament on the ETF have signalled a clear approach to the future of training and education in Europe. "The ETF welcomes very much the consistent line of the different committees in the European Parliament on the appreciation of the ETF and its future development," ETF Director Peter de Rooij stated.

### Links:

**Resolution of the European Parliament containing the comments that accompanied the decision on discharge in respect of implementing the general budget of the European Union for the 2001 financial year** (Commission) (OJ/L 148/volume 46/page 28/articles 54-56)

[http://europa.eu.int/eur-lex/pri/en/oj/dat/2003/l\\_148/l\\_14820030616en00210039.pdf](http://europa.eu.int/eur-lex/pri/en/oj/dat/2003/l_148/l_14820030616en00210039.pdf)

**Report on the discharge to the ETF 2002**

[http://www.europarl.eu.int/comparl/cont/adopt/discharge/2002/agences\\_en.htm#ear](http://www.europarl.eu.int/comparl/cont/adopt/discharge/2002/agences_en.htm#ear)

**Communication from the Commission: The new generation of education and training programmes after 2006**

[http://www.europa.eu.int/comm/education/doc/official/keydoc/2004/newprog\\_en.pdf](http://www.europa.eu.int/comm/education/doc/official/keydoc/2004/newprog_en.pdf)

*Reform of the education and training systems in the region is crucial, otherwise it will be impossible to persuade businesses to set up shop there*



Mr Jan Mulder MEP

Photo: European Parliament

# VIEW FROM THE OBSERVATORY

## FOCUS ON THE RUSSIAN NATIONAL OBSERVATORY

The network of National Observatories in the ETF partner countries<sup>2</sup> acts as a group of nodes where expertise on European and local vocational education and training (VET) is concentrated. Through working together and sharing information and best practice in developments in European VET, lifelong learning, adult education and retraining; through also encouraging policy debate; and through helping create national, regional and international links and cooperation between stakeholders in VET, the National Observatories have become key players in the complex process of remoulding vocational training to both anticipate and meet the needs of the emerging market economies of these countries.

In Russia there are two such observatories – a national one in Moscow and a regional one in St. Petersburg. In order to demonstrate how a National Observatory functions and the impact that it can have on VET policies in its country, we have chosen to focus on the Moscow National Observatory and the people who work in it.

*Yes we have had some influence on VET strategy and policy in Russia and we have achieved a certain recognition for our expertise in this field*

Olga Oleynikova is a reserved, modest woman not given to boasting about her achievements.

Glimpsing her behind a desk in one corner of a cluttered office in a nondescript old building in the centre of Moscow, one can hardly guess at the support she and her team at the Russian National Observatory have offered the modernisation and reform of vocational education and training here.

But listen to Olga Nikolaievna – as she is known to VET

college principles, national and regional education chiefs and expert consultants throughout Russia, where the formal use of first name and patronymic remains in use today – and you quickly understand how important the national observatories are to national VET policy and practice development: “Yes, we have had some influence on VET strategy and policy in Russia and we have achieved a certain recognition for our expertise in this field.”

### Major achievements

That’s as close as she comes to blowing her own trumpet, but a listing of the achievements her office has notched up since the ETF launched it in 1996 shows just how important a role it plays. Just to give some examples, the observatory has published a Russian language guide on lifelong learning and prepared a glossary of VET terms to create a shared language for VET communities throughout the Confederation of Independent States (CIS). It initiated a policy discourse among political leaders on the Copenhagen process which aims to streamline EU and Eastern European VET practice and curricula. And it introduced dialogue on social partnerships, labour market analysis, the development of common VET standards and new financial and managerial practices.

The Moscow team of six full-time staff and a dozen part-time consultants has forged an energetically proactive enterprise over the past eight years. The observatory has matured and grown in stature. Three years ago it became a self-sufficient organisation. It now pays its own way, partly by



Photo: Russian National Observatory

Workshop in Skill Needs Analysis in Volgograd

<sup>2</sup> The ETF partner countries having a National Observatory are Bulgaria, Romania, Turkey, Albania, Bosnia & Herzegovina, Croatia, former Yugoslav republic of Macedonia, Kosovo, Serbia and Montenegro, Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, the Russian Federation, Ukraine and Uzbekistan.



performing ETF contracts, by competitive tendering for European Commission projects and by commercial consultancy with VET colleges, government organisations and other training stakeholders.

"We were the first national observatory to register as an NGO in 1999 in anticipation of moving towards self-sufficiency after the initial ETF project drew to a close," Olga says, adding that now most observatories in the CIS have this status.

The move – which for Olga's office meant a name change to the Centre for Vocational Education and Training Studies – has given all the observatories the freedom to work in a more commercial manner without curbing their ability to continue functioning as a centre of expertise and policy advisor, or to provide analysis and consultancy. In view of this, Olga is proud of how far the Russian observatory has come.

"We have managed to put a whole range of key VET reform issues on the agenda for discussion between stakeholders in Russia and internationally between Russian and EU experts," Olga comments. "Regular international workshops – such as one on developing a national qualification system scheduled for Moscow in mid June – are a good example of how policy discussions can be encouraged."

Also the role the observatory plays as an expert consultant to the Ministry of Education reflects the stature achieved since it was launched. "We consult the education minister on VET developments in the EU and provide comparisons between European and Russian training systems," Olga says.

The observatory has played a key role in bringing together the education and labour ministries. In Russia these had always worked quite separately. "Now we are always invited by both labour and education organisations for discussions. This was not easy to achieve in Russia due to a lack of communication between these sectors."



Photo: ILO/J. Maillard

## Active cooperation

As proof of the high regard in which it is held, the observatory participates in numerous ministry workshops and policy discussion bodies, including Ministry of Education working groups on the development of CVET (Continuing VET), the Copenhagen process, initial VET and in-service training.

No less important is the cooperation with individual VET colleges, regional education authorities and other clients that contract the observatory for its work. "VET colleges in Russia still need help in understanding how they can move beyond outmoded notions of their role and function, and often seek the observatory's assistance to achieve this," Olga explains.

A good example is the Machine Building College in Ryazan, a town not far from Moscow, where orders for trained machine shop workers dried up after the collapse of the Soviet Union heralded the decline of many old, economically unsustainable industries. "The college could see what was happening and knew that unless it acted it would go under," Olga recalls. "They conducted a skills needs analysis in the region and found there was an acute shortage of trained childcare workers." In a brave move for both management and staff, the college put its machine workshop classrooms under wraps and launched childcare courses. They were a roaring

success. The college survived a difficult period and eventually, after the local machine-building factory responded to market changes and orders picked up, demand for trained machinists returned.

"The college was afraid to engage the challenge of providing courses in a totally different discipline, but we pushed them," says Olga. "Now they are happy because they developed a course that is very popular; they have a queue of applicants waiting for places on it. They are running machinist courses again and are even considering taking a weaker college under their wing in a merger to create a new and stronger organisation. We helped change the mentality of this college and now they know how to survive on their own." The structural changes that Russian VET is facing and will continue to face will inevitably lead to closures of those institutions that are weaker, less able or less willing to adapt, she predicts.

The Moscow observatory is a regular participant in tenders for European projects, such as the current wave of Tacis BISTRO projects. The observatory has worked on a number of these schemes, including the recently completed Tacis BISTRO Competence-based VET project that developed a methodology for designing and implementing competence-based modular curricula, and it is also involved in two Tacis IBPP projects: Social Dialogue in VET and Adult Education.

***The observatory has played a key role in bringing together the education and labour ministries***

Photo: Russian National Observatory



IBPP project partners with Olga Oleynikova (2nd right)

## Fostering partnerships

Olga believes that fostering social dialogue and social partnerships is particularly important in Russia, where the concept and practice remains poorly understood. Many VET leaders think it merely refers to any cooperative projects in which they are involved. "VET schools participating in the social dialogue project have developed a clear understanding of the nature and benefits of social partnership," says Olga. "Social partners in the project regions have also been sensitised to the advantages of interacting with VET schools in terms of gaining access to a qualified workforce that meets local labour market skills demand and competencies requirements."

It's not an easy process – especially when high unemployment means employers can pick and choose from a vast pool of potential labour without having to go to the bother and expense of collaborating with VET institutions. But by using the right tactics and approaches VET schools have "won employers over to their side", Olga adds. It is a lesson that needs to be hammered home again and again throughout Russian VET, and observatory staff have learned not to ignore the absolute basics, for example by providing VET chiefs with a list of

concrete examples of social partners: enterprises, industrial and trade associations, chambers of commerce, employment agencies, and government administration departments.

A key new area of activity is to expand the vision and role of VET colleges beyond their traditional boundaries of training young school leavers for work. This is particularly important in Russia where the size of the school-leaving cohort is dropping at a time when a new and urgent need for the retraining of workers in redundant industries and employment sectors is increasing.

The observatory is working on a new partnership project with VET colleges in Ireland to develop adult education and training based on competence-led modular curricula. Pilot programmes in childcare for pre-school children, office security system installation and maintenance, car mechanics for foreign vehicles, and setting up SMEs, have all proved successful with course graduates being snapped up by employers.

"The project is one of those that proves the importance of sharing information and experience in VET because the challenge to meet new demands in VET is not confined to Russia – to an extent all European countries have similar challenges," Olga says, adding that it is always essential to base the actual content of the new courses on detailed training needs analyses in the local region.

"The transfer to competence-based labour market-oriented programmes is no easy undertaking for Russian VET schools. They are deeply rooted in their own vision of what VET training is all about," she adds.

## Experts

Through years of working closely with VET schools and social partners, Olga Nikolaievna and her team have become experts in their field and have

identified the clear leaders in VET – those colleges and principals willing to embrace change and do the hard work necessary to survive and thrive during a difficult transitional period in Russia. Encouraging these leading colleges by including them in successive projects and seeing them grow in stature and influence within their own regions is a policy she believes will bring dividends for years to come.

"The VET schools we have worked with have become real regional leaders and are active in disseminating project outcomes. A good example is the recent conference organised by Voronezh Industrial and Humanities College to discuss the impact of international cooperation in VET. The college published two brochures that included all 62 reports submitted by participants and material relating to the results of the Russian-Finnish Tacis IBPP project on social dialogue in VET. "There were 165 delegates at the conference representing VET school principles, university experts, secondary and initial VET schools and the Finnish project team. All of the colleges involved in the Russian-Finnish project have signed partnership agreements and exchanges have begun; similar exchange and cooperation agreements are expected in the Russian-Irish Tacis IBPP project on adult education," she says.

However, despite all these success stories, Olga is realistic about the situation of VET in Russia. "Russia still has a long way to go before its VET system may approach the level of responsiveness and relevance found in VET in the EU," she concludes. "But we do now have a network of some really advanced colleges that can help take it forward."

Find out more:

**National Observatory of the Russian Federation:**  
[www.observatory.ru](http://www.observatory.ru)

*Nick Holdsworth  
 International Correspondents  
 in Education*

**Russia still has a long way to go before its VET system may approach the level of responsiveness and relevance found in VET in the EU**



# INFORMAL SECTOR OR INFORMAL ECONOMY

## WHY ARE SO MANY INTERESTED?

The debate on the informal economy has seen renewed interest in the last decade, fuelled by different motives that range from the apparently surprising expansion of informality among industrialised countries to the agendas associated with poverty reduction strategies. The spotlight is being directed by different interested parties to different aspects of informality: some focus on the big questions of labour protection and compliance to regulations, others on the economic role of informal activities in situations of market failure. Some call for multi-level intervention aiming at immersing the entrepreneurial informal sector into the mainstream economy, while others simply ignore the non-accountable economy in policy agendas.

This small article is the first of a series of two or three on the peculiarities of the informal economy. This topic is still relatively new to the ETF, at least as a matter of cross-departmental interest and study. Why are we interested? Simply put, policy thinking on skills and training for the labour market and knowledge economy cannot simply overlook the growing share of informal employment in our partner countries' labour realities. We tend to argue that while being part of the labour force, employees in the informal sector represent, by their very nature, one of those areas difficult to reach, particularly by mainstream policy, without specific focus on the peculiarities of being 'informal'. The subject is complex, and there is still no consensus regarding the position of the ETF: How can we focus on this issue within our projects? Should there be any specific attention or tailored approach towards those who are considered informal operators? This article endeavours to obtain at least one consensual reaction: the problem of the people dependent on the informal economy is worth attention in development work. Another further article will describe informal sector producers in selected partner countries (North Africa) using some rare recent reports from statistical bodies (labour force surveys and special social analysis of informal sector operators). A final article will



Photo: ILO/J. Maillard

discuss the problems of skills and training within policy measures addressing the problems of informal employment and enterprise.

### Origins

The term "informal sector" was introduced in 1971 by Keith Hart in his study of economic activities in urban Ghana. A year later the International Labour Office (ILO) organised a number of multi-disciplinary employment missions to various developing countries, Kenya being the first

of them. This mission made the interesting conclusion that the traditional sector not only retained its place in the economy, but also seemed to be resilient and expanding. This was contrary to the widely-held assumption of the 1960s that traditional small-scale production would be absorbed, with the right policies and investment, by modern industrial economic forms. Capitalist economic growth was expected to transform the scenario of a myriad of small informal producers and traders.

**Capitalist economic growth was expected to transform the scenario of a myriad of small informal producers and traders**

***What circumstances lead so many educated and skilled people towards forms of economic activity that are not risk free***

Operators in this informal sector did not fully obey the modern economic markets regulation where they coexisted with modern industrial firms, but this does not mean that informal operators had no rules! Many sectors and local markets had their own systems of norms, savings schemes and even safety nets. Such networks functioned within one market, one sector (traders of textiles for example) or within one location. Traditional forms of skills acquisition/transfer assured the continuity of the trade techniques and organisation and the rules of the network: in certain countries these forms – apprenticeship in various schemes – obeyed strict principles, where masters and apprentices had obligations to each other. The adolescent apprentice grew – physically speaking – at “school” to become a master of his trade, bringing forward experience which he would then transmit to new generations.

From a market point of view, informal suppliers of goods and services were and remain a deciding factor for the significant number of buyers in developing countries who search for lower prices and the flexibility of transaction in the market place.

In many countries there are known cases of resistance by the population to the destruction of local traditional markets.

In a way, we are not so far from this buyer behaviour: are we not all somehow attracted to visiting open fairs or markets where we can talk and bargain with sellers, and find items and the atmosphere that no modern shop can offer?

The very features of the informal economy – the small scale, personal asset-based ownership (no separation of rights and liabilities of the ‘business’ from that of the owner), low value of capital and therefore of production factors, organisation of production and labour relations based basically

on kinship and family obligations, low productivity and incomplete compliance with labour and economic regulations – seem to make it resilient and able to evolve to accompany structural changes in the economy, as well as offering now what looks like a valve for market/policy failure.

### **Countries in transition**

But what is new about the informal economy is that it attracts new categories of participants, thus it is not at all limited to the traditional household activity. Moreover, this trend is in expansion in other types of economies – such as the transition economies – which until recently still had relatively high economic and human development indicators. Who are those that go ‘informal’ in these new conditions that differ from the original ‘informal Sector’? What circumstances lead so many educated and skilled people towards forms of economic activity that are not risk free?

Firstly, it is those in the situation of underemployment, caused for example by a serious skills mismatch, lack of those competencies required by production and technology in competitive industry and an entrepreneurial climate; those who found themselves suddenly redundant upon massive waves of enterprise restructuring that resulted in the sudden fall in output levels and salaries; those who continue working in formal firms and even in official institutions but whose salaries are in clear disproportion to the general inflation; those who have personal assets from the past (a car, a house, a machine, a plot of land) that can be used to earn small amounts of revenue, but who cannot afford to pay taxes; those who have entrepreneurial initiative but lack information or motivation to literally fight to register their enterprise given the overregulated and bureaucratic environments that still exist nowadays (in certain markets educated first job seekers opt for transitional activities based on

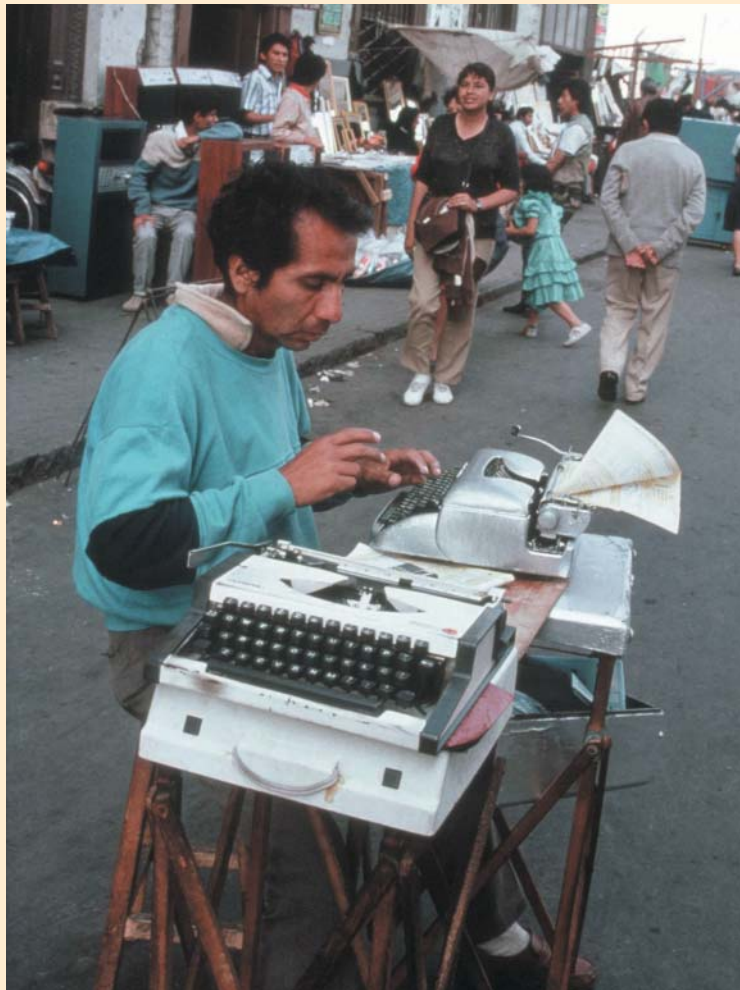


Photo: ILOU. Maillard



the ease of e-employment and information technologies).

Informality in transition economies – with due respect to the fact that we do not know enough about the demographic and social characteristics of informal employees and operators – seems to be more of the second-job/multiple activity type (mainly to increase the individual level of officially earned revenues) than a full-time unique source of income, as it continues to be in many developing countries. However, certain eastern European countries with severe market disruption offer practically no alternatives to informal employment and self-employment, and large shares of the educated labour force are *forced* into low-skilled forms of economic activity, thereby depreciating their former productive capacities.

Informality in these new countries is also apparent through new non-standard forms of employment, frequently offering no protection to the employee yet offering the employer flexibility, exactly as required for global competition based on low cost structures. Finally, in the agriculture sector, where informality is particularly likely to occur in world terms, small family farms represent the new 'safety net', particularly vital to countries that recover slowly. In certain countries one category of factors leading to informality will have more weight than the others. Forms of informality (in jobs and enterprises) differ from country to country and from one locality to another in relation to the quality of the legal and regulatory frameworks in place and to the economic growth signals.

Capitalist growth in emerging transition markets did not absorb the total economically active population; large shares of the labour force had to find niches within or outside the formal, official, observed economy. It is clear that full unemployment is not affordable in countries that do not offer reliable safety nets and social protection systems, therefore, in developing and now in transition economies (former

socialist economies) people cannot afford to remain officially unemployed; they have to work and earn somewhere and somehow.

### Unreliable data

This evidence can hardly be demonstrated with data of total accuracy, since series of data on the part of the labour force and production that can be considered as informal, are for obvious reasons, either unreliable or were only gathered in recent years as the issue of measuring the hidden economy started acquiring relevance for governments' statistics.

Measuring the non-observed economy is a challenge for governments, but a vital one. Without knowing the share of informal production in the GDP, governments cannot make adequate policy decisions and interpret economic indicators. Without better knowledge of the informal share of labour markets, employment policies and budgeting for appropriate interventions will remain either exclusive (ignoring informal employment) or miss some of the real problems.

The International Conference of Labour Statisticians has worked to propose feasible concepts to measure the economic weight of the informal sector. Its 1993 definition based on the notion of production units was introduced in the revised International System of National Accounts (1993 SNA). The OECD-ILO-IMF and Interstate Committee of Statistics of CIS endorsed the guide for statisticians "Measuring the Non-Observed Economy" (dated 2002), which is also worth reading for non-statisticians. Interestingly, this guide proposes a clear distinction of the concept of informal production from the other two notions that are often mistakenly used as synonyms for the informal sector: the notion of 'underground' production and the notion of illegal production. Therefore, the guide provides a basis for a sound understanding of the informal sector. The ILO has recently proposed an



expanded conceptual framework, based on employment relations rather than on the notion of production units, developed in its report "Decent Work and the Informal Economy", presented for general discussion at the 90<sup>th</sup> Session in 2002. The new concept of 'Informal Economy' includes employment in informal enterprises (corresponding basically to the 'informal sector') as well as informal employment outside informal enterprises (for formal enterprises, for households and with no fixed employer).

**Measuring the non-observed economy is a challenge for governments, but a vital one**

## Many different segments

The informal economy is somewhat differentiated; analysts segment it accordingly to type of economic unit and employment status, and growth perspective towards mainstream economy and other criteria. There are informal employers with fairly good growth perspectives and there are masses of subsistence informal self-employed; there are informal micro-enterprises with employees, family businesses (with an owner and paid or unpaid family workers) and own account operations (with a self-employed operator). There are a myriad of small and poorly-equipped farms, and there are small meat and dairy processing enterprises. The transformation of the family prompted the quick growth of a consumer market for various care and domestic services, frequently supplied by informal self-employed. New markets for services appeared in developing and transition countries linked with the extensive and scattered projects and initiatives funded by development aid and likely to be supplied under informal employment schemes: management and training services, consulting, project management, community development services, translation, studies and many others.

The issue is not only economic (in terms of response to insufficient job creation within the formal, mainstream economy), or social (in terms of safety nets in rural areas with little or no direct investment). It is not only a matter of tax and regulation compliance (many large formal enterprises and socially respected organisations are good examples of tax evasion and of disrespect for workers and shareholders rights). It transmits a kind of signal to policy makers: parallel, informal economies tend necessarily to replace the *malfunctioning formal economy*; and by its nature, informality brings additional tensions to the market place. Another signal



Photo: IL O.P. Deloche

worth reflection: the informal economy more and more contains initiative, creativity and entrepreneurial potential. How can these signals receive adequate and constructive action in our organisation's business?

The issue of the informal economy will be further investigated in the next issue of Live & Learn, with the focus on informal sector producers in selected ETF partner countries in North Africa. The article will use information taken from recent reports such as labour force surveys and special social analyses of informal sector operators produced by statistical bodies.

Find out more:

**Measuring the non-observed economy:**  
<http://www.oecd.org/dataoecd/16/16/2389461.pdf>

**Decent work and the informal economy:**  
<http://www.ilo.org/public/english/standards/relm/ilc/ilc90/pdf/rep-vi.pdf>

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 market and local development in  
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*The informal economy more and more contains initiative, creativity and entrepreneurial potential*



# THE SECTOR APPROACH: WHAT, WHY & HOW? A CHALLENGE FOR THE ETF'S FUTURE

## Introduction

Sustainable development is widely accepted as the only solution, if any, to reducing, through Official Development Aid, the poverty gap between high, middle and low income countries. Nevertheless, in spite of real efforts by multilateral and some bilateral donors, this gap is growing. Obviously, in order to be effective, sustainable development – a concept which emerged among donors only when their acknowledgement of failure was already too late – requires capable governments, but many developing and transitional economy countries have failed to develop such capable government.

To 'protect' their aid in this 'hostile' environment, donors increasingly took more control of their traditional mode of development assistance, *the project*, and hence creating unsustainable islands of plenty in seas of failure (parallel implementation modalities, expatriate managers and excess of Technical Assistance with special incentives to national officials), thus isolating aid from national policy and processes and eroding often the already weak government capacity. As stated by the World Bank in 1998 in a candid document assessing its own Aid: "*Aid agencies have a long history of trying to 'cocoon' their projects...they have neither improved services in the short run nor led to institutional changes in the long run*".

## Why a Sector Approach?

Sector Approach thinking (so called Sector Wide Approach – SWAP in the beginning) emerged in the 1990s as a reaction to this state of affairs

and has taken momentum since, although still more driven by donors than by recipients. It is based on the overall acceptance that the development community's ('donors') 'business' should be based on four basic principles:

- Maximising the comprehensiveness of the development area and actors,
- Adopting a government owner and leadership perspective in a long-range time frame,
- Ensuring strategic and operational coherence between policies and expenditures, and
- Focusing on results (rather than inputs and activities).

The current approaches which are based on the above principles, share three objectives:

- Broaden ownership by partner governments over decision-making for sector policy, strategy and spending,
- Increase coherence between policy, spending and actual results, through a comprehensive view of the sector,
- Minimise transaction costs of external financing either by using government systems or by harmonisation of donor systems.

This has led both donors and governments to adopt the **sector** as the development policy dimension and a **Sector Approach** as the joint mode for working together. The Sector Approach followed by governments through a *Sector Action Plan* (which can be developed in collaboration with donors and other local stakeholders) is a mode of jointly working between governments and the development community which emphasises the above three

objectives, as well as good management and planning procedures (performance measurements, beneficiaries consultation, integrated budgeting, and so on).

It will reach its maturity in a **Sector Programme** when it includes:

- an approved *Sectoral Policy* document and overall strategic framework
- a *Sectoral medium-term expenditure framework* (MTEF)
- a government-led *Donor co-ordination process*.

Once a sector programme is in place (or the government is on the 'right tracks' to achieve it soon), the European Community may provide it with support through a **Sector Policy Support Programme (SPSP)**, which is the Commission's instrument to contribute to the implementation of a sector programme according to its *Joint Statement on Development Policy*, adopted in November 2000.

*To 'protect' their aid in this 'hostile' environment, donors increasingly took more control of their traditional mode of development assistance, the project*

Photo: ILO/J. Maillard



Photo: ILO/J. Maillard



**To prepare the decision as to whether to support a sector programme action plan and how it will do it, the EC will use a battery of seven assessments**

In order to define the conditions under which it will 'take the risk' to support a sector programme with financing, the EC has adopted a set of official **Guidelines for EC Support to Sector Programmes** approved by AIDCO, DGDEV and DG RELEX in February 2003. These guidelines, to be used jointly by EC staff, related agencies and consultants, as well as by counterpart government officials, describe the sector programmes prepared by the governments and the conditions under which a SPSP will support them (**six**

**components**), describe the possible modalities it will adopt for financing them (**three operating modalities**), the tools for designing them in the lowest risk conditions (**seven assessments**) and the procedures for applying the decision tools and financing modalities (**Cycle of operations**).

## The instruments for EC decision-making in designing SPSP

Whichever financing method is used, an SPSP: finances only activities within the sector programme action plan; is integrated into the MTEF; is monitored through the sector programme system of the partner government, and; is flexible enough to evolve in line with changes made to the sector programme. It will do so through a grant which will be financed through one of three possible operational modalities (or a combination of them):

- **Sector Budget Support**  
Disbursements are channelled through the State budget (EC preferred modality for this reason)
- **Pooled Common Fund**  
Procedures are agreed by fund members

- **'Specific EC procedures'**  
They are projects, but designed and managed within a Sector Approach framework.

To prepare the decision as to whether to support a sector programme action plan and how it will do it, the EC will use a battery of **seven assessments**, namely:

- Macro-economic framework
- Sector policy and strategic framework
- Medium-term expenditure framework for the sector
- Accountability and public finance management systems
- Donor coordination systems
- Performance monitoring and client consultation systems
- Institutions and capacities.

This decision-making tool should accompany EC staff in charge throughout his/her mission in the perspective of an eventual SPSP in order to:

- judge the state of development of the sector programme
- decide whether the environment is right for an SPSP
- identify and minimise risks, and decide the most appropriate SPSP operating modality in terms of its design details and volume of annual funding.

The Guidelines for EC Support to Sector Programmes also detail the process through which EC staff (and all related agencies and consultants) will go together with the government officials as part of a continuous dialogue in order to decide and eventually detail the specific SPSP: the *Cycle of operations* (see figure 1 below) through which both partners will achieve the final definition of EC support to the sector programme.

Among the operating modalities for financing an SPSP, **Sector Budget Support** (additional funding to a specific sector of a country's public – and private – activities supporting a stated policy and related spending framework) is the EC's preferred modality since it protects both government and EC (and associated other donors) of the 'diseases' of

Photo: ILO/J. Maillard





traditional direct support to projects, and paves the way to the paradigm of development aid i.e. Macroeconomic Budgetary Support (see figure 2 below).

It should be emphasised that the largest application volume of such an approach and modalities has been realised in ACP countries<sup>3</sup> and particularly in Africa under the 'Cotonou agreement' and the EDF procedures. For MEDA and Tacis and CARDS countries, EC regulations tend to adopt more and more approaches for the joint identification of development aid action plans and modalities based on the Sector Approach principles and objectives (even if the policy focus for EC support is placed more on Poverty Reduction

strategies and cross-cutting issues) This move requires changes in several aspects of EC action in its aid delivery such as:

- the nature and focus of partnerships and dialogue with governments and other donors
- information requirements and analysis
- EC staff roles, skills and attitudes
- the use of consultants and technical Assistance

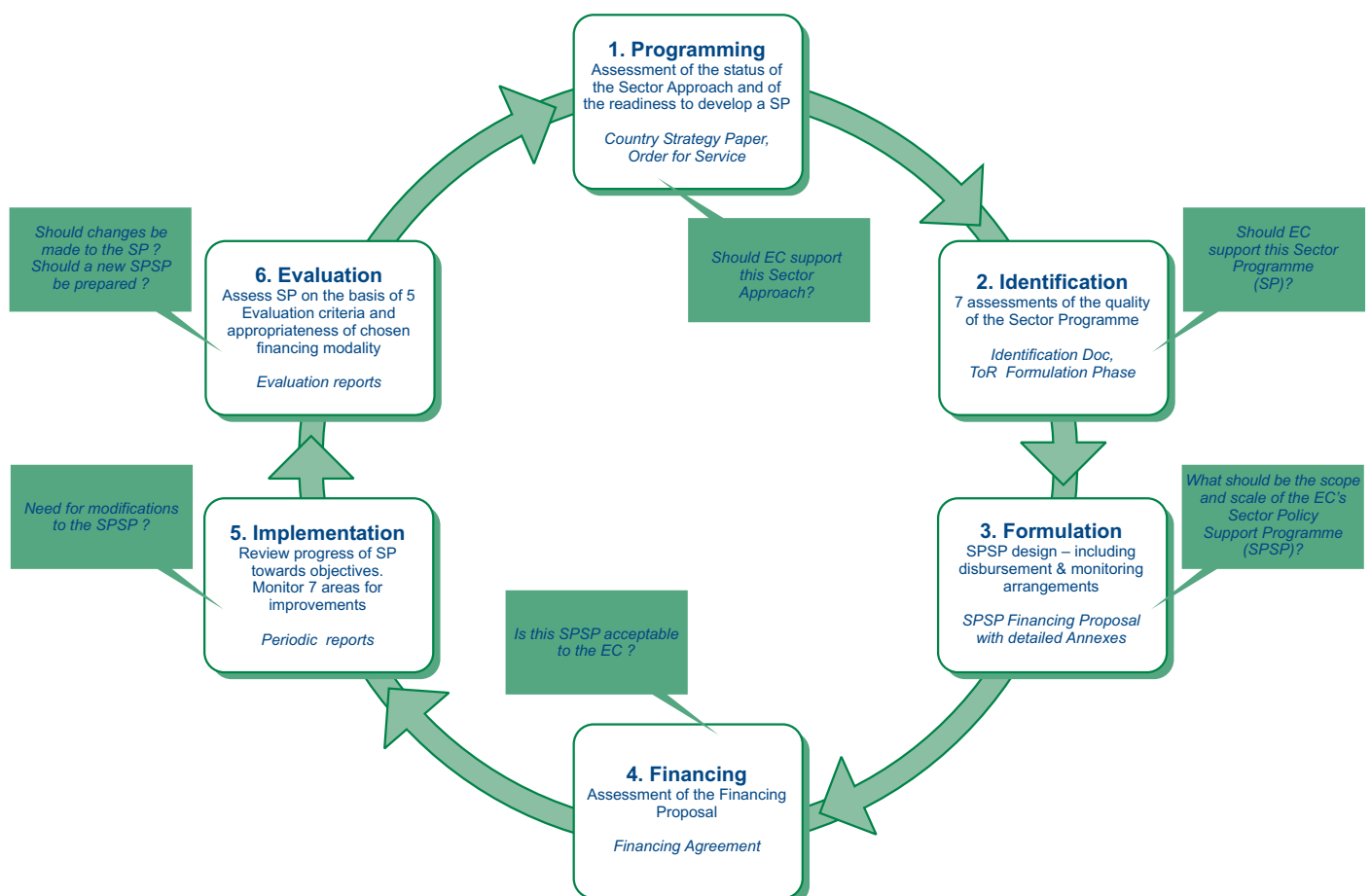
## What does all this mean for the future of the ETF?

All the above aspects apply also to the ETF which is a

privileged agent and partner of AIDCO in the identification and implementation of VET and Higher Education sector programmes (even if it still involves a substantial amount of projects) in MEDA, EECA and EESE. It is clear that the Sector Approaches would play an increasing role in EC Development Cooperation policies in these regions. Nevertheless, special consideration should be given to some specific consequences of these Sector Approach issues on the ETF's management of organisational challenges and training needs, which present both a threat and an opportunity.<sup>4</sup>

**For MEDA, Tacis and CARDS countries, EC regulations tend to adopt more and more approaches for the joint identification of development aid action plans**

**Figure 1: THE SPSP CYCLE OF OPERATIONS**



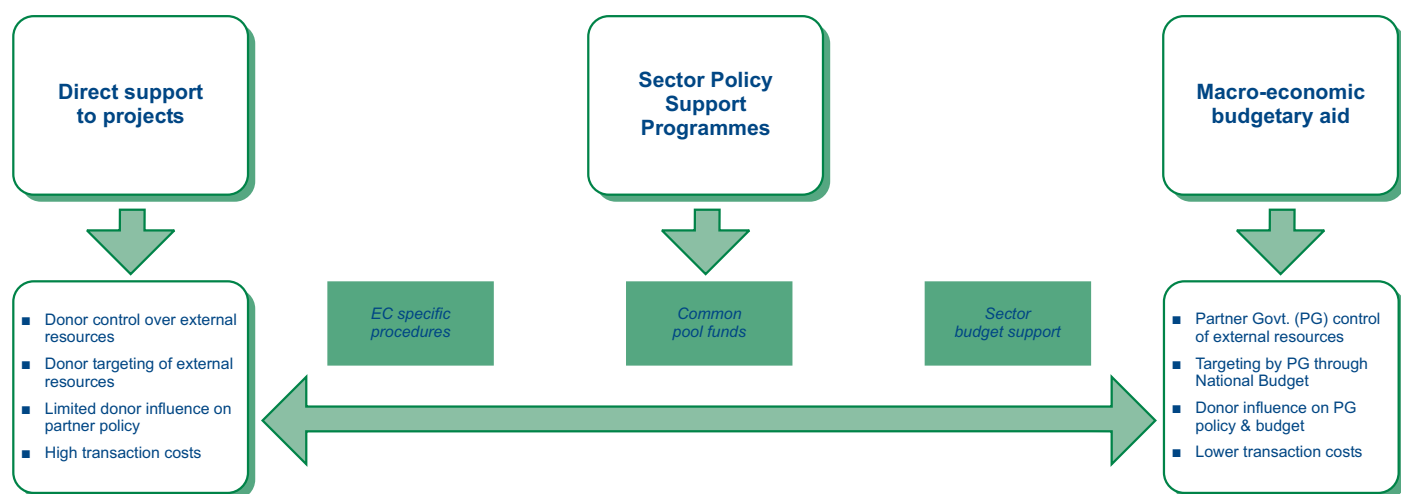
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<sup>3</sup> On 31 March 2004, 30% SPSP were registered in Asia, 51% in ACP, and 15% in MEDA countries, with a majority of SPSP in Education (41%) and Health (31%) and a preference for the Sector Budget support modality (45% in general and 54% in Education) both in numbers of SPSP and volumes of aid.

<sup>4</sup> What follows is based on the results of a training seminar on Sector Approach delivered by ADM Helpdesk for ETF staff in January 2004.

Figure 2: AID DELIVERY METHODS - OPTIONS



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### The ETF's role in supporting the Sector Approach

If the ETF does not take onboard an understanding of the Sector Approach (SA) issues with steps to develop relevant skills and expertise, it risks becoming increasingly anachronistic and unable to address the operational needs of its 'clients' within the EC and partner countries.

On the other hand, the application of SA to the regions covered by the ETF is a relatively recent phenomenon and presents special challenges for which neither the European Commission nor its partner countries are well prepared. Therefore, there is a clear opportunity for the ETF to assist in the development of Sector Approaches and for EC support to such approaches within the sectors and regions where it already has an established expertise. Moreover, in contrast to the Asia, Latin America or ACP regions, there are few alternative providers of these sorts of services within the geographical areas where the ETF operate. On the basis of the conclusions of the abovementioned seminar, four potential roles were identified for the ETF, where skills and capabilities could reasonably be

developed over the short to medium term:

- Support to the identification and/or formulation of EC Sector Policy Support Programmes (SPSP) in Higher Education and VET
- Given the strong pressure to move away from project-based development assistance in the MEDA region, requests will surely pour in. In terms of its knowledge of EC procedures and systems, its knowledge of the region and its knowledge of the higher education and VET sectors, the ETF is well placed.

On the other hand, it may have a gap in relation to expertise in public finance, and an efficient way of filling this gap will need to be developed.

- Annual review and evaluation of sector programmes in VET and Higher Education sectors
- The ETF already assists in monitoring labour market developments within its regions, so potential synergies could be established with this existing role. Two major challenges present themselves. Firstly, the degree of familiarity with evaluation techniques and

*The application of Sector Approach to the regions covered by the ETF is a relatively recent phenomenon and presents special challenges*



Photo: PhotoDisc



principles is not as widespread within the ETF as it would need to be. Secondly, the donor community as a whole has yet to agree on an appropriate common framework for evaluating sector programmes. Given that these are multi-donor programmes, a joint approach is essential. Making the links with organisations likely to take this work forward is the most immediate challenge for the ETF.

- Development of a broad Technical Assistance capability in Human Resource Development

It is clearly recognised that weaknesses in institutional and organisational structures are the most common constraint to the successful development and implementation of sector programmes. Significant resources are dedicated to capacity building in this area by the EC and other donors, but most of these capacity building activities are very poorly designed – in part because they are based on inadequate diagnostic work and dialogue, but also because donor agencies lack appropriate expertise in this area. Therefore, there is much room for improvement and potential demand for good technical assistance – for diagnostic and design work, for building government capabilities and for building the EC's capabilities. The ETF has expertise in management, public administration and HRD and could potentially develop a niche market in this area.

- Development of a knowledge centre on the application of Sector Approaches in the Higher Education and VET sectors

This is clearly not a feasible short-term target, but if capabilities could be developed in the above three areas then there would certainly be the critical mass of people and the practical experience base to constitute a knowledge centre. This would consolidate internal learning processes and cement the ETF's comparative advantage in relation to potential competitors.

## Potential future training needs

ETF training needs over the short to medium term depend both on the nature of the ETF's organisational response to the large potential demand for services related to the application of the Sector Approach, and on the extent to which demand for ETF services will actually manifest itself in the short to medium term.

Possible needs in the short term will be primarily for 'learning by doing' and for the building networks of expertise in and around the ETF, together with some 'gap-filling' through specific courses for small numbers of individuals, for building up internal capabilities in public finance, and in evaluation work. It might, for example, be organised under the following modalities:

- Internal Briefings for ETF management and new recruits on implications and opportunities for the ETF
- 'Lunch-time' seminars for lesson learning from operational experiences
- Formal Sector Programme/Budgetary Aid courses in Brussels for new recruits
- Advanced Budgetary Aid training in Brussels (or possibly in Turin) for individuals who will need knowledge of specific EC requirements for Sector Budget Support
- Training in principles and methodologies for evaluation of development assistance (a special course organised in Turin).

By contrast, in the medium (1 to 2 years) to long term (2 years and onwards), the ETF could certainly position itself so as to create its own demand. If it chose to do so, it would require a more substantial human resource development strategy, combining strategic recruitment and network building with more intensive in-house training, for example based on the following actions:

- Continuation of internal seminars, briefings and lesson sharing processes

- Formal refresher courses in Turin on the application of the Sector Approach and its operating modalities, drawing explicitly on experiences to date and lessons learned
- Intensive training on specific aspects of the application of the Sector Approach/Budget Support, structured as part of a wider strategy of ETF human resource development in this area.

**Possible needs in the short term will be for 'learning by doing' and for the building of networks of expertise in and around the ETF**

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AIDCO Aid Delivery Methods  
Helpdesk

Photo: ILO/P. Deloche



## HOW TO CONTACT US

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