



Sector Report **EMPLOYMENT**



Consortium EPTISA – Agriconsulting - LASO

This report was prepared for the European Commission by the External Monitoring Service for EC Development Programmes in Latin America and reflects the views of the author, which are not necessarily shared by the aforementioned institution.

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(ii) 2006 ROM Scores for closed projects (monitored ex-post) included in the sample

List of Abbreviations

AIDCO	EuropeAid Cooperation Office
B/L	Budget Line
WB	World Bank
AC	Andean Community
EC	European Commission
ECLAC	Economic Commission for Latin America and the Caribbean
EESC	European Economic and Social Committee
CINTEFOR	Inter-American Research and Documentation Centre on Vocational Training
OVI	Objectively Verifiable Indicators
MERCOSUR	Southern Common Market
LF	Logical Framework
MDG	Millennium Development Goals
OE	Project Purpose
OO	Overall Objective
ILO	International Labour Organization
NGO	Non-Governmental Organization
UNDP	United Nations Development Programme
ROM	Results Oriented Monitoring
M&E	Monitoring and evaluation
GSP	Generalised system of preferences

1. Objectives of the Employment Sector Report

This document has been produced by the External Monitoring Service for Latin America with the following objectives:

- To present the current context of employment in Latin America.
- To present the overall conclusions of the 2006 external monitoring exercise of projects financed with the specific purpose of improving income and employment conditions by means of professional training, local development strategies and the promotion of micro and small enterprises.
- To highlight lessons learnt and make recommendations by way of input for future programmes.
- To encourage reflection on the factors that continue to limit the impact of European Commission (EC) cooperation in the sector.

2. Regional context in the area of Employment

Latin America has a current population of approximately 551 million people, 213 million of whom are living in poverty¹. This situation reflects that of the labour market since it is where families obtain their principal means of life and development. Latin America has an economically active population of 239 million i.e. people working or willing to work of which 23 million are unemployed and 103 million are working in the informal sector, often without any labour rights or social protection. It is therefore worth noting that Latin America has a current deficit of 126 million workers in formal employment, which represents 53% of the labour force.²

In contrast with this situation, the region's economic growth has experienced a significant recovery process. According to data from ECLAC (2005 report), the region's production has been growing at high levels during the last three years (5.9% in 2004, 4.3% in 2005, and an estimate of 4 to 4.5% in 2006). The export sector has been the main motor for economic growth as a result of an increase in international prices and in the demand for the region's main export products (soy beans, petroleum, copper, gold, etc).

But the principal problem identified is that two out of three jobs in Latin America are concentrated in the non-trading sectors³, meaning that the boom of the export sector has only had a positive impact on a small part of the labour force. Therefore it can be said that the economic growth observed in the region over the last few years has generated encouraging results in the export of certain products and in some segments of the labour market, but that this has not been sufficient to have a significant impact on the most important structures of the labour market and to create job opportunities for a significant majority of people. In the medium term, it is not expected (ILO, 2006) that this growth strategy based on exports will resolve the employment issue since the export sectors represent, in many cases, a very small proportion of the labour market.⁴

The export growth model is not creating significant job opportunities

¹ "Panorama Social de América Latina", 2005. CEPAL

² ILO (2004) "Informe sobre el empleo en el mundo".

³ Decent Work in the Americas: an Agenda for the Hemisphere

⁴ The "employment elasticities" indicator allows one to look at the relationship between economic growth - measured in terms of GDP - and two of growth's contributory variables, the positive or negative change in

In addition, the most successful sectors which compete with imports as well as the export sectors are concentrated in the most productive subsectors of mining and manufacturing which represent a minor part of total employment. Therefore, the labour force rate is extremely low in the sectors where higher levels of productivity have been registered.

Employment Structure in Latin America

The labour market structure in Latin America is quite fragmented. One third of the total labour market is concentrated in the rural areas and more than 50% of workers are either self-employed, domestic workers or unpaid family workers in micro-enterprises of up to 5 workers. Those sectors include the majority of the poor as well those working in the informal sector, thus also of the labour deficit in the region (during the 2000-2005 period, nearly five out of ten new workers employed were concentrated in the informal sector).

In 2005, the region was still characterised by a segregated employment structure, in which formal and informal jobs existed in almost equal proportions: 51.5% and 48.5% of the total workers employed respectively⁵. In 2005, the proportion of female workers employed in the informal sector (53.4%) exceeded that of men (46.6%).

Fundamental Rights at Work⁶

The ILO conventions and recommendations dealing with fundamental rights at work have been supported by a majority of countries in the region (100% ratification of Convention 105 on the abolition of forced labour, 97% ratification of Conventions 100 and 111 on equal remuneration for male and female workers and on non-discrimination respectively, 94% ratification of Conventions 87 and 98 on Freedom of Association and on the right to organise and bargain collectively, etc).

However, there is evidence of frequent violations in the field of fundamental rights at work (i.e. with regard to the freedom of association, the number of complaints submitted by the region to the Freedom of Association Committee (FAC) rose from 164 in the mid-nineties to 194 in the 2000-2005 period; 5.7 million children aged 5-14 were working in 2006 and 1.3 million people in the region have been working under a forced labour regime; with regard to non-discrimination, the female unemployment rate is 40% higher than the male one, and women only receive 66% of men's monthly income).

Prevention and Social Protection of Workers Schemes

The nineties saw a process of increasing deregulation aimed at making the labour market more flexible so as to achieve a higher level of productivity and competitiveness in the region. State participation was reduced and priority was given to inflation control and fiscal stability. The main argument was (and still is in many fields) the need to get rid of the "inflexibilities" of labour institutions and standards, with a view to significantly increasing the

employment and productivity. The last study on employment indicators carried out by the ILO found that for every 1 percentage point of additional GDP growth, total global employment grew by only 0.30 percentage points between 1999 and 2003, a drop from 0.38 percentage points between 1995 and 1999. (Key Indicators of the Labour Market KILM-2005. ILO.

⁵ Urban population. Ref. 2006 Labour Overview Latin America and Caribbean. ILO

⁶ The EU implemented the Generalised System of Preferences + (GSP +) which includes Andean and Central American countries since July 2005. The GSP + provides custom duties benefits for countries implementing certain international standards in Human and Labour Rights, Environmental Protection, the Fight against Drugs and Good Governance.

creation of formal employment. However, after a decade of implementation of these “flexibilization” policies, the results have been disappointing. Not only did formal employment not increase, but a rise in unemployment and informal employment was also registered. There was also an increase in employment precariousness associated with income uncertainty, a greater labour turnover and lower social protection. In fact, the prevention and social protection schemes’ coverage was smaller in 2004 than it was before the reforms’ implementation period, in the early nineties⁷.

The increasing labour deregulation and flexibilisation did not generate more formal jobs over the last 15 years and social protection is lower in 2004 than in 1990.

Inequality and Social Inclusion

Latin America is the region of the world with the greatest inequality in income distribution (57.9% of total incomes are concentrated in the richest quintile of the population⁸). This directly affects the capacity of economic growth to transfer its benefits to the population, has a negative impact on governance and ends up having negative effects on growth itself.

Inequality in the region obviously has several causes, but one of the fields in which most of this inequality arises is the labour market. There is a direct correlation between the different forms of exclusion from the labour market (unemployment, underemployment, low labour incomes), poverty and discrimination.

Thus, the development policies and the growth dynamics in the region (with strong emphasis on exports) have not created favourable conditions for the inclusion of a significant part of the population into the formal economy and into the most productive and quality jobs⁹.

The ILO’s “Global Employment Trends” brief released in January 2007 reported that: *“Nowadays the widespread belief is that decent work is the only sustainable way to reduce poverty, which is why the objective of full, productive and decent employment will be a new target within the Millennium Development Goals (MDG) in 2007”*

During the 1990-2002 period, inequality increased in most countries. A direct correlation has been noted between inequality/exclusion and employment precariousness.

3. Legal framework and EC Aid Policy with regard to Employment and Decent Work

EU cooperation policy towards Latin America is based on article 177 of the Treaty establishing the European Community. It specifies that the Community policy in the sphere of development cooperation shall foster sustainable social and economic development of developing countries (especially the underprivileged ones), assist the smooth and gradual integration of developing countries into the world economy and campaign against poverty in developing countries. Furthermore, it shall meet the overall objective of promoting and strengthening democracy and the rule of law, as well as ensuring respect for Human Rights and Fundamental Rights.

Independently of the specific cooperation between the EU and each Latin American country or group of countries, the overall policy is currently in keeping with the so-called EU-LAC (European Union - Latin America and Caribbean countries) “Bi-regional Strategic Association”. This Association was created in 1999 during the first summit of Heads of State and Government held in Rio de Janeiro, and has continued to hold other similar summits such as those in Madrid (2002), Guadalajara (2004) and Vienna (2006)¹⁰.

⁷ Labour Overview 2004 (Lima) - ILO

⁸ Inequality in Latin America. Rebeca Grynspan. 2005

⁹ The Sixteenth American Regional Meeting – Report of the Director General. ILO. May 2006

¹⁰ 2006 European Cooperation Guide

Although employment has been implicit in the strategic lines of Community cooperation policy towards Latin America (and therefore included in the different budget lines to channel aid funds) as a development policy objective, it is only lately that it became explicitly part of the priorities agreed by both regions. The evolution of the bi-regional Summits that have been held since 2002 is proof of this. The recent history of the strategic partnership between the EU and Latin America is characterised, among other things, by the addition of the social cohesion issue to the joint agenda as a guiding principle of mutual interest for the development of both regions. This social cohesion is essentially based on taxation and employment as direct channels for income redistribution, which is the highest priority in the region of the world with the greatest inequalities. In fact, employment constitutes the natural bridge between social and economic development.

Thus, over the last few years, a lot of commitments and joint agreements have been established between both regions. These agreements have to be implemented within the current political and strategic framework which needs to be taken into account when analysing the contribution of Community cooperation towards Latin America in the field of employment.

The EU-LA Summit held in Guadalajara in 2004 was a milestone in the definition of social cohesion in general, and employment and decent work in particular, as a priority of the agenda regarding bi-regional relations. In the final declaration it was agreed, among many other aspects, to promote “*exchanges of experiences between countries and regions, with the support of the international institutions, regarding the formulation and implementation of social cohesion policies and to articulate the social policies of our States and direct them towards developing human capabilities through our education, health, nutrition, sanitation, housing, basic justice and security programmes, towards promoting decent employment and creating economic opportunities for the poorest, and towards forming networks of social protection and solidarity for people and families at risk, within the framework of the fulfilment of the Millennium Development Goals.*” More specifically, the final declaration included the following agreement: “*We are committed to the principles of decent work proclaimed by the International Labour Organisation, in the belief that respect for workers’ rights and dignity is vital for achieving poverty reduction and sustainable social and economic development for our people.*”¹¹

This political framework, which is supported by a maximum consensus, logically inspired and guided the EC cooperation policy towards Latin America that is defined in the new EU strategic document, which was approved by the European Commission in 2005: “A stronger partnership between the European Union and Latin America”¹². This document states that “*the European Commission is ready to:*

- *set up a bi-regional dialogue on how to combine economic growth, employment and solidarity.*
- *make social cohesion the priority issue in its aid and development cooperation policy (programme period 2007-2013).*”¹³

The Guadalajara Summit of May 2004 saw the official launch of the Eurosocial Programme as a way of starting the implementation of the consensus reached on social cohesion. The programme deals with five key elements that pave the way for social cohesion: education, taxation, justice, health and employment. Since this is a pilot initiative aimed at promoting

Employment is on the agenda of the LA-UE stronger partnership since the promotion of social cohesion was adopted as a common priority

The guiding document for EU-LA bi-regional relations approved by the EC in 2005 highlights the decision to consider Social Cohesion as a priority of EC aid policy.

¹¹ EU-LAC 2004 Guadalajara Summit – Final Declaration. Sections 48 & 60.

¹² http://www.europa.eu.int/comm/external_relations/la/doc/com05_636_en.pdf

¹³ A Stronger EU-LA Partnership. Section III-3.1

the exchange of experiences between the EU and Latin America and among Latin American countries, it is relevant to mention this programme here as it constitutes a clear effort towards the convergence of cooperation policy with the decent work principle, as proclaimed by the ILO and the incorporation of employment as a central variable of common interest.

Later on, the UE-LA Summit held in Vienna in May 2006 was the occasion for a step further towards the reinforcement of the consensus between both regions with regard to social cohesion as the strategic vector for bi-regional development. The following agreement was included in the final declaration: *"We reaffirm our commitment to promoting equitable and sustained economic growth to create more and better jobs and to fighting poverty and social exclusion. (...) We underline the importance of setting adequate social protection and fiscal policies to promote equitable economic growth with social justice conducive to quality and productive employment and to seek to incorporate the informal sector into the formal economy. We believe that the generation of decent work is a key element for sustaining economic and social development, paying special attention to the issue of youth employment, among others through creating technical capacity through education and vocational training policies. We commit ourselves to promote and facilitate dialogue in the context of labour relations at the national, sub-regional, and bi-regional levels"*¹⁴

The Vienna and Guadalajara Summits reaffirm both regions' commitment to the principles of decent work proclaimed by the ILO

In May 2006, the European Commission issued a communication entitled: *"Promoting decent work for all: the EU contribution to the implementation of the decent work agenda in the world"*¹⁵. The document recognizes social cohesion and employment as an area of Community action and stipulates that the Community and the Member States (MS) will promote decent work for all. It also states that the Commission will support a package of measures as part of the thematic programming of aid as well as of country (CSP) and regional (RSP) programming. These measures are as follows:

- Integration of decent work into national and regional strategies to promote development and reduce poverty.
- Gradual inclusion of the decent work objective in budget support measures.
- Improvement of the capacity of the competent authorities and civil society organizations.
- Development of small and medium-sized enterprises.
- Involvement of the social partners and civil society in development strategies and in poverty reduction strategies.
- Strengthening of external support to social adjustments in countries and regions outside the EU which are involved in trade liberalisation.
- Promotion of policy consistency and cooperation with relevant international and regional organizations.

Addressing the Twelfth Ministerial meeting between the Rio Group and the European Union in 2005, Commissioner Benita Ferrero-Waldner declared that: *"The convergence of approaches and priorities clearly shows the interest of promoting dialogue between the*

¹⁴ UE-LAC Vienna Summit 2006 – Final Declaration. Section 35

¹⁵ EC Communication. May 2006. {SEC(2006) 643}

European Union and the countries of Latin America, with a view to contributing to the promotion of social cohesion and the reduction of social inequalities through a greater access to employment, and to a more balanced distribution of income, rights and opportunities". And then also stated that: "It is not only the lack of employment that can place the individual in a situation of precariousness and exclusion. In certain cases working conditions do not respect the person's fundamental rights and dignity. Therefore, there is a need to promote decent work as a necessary condition, as advocated by the ILO. In this aspect, the fight against the informal economy is fundamental"¹⁶.

4. Representativity and characteristics of the 2006 external monitoring sample

In order to find an answer to the central question of this report -i.e. to what extent is EC cooperation towards Latin America contributing to the improvement of employment and employability¹⁷ as well as to the generalization of decent work?- it was decided to analyse the projects monitored in 2006 and supported by the EC in some of the fields corresponding to the so-called Active Employment Policies and to the strategic sector priorities commonly acknowledged as the most appropriate means of employment generation, that is to say:

- i) Professional and vocational training, especially targeted at young people.
- ii) Promotion of Micro and Small Enterprises (MSEs).
- iii) Promotion of Local Development and Employment.

The sample on which this employment sector report is based is comprised of projects monitored in 2006 that included in their Intervention Logics either objectives and results specifically aimed at employment generation or at least one component of support to the entrepreneurial productive sector (Micro and Small Enterprises - MSEs-, cooperatives). This productive sector was orientated towards the national market in some cases and towards international markets and export in others.

This study is based on the analysis of 32 projects, 24 of which were ongoing and 8 of which had already been completed and were monitored ex-post. Of the total sample of projects, 8 were part of the so-called "Support to MSEs" sub sample, 11 were projects dealing with "Education and Professional Training" and 13 were "Local Development and Employment" projects.

Of the 32 projects, 24 explicitly incorporate into their Intervention Logic objectives and/or results focused on the reduction of unemployment, which turns out to be a central aspect when it comes to focusing the projects' efforts and effective contribution on improving employment conditions and employability (11 out of 11 in the case of projects on Education and Professional Training, 11 out of 13 in the Local Development group and 2 out of 8 in the case of Support to MSEs projects).

The projects' design mostly lack OVIs related to employment, which makes it harder to assess the genuine contribution of projects in that field.

¹⁶ Speech by Commissioner Benita Ferrero-Waldner. XIIth Ministerial Meeting EU-Rio Group. Luxembourg. 27.05.05

¹⁷ Concept of Employability: It encompasses the skills, knowledge and competencies that enhance a worker's ability to secure and retain a job, progress at work and cope with change, secure another job if she/he so wishes or has been laid off, and enter more easily into the labour market at different periods of the life cycle. (Resolution on Human Resources Development. ILO. Geneva. 2000)

The total EC contribution to the projects in the sample amounts to 198.337.954 €, out of which 157.594.062 € have been allocated to ongoing projects and 40.743.892 € to completed ones. The projects are located in 14 countries of the region.

The table below presents an overview of all the ongoing projects that are part of the sample, according to the three project subgroups of the analysis.

Table 1 – Projects monitored in the 2006 exercise

Sub Group	Country	CRIS	TITLE	EC Budget
Local Development and employment	PERU	1997/002-411	Integral Development Project La Libertad/Cajamarca (PRODELICA)	8.500.000
	BRAZIL	2000/011-472	Promotion of Development for Marginalised Groups of the Population of the Port Area of Rio de Janeiro	1.501.935
	ECUADOR	2003/005-982	Poverty reduction and local rural development Project -PROLOCAL	16.500.000
	URUGUAY	1996/000-999	Comprehensive support for vulnerable and marginalised people in Montevideo	6.683.000
	PERU	1995/000-995	Fight against urban poverty in Lima and el Callao (PROPOLI)	12.000.000
	CHILE	2004/061-544	Help with integration into the labour market for mothers who are heads of families through the introduction of child minders	445.483
	BOLIVIA	2002/005-816	APEMIN II – Programme of sustainable development in traditional mining areas of West Bolivia	7.000.000
	EL SALVADOR	2001/011-763	Organization and integral development of young people from rural areas of the Messes and Ides micro-regions	907.405
	COSTA RICA	2005/112-559	Women's employment rights in the face of globalisation	400.000
	BOLIVIA	2004/063-637	Building Human Capital and participatory Governance Capacity for Sustainable Local Economic Development – BOLIVIA	526.266
	COLOMBIA	2005/094-640	Project of integral development for young people, women and the displaced and vulnerable population of Altos do Cazucá - District 4 of the Soacha municipality - Cundinamarca Department. – Colombia	749.820
Education and Professional Training	PARAGUAY	2001/011-689	Technical and professional training with the broadening of the workers' opportunities and capabilities for an fruitful insertion into the labour market	1.000.000
	URUGUAY	1997/001-018	Programme of support to the creation of a School of Crafts for the training and labour insertion of craftsmen	10.580.000
	HONDURAS	2003/005-747	Support to secondary education in Honduras	28.000.000
	URUGUAY	2003/063-366	Breaking the poverty reproduction cycle	386.319
	PERU	2004/016-895	Support to the vocational education and training system of Peru - (APROLAB)	5.000.000
	ECUADOR	2003/065-027	Professional training of young people to generate employment and stimulate the local economy of the Provinces of Sucumbíos, Orellana, Napo - Ecuador	383.862
	VENEZUELA	2005/113-258	Vocational training for the marginalised communities of the industrial area in Venezuela	329.972

Support to MSEs	CHILE	2003/005-755	Support for the Creation and Development of Innovative Businesses	17.200.000
	GUATEMALA	2001/002-393	Promotion of investment and commercial exchange - Support for micro and small enterprises - MSEs.	6.000.000
	MEXICO	2003/002-448	Integral Support to Small and Medium sized Enterprises (PIAPYME)	12.000.000
	PERU	2004/063-579	Inclusion of Micro-entrepreneurs with competitive potential into dynamic circles of local and regional markets	1.500.000
	ECUADOR	2004/005-703	Economic Cooperation (Expo Ecuador)	10.000.000
	EL SALVADOR	2005/016-805	Strengthening the Competitiveness of Micro and Small Enterprises in El Salvador (FOMYPE)	10.000.000

The projects of the sample that were monitored ex-post are presented in the table below:

Sub Group	Country	CRIS	TITLE	EC Budget
Local Develop.	CHILE	1995/000-989	Integral programme for the overcoming of urban poverty – ACTUA	9.660.000
	EL SALVADOR	2000/011-362	Promotion of employment and participation of women in local development in El Salvador - Las Dignas	1.060.270
PT	PERU	1995/000-986	Framework programme for technological and educational professional training– FORTEPE	9.000.000
	PERU	PER/B7-3010/9455	Programme for labour development and insertion of young people in Peru – PASE	9.000.000
	VENEZUELA	1994/001-087	La Victoria – CEDEA – Structural social adjustment in Venezuela (PT)	5.300.000
	VENEZUELA	2001/011-682	Don Cosme Jatar Dotti Training Centre in Coro Venezuela	733.611
MSEs	ARGENTINA	1994/004-765	Regional Development and Reinforcement of SME Provincial Support Structures	5.500.000
	PERU	2000/011-424	Technical Assistance to SMEs	490.011

With regard to budget lines, the sample is comprised of 12 projects financed under the TFC budget line (8 ongoing and 4 completed projects), 10 projects under the NGO budget heading, 4 projects under the Economic Cooperation budget line, 1 project by the Gender budget, and 1 under Food Security

5. Methodological Framework

First of all, it is important to point out the inherent limitations of this analysis:

1. The first limitation results from the “sector” on which this analysis is based. Employment itself is a cross-cutting issue and has a multi-sectorial dimension as it is related to a wide range of sectors included in EC-LA cooperation.
2. The second limitation is linked to the ROM methodology itself which is based on taking a “photo” of the overall state of each project monitored. Thus, the assessments made by monitors are related to the whole project and not only to the employment components. Therefore, there are cases in which the evaluation

of a project in terms of Quality of Design or Effectiveness, for example, differs from the assessment made here exclusively on the components related to this report.

From a methodological point of view, for each sub sample (“Education and Professional Training”, “Support to MSEs” and “Local Development and Employment”), there has been a selection of variables to “orient” the study of the monitoring reports that integrate the sample.

The assessment of the variables is based on the information provided by the five following parameters: Relevance and Quality of Design, Efficiency, Effectiveness, Potential Impact and Sustainability.

The variables or parameters are:

Education and Professional Training

Beneficiaries	Training Entities	Entrepreneurs	Decision-making public bodies
<ul style="list-style-type: none"> - Impact of PT projects on the improvement of incomes - Impact on labour insertion and social inclusion. Quality of employment -Participation - Gender equity 	<ul style="list-style-type: none"> - Quality of the training in terms of: <ul style="list-style-type: none"> *Curricular designs *Training and educational qualification *Relevance and flexibility of the training -Institutional sustainability -Horizontal and vertical structuring -Promotion of labour insertion 	<ul style="list-style-type: none"> -Commitment and participation in PT initiatives, in particular: <ul style="list-style-type: none"> * Co-financing and financial support * Hiring and absorption of the educated 	<ul style="list-style-type: none"> -Legislation -Planning of the sector -Public support policies

Promotion of Micro and Small Enterprises

Beneficiaries	Promoting Entities	MSEs	Decision-making public bodies
<ul style="list-style-type: none"> -Impact of projects of support to MSEs in the field of income generation -Impact on employment creation. Quality of employment. Informality vs. Formality -Participation -Gender Equity 	<ul style="list-style-type: none"> -Promotion of MSEs’ legalisation -Entrepreneurial Development Services (EDS) for MSEs -Development of financial services for MSEs -Degree of promotion with regard to the representativity and dialogue of MSEs’ workers - Degree of support to the extension of the social protection coverage to MSEs’ - Institutional sustainability - Horizontal and vertical structuring 	<ul style="list-style-type: none"> -Degree of access to financial services and EDS -Degree of legalisation and formalisation of the activity -Degree of access to internal and external markets -MSEs’ financial viability -Cooperation in MSEs networks for the defence of common interests 	<ul style="list-style-type: none"> -Support of the rules for the promotion of MSEs -Promotion of the entrepreneurial culture and initiative -Extension of the social protection coverage to MSEs -Participation and support of municipalities in the “promotion of MSEs” policy

Local Development and Employment:

Beneficiaries	Promoting local, regional and municipal entities	MSEs, Cooperatives	Decision-making public bodies
-Impact of LD projects on the improvement of income -Impact on labour insertion and social inclusion. Quality of employment -Participation -Gender equity -Typology of beneficiaries	-Ability to involve the various local actors into local development plans -Provision of information services and labour intermediation -Support to MSEs policies (EDS, financial services, etc) -Involvement in local training plans -Horizontal and vertical structuring	-Insertion into local market -Employment generation potential -Degree of formalisation of the activity -Degree of access to financial services and EDS -Economic viability of MSEs -Level of appropriation of local development plans.	-Legislation -Support to EDS public policies -Support to decentralisation

6. General conclusions of the 2006 External Monitoring exercise by criteria

6.1 Overall results

The overall scores awarded by monitors to the 24 ongoing projects of the sample are positive. 60.8% of scores in the five criteria are “good” (b) and 5% are “very good” (a). 33.3% of the scores revealed problems (c) and only 0.8% showed serious deficiencies (d).

As regards the performance by monitoring criterion, it is worth noting that the positive scores (“a”s and “b”s) are concentrated in the Impact parameter (where 21 projects were classified as “good” and “very good”), followed by Effectiveness (with 17 projects that scored well) and then Quality of Design and Sustainability (both with 16 projects assessed positively).

Furthermore, the positive assessment of effectiveness in 70.8% of the projects implies a significant contribution in terms of access to the services generated/provided, a reasonably high satisfaction level expressed by beneficiaries and progress towards the achievement of the project purpose. However, we will see that from an employment-labour analysis point of view, the interventions’ contribution is somewhat more modest.

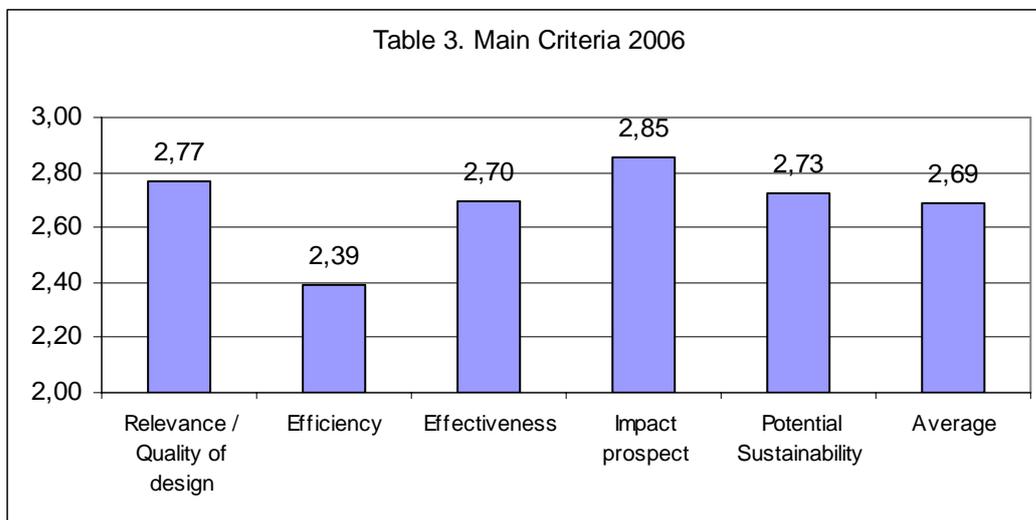
The overall assessment of the sample’s projects is positive

Table 2. Frequency of ratings for Main Criteria 2006

	Very Good (a)	Good (b)	Problems (c)	Serious deficiencies (d)	n.a.
Q. Design	1	15	8	0	0
Efficiency	1	8	14	1	0
Effectiveness	1	16	7	0	0
Impact Prospect	2	19	3	0	0
Potential Sustainability	1	15	8	0	0
Total	6	73	40	1	0

With regard to overall performance, Efficiency is identified as the weakest parameter (15 projects got a “c” -14 - or “d” -1-). It is followed by the Sustainability and Quality of Design criteria, which also display problems.

Table 3: Scores by ROM criteria

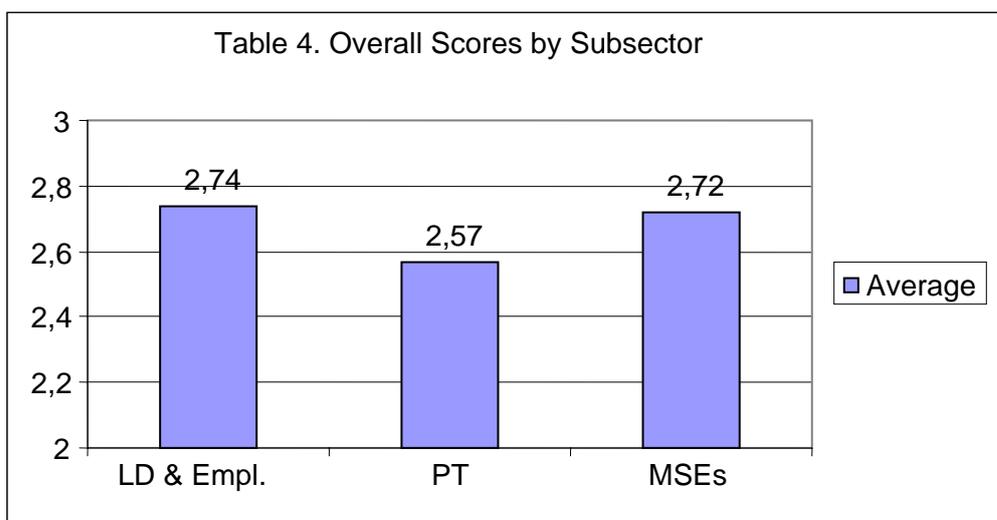


Annex (i) provides an overview of all ongoing projects of the sample with their respective scores for the 2006 External Monitoring exercise.

Table 4 presents the overall results by sub sample in terms of weighted average of the scores registered for all five criteria. The best performing projects of the 2006 External Monitoring are concentrated in the “Local Development and Employment” sub sample, followed by those of the “Support to MSEs” sub sample. Finally, as regards the “Education and Professional Training” sub sample, the projects are less favourably assessed.

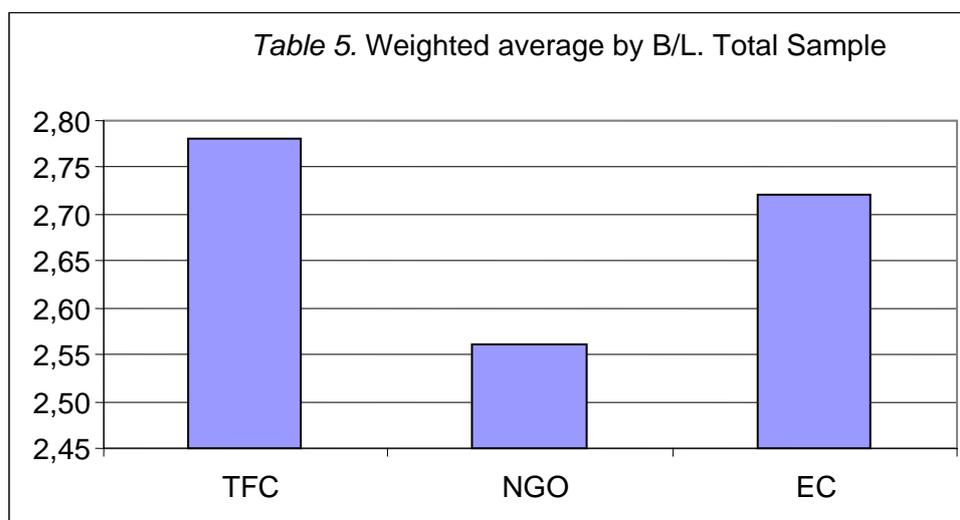
Efficiency is identified as the weakest parameter.

Table 4: Weighted average by subsector



Overall results of the 2006 monitoring exercise of ongoing projects are presented by budget line in Table 5:

Table 5: Weighted Average by Budget Line



In terms of weighted average scores by budget line, TFC projects are at the top of the list, followed by projects financed under the Economic Cooperation budget heading and finally by those from the NGO line.

Later on, we will see how, with an analysis from the employment-labour perspective, the overall results obtained by subgroups are less favourable, particularly in the case of projects in support of MSEs. Likewise, by budget line, projects (especially of the EC line, but also of the TFC and NGO lines- present weaknesses that make the interventions' contribution in the field of employment more modest.

That said, one important conclusion that can be drawn from the previous table is that NGO projects, which act on employment through production and training, generally have worse effects than larger TFC and Economic Cooperation initiatives. The monitoring reports analysis shows that NGO projects' contribution to employment and working conditions is relevant in the following areas: awareness-raising material, reinforcement of the social fabric, support to municipalities, *political advocacy* and impact with regard to compliance with labour rights as well as coverage and assistance to the most marginalized population groups. Nevertheless, these interventions:

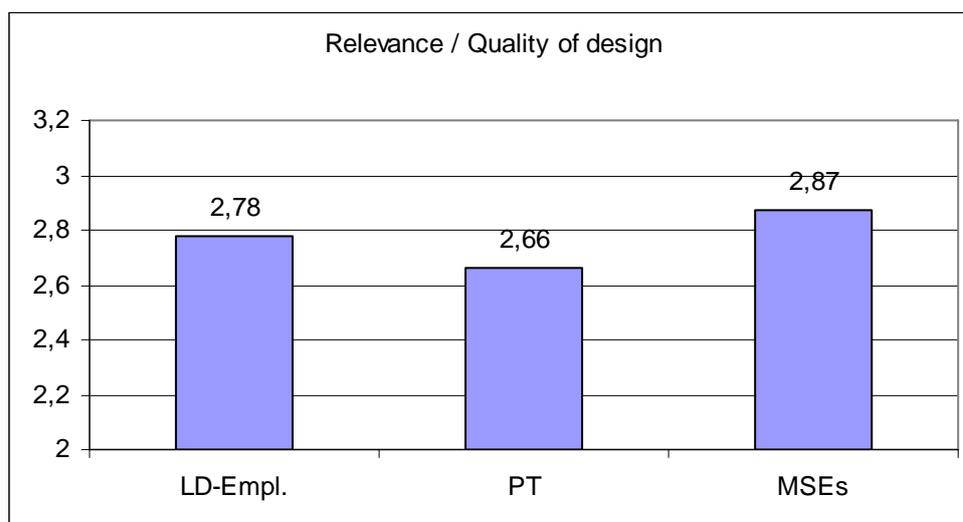
- Present limitations when it comes to stimulating the existing productive fabric in a sustainable way so as to generate concrete income and employment opportunities.
- Lack negotiating power to reach agreements with the productive sector on internships and labour insertion of workers who benefited from the professional training.
- In certain cases, display problems to establish coordination with the institutions responsible for the sector policy (PT, MSE, etc) in the country;

These limitations are the root of problems in efficiency, effectiveness, impact and sustainability.

6.2 Overall Quality of Design

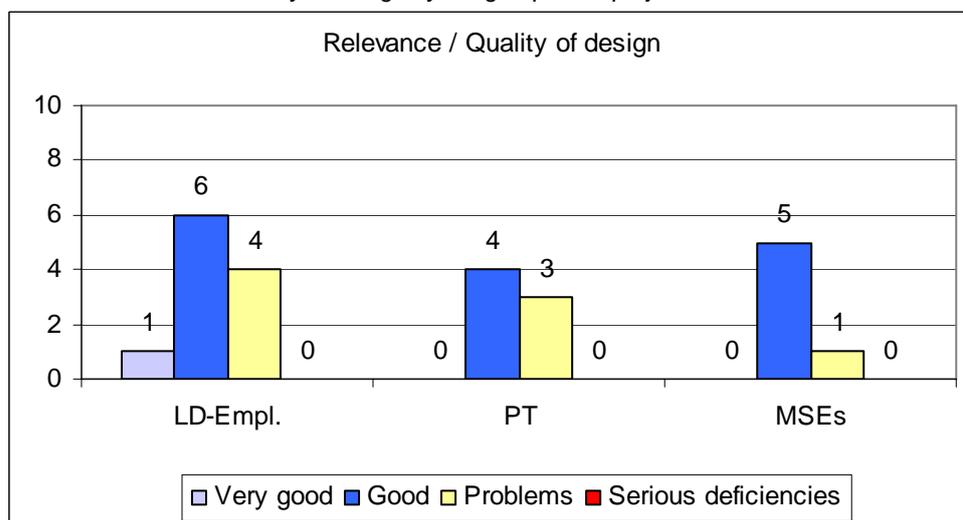
This section will provide an assessment of the Relevance and Quality of Design parameter for each one of the three subgroups of projects with a view to highlighting the most significant aspects noted by the monitors. The Relevance / Quality of Design criterion scores (weighted average) by subgroups is illustrated in the table below:

Table 6: Relevance / Quality of Design



As can be seen from Table 6, the projects belonging to the “Support to Micro and Small Enterprises” sub sample receive the best scores in the Quality of Design criterion. They are followed by projects in the “Local Development and Employment” sub sample. Education and Professional Training projects are the poorest performing ones. Thus, 43% of this group’s projects present problems (c) in Quality of Design whereas in the case of the “Local Development and Employment group”, problems appear in 36% of the cases. The “Support to MSEs” Group only displays problems in Relevance and Quality of Design in one of the selected projects of the sample (16%). Table 7 provides a breakdown of the data by number of projects and scores in each subgroup:

Table 7: Relevance / Quality of design by subgroups and projects number.



The limitations of the analysis that were highlighted in point “5. Methodological framework” should be taken into account when drawing conclusions from this data. Indeed, the monitors’ assessment of Quality of Design with regard to “Local Development and Employment” projects refers to the whole intervention and not exclusively to the employment and income generation component. This is the analysis’ first distortion. Also, in the case of “support to MSE” projects, the monitoring makes an assessment of

interventions which tend to reinforce the productive and economic fabric without necessarily having an explicit correlation in the design with employment generation. Strictly speaking, this data does not allow for comparisons to be made between the three sub samples in order to determine which group of projects has better or worse designs with regard to their capacity to create employment and decent work.

However, from an employment-labour perspective and in line with the variables proposed in the Methodological framework, the detailed analysis of Relevance and Quality of Design leads to interesting conclusions:

1. In many cases, Relevance is positively assessed as it involves projects that seek to improve the living conditions (in terms of employment and income generation) of a beneficiary group which is comprised of the most vulnerable individuals in the field of employment and social inclusion (i.e. young people from rural or peripheral urban areas, women, adults in a situation of underemployment or permanent unemployment and individuals in risk of exclusion).

2. In other cases, the positive scores in the Relevance criterion result from the inclusion of an adequate vertical (decision-making Bodies and line Ministries) and horizontal (Chambers of Commerce, micro-entrepreneurs' Associations, training Bodies, inter-municipal Networks) coordination into the design. This coordination is combined with institutional processes for the strengthening of different actors: municipalities as key agents for the promotion of local development, second-level structures providing permanent support to MSEs, the Ministries of Education and Employment with competence in the field of Education and Professional Training.

3. The main problems are concentrated in the Quality of Design parameter. Eight of the 24 ongoing projects in the sample were identified by monitors as having problems for several reasons: i) weaknesses with regard to the Logical Framework (little coherence in intervention logics, OVIs not adequate enough to measure the level of achievement of objectives and results, insufficient risk analysis, excessively ambitious objectives and targets given the time and resources available); ii) weaknesses in terms of the institutional architecture and organisation of interventions.

4. In nearly the whole of the sample, the design of the projects (LF) lacks specific OVIs related to employment (i.e.: percentage of target groups inserted into the labour market, percentage of legally constituted and formalised MSEs supported by local governments, number of workers having benefited from the Professional Training on offer and being hired by companies, indicators of the level of consensus between the productive sector, the education-training sector and Governments in the field of curricular update and recognition of labour skills, etc). For this reason, it is hard to assess the level of compliance of the proposed results and objectives in terms of contribution to employment. OVIs are more related to the intermediate measuring of progress (number of people involved in training sessions, number of MSEs created and/or strengthened, number of Entrepreneurial Development Services implemented in support of MSEs and cooperatives, etc). The cause-effect relationship between the promotion of the productive sector or the training of human capital on the one hand and the creation of sustainable employment on the other hand is inserted into the logic of many designs. However, as will be seen later on from the analysis of the Effectiveness, Impact and Sustainability parameters, this association is neither direct nor linear.

5. Of the whole sample of ongoing projects for the 2006 monitoring exercise, only one project is directly aimed at improving the protection of the target group's labour rights (women in a situation of social risk). Therefore, of the 203 ongoing projects monitored in

Of the 203 ongoing projects monitored in 2006, only one adopts the protection of labour rights as a Project Purpose.

2006, only one explicitly adopts the protection of women's labour rights as a Project Purpose¹⁸. This Project is carried out in Costa Rica, which comes third lowest on the list of Latin American countries with regard to the level of informality in the economy (behind Uruguay and Panama).

6. The incorporation of a gender approach into the interventions' design is weak. Although some projects include components specifically targeted at women, the transversal incorporation of the gender approach is conspicuous by its absence from the interventions' design (non-inclusive curricular designs with a traditional relation between target groups and jobs, i.e. for women: dressmaking, food processing, "child minders", etc. and for men: mechanics, electricity, etc, baselines without sufficient disaggregation by gender).

Weak incorporation of the gender approach.

7. By sub sample and from the employment-labour perspective, the interventions' design is characterised as follows:

a. Support to MSEs:

- i) The most positively assessed designs are those of projects where the strategy is oriented towards the strengthening of Micro and Small Enterprises, mainly focussed on the increase of the beneficiary group's participation in the national market (where the correlation with employment creation is stronger than in the export sector).
- ii) The positive scores in the Relevance parameter for some interventions are related to the incorporation into the project's design of components focused on the institutional strengthening of second-level structures of support to Micro and Small Enterprises. This inclusion seeks to have an impact in terms of greater sector planning, improvement of the regulatory framework and increase of its negotiating capacity (FOMYPE El Salvador, CONAPE Guatemala, Network IDESI Peru);
- iii) In the designs, the strengthening of these second-level structures is carried out through the permanent creation of Entrepreneurial Development Services and Financial Support Services;
- iv) Half of the sub sample is made up of projects from the Economic Cooperation budget line which is aimed at internationalising and promoting exports (Support to the Creation and Development of Innovative Businesses Project, PIAPYME, Expo Ecuador). These projects receive the greatest financial contribution from the EC, i.e. 69.1% (39.2 million euros) of the total volume of EC funds for this sample (56.7 million euros).
- v) In almost every intervention's design (except for the IDESI Peru one), there is a lack of perspective oriented towards the strengthening of the formality of the economy (designs do not include: components related to the legalization of the supported productive units, the extension of the social protection coverage through the supported MSEs and the promotion of the representativity of the MSEs' workers, etc).
- vi) Excessively ambitious objectives: components tending to promote the culture of innovation (R&D), create new businesses and reinforce the existing entrepreneurial fabric are included into the intervention through projects aimed at promoting and supporting small enterprises.

¹⁸ The problems addressed by this project are: i) the systematic violation of women's labour rights (the most systematic complaints are lodged by pregnant women who have been laid off); ii) very precarious working conditions (very low wages, with no access to social security, labour insalubrity, piecework, "training" regimes that reduce even more labour rights, which leads to labour and sexual harassment, etc).

b. Education and Professional Training:

i) In certain cases, there is an adequate relevance resulting from pilot initiatives that promote innovative professional training perspectives built on the “competency-based approach¹⁹” (PAOF, APROLAB). These innovative approaches support processes for the reform of the sector in each country with differences in each case as regards the level of consensus reached on the scope of reforms by the actors involved (Government, employers, workers, educational staff, etc). The adoption of the competency-based approach not only implies better quality of training, but also a significant contribution to the regional integration process, indirectly supporting upcoming regional curricular harmonization processes, making workers’ mobility easier in the region and increasing the possibilities of getting a job in accordance with the training provided. Other projects display weaknesses with regard to the curricular design (traditional and little innovation, limited flexibility and lack of sensitivity to the needs of the productive environment etc);

ii) In some cases, the projects that are focused on the reform of the sector have designs with a complex institutional architecture that are confusing as far as the role of the actors involved is concerned.

iii) Some projects of the sample only include a training component (educational equipment and infrastructures, training) in their design, without incorporating any component related to labour intermediation and insertion into the labour market (as well as weaknesses of specific employment OVIs).

c. Local Development and Employment:

i) The best performing projects in terms of Relevance (PROPOLI, PRODELICA, PAPPUM, PROLOCAL):

1) seek to bolster municipalities as central agents for local socio-economic development and to promote highly participative dynamics within civil society 2) have a strong coordination between the municipal Institutions, the project and the line Ministries 3) include in their Intervention Logic components for the creation and strengthening within the municipalities of Insertion and Labour Intermediation Services as well as the creation of funds for entrepreneurial initiatives aimed at the reinforcement of the local entrepreneurial and productive fabric; 4) have an integrated intervention approach (they include several convergent components in the IL with the PP of improving employment and income levels: labour insertion, training and empowerment, strengthening of appropriate public institutions, Community development, etc); 5) are focused on the strengthening of municipal Governments through strategic alliances with NGOs which act as process facilitators.

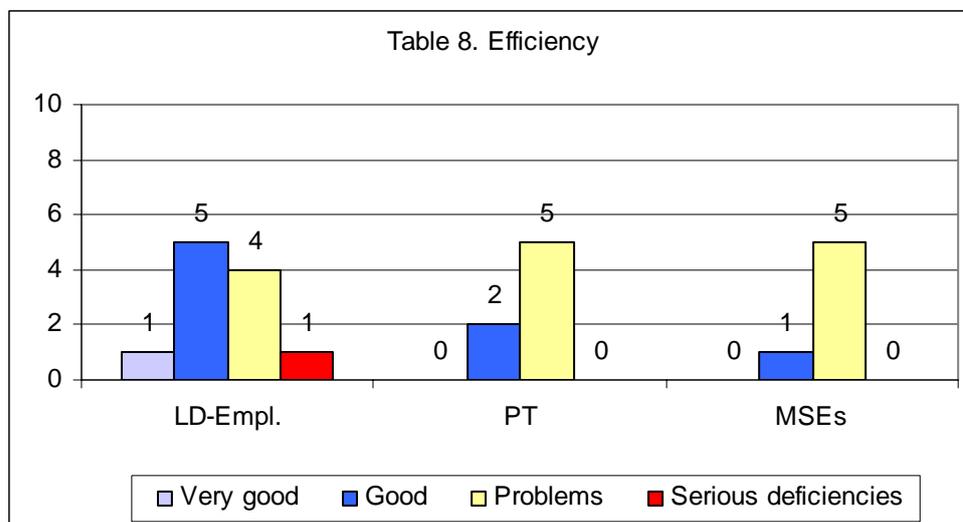
ii) The main problems are found in projects with little participation in the identification phases (Promotion of development for marginalized groups of the population of the port area of Rio de Janeiro, Brazil and Promotion of child minders in Chile).

¹⁹ Competency-based approach: approach to education and occupational / professional training entailing an update of the curricular design so that the training supply meets the productive sector’s requirements in terms of professional competence acquired by human capital.

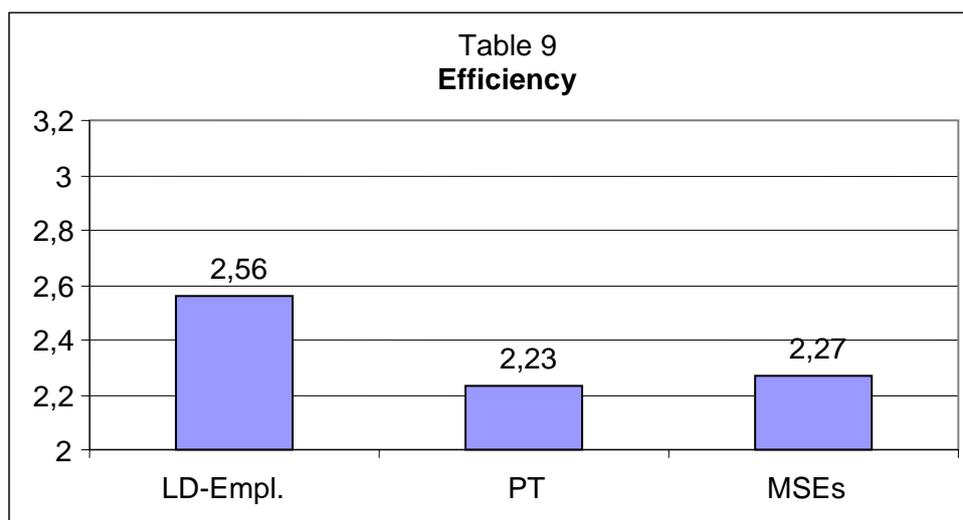
6.3 Overall efficiency

Efficiency is the parameter in which the biggest problems were registered during the 2006 Monitoring Exercise.

Table 8 presents the breakdown of Efficiency results by sub sample:



Taking into account that scores of 2.5 upwards are considered as reasonably positive (b) and that the average efficiency of the whole group of monitored projects in Latin America in 2006 was rated at 2.69, the sample's efficiency problems are obvious (Overall score of: 2.39). Table 9 highlights this weakness and shows that the "Local Development and Employment" sub sample gets the best weighted average scores in the Efficiency criterion, followed by the "Support to MSEs" group of projects. The "Education and Professional Training" sub sample is the weakest link in this parameter.



The causes of the differences in Efficiency for each sub sample are not obvious. Projects differ in terms of their stage of implementation, scope, complexity, budget, etc. However, of note is the fact that projects from the "Local Development" group are implemented in a more participative mode (in projects of both TFC and NGO lines), looking for alliances between civil society and Government entities (PRODELICA, PROPOLI, PAPPUM, PROLOCAL, Building up of Participative Governance for Local Development in Bolivia, etc)

or sometimes seeking to reinforce the socio-productive and associative fabric at the Community level (Support to young people in Salvador, PT of young people to generate employment in Ecuador).

Focusing actions on the local and departmental area would therefore be, laying the foundations for closer coordination between all the actors involved as well as a greater sense of appropriation of the interventions during execution. This would result in a more transparent management of information, a greater agility in the distribution of resources and financial contributions, and, finally a greater quality in the results. The NGO projects of PT and support to MSEs that are carried out in the local area get positive scores in terms of quality of results, though they face problems of another nature as will be seen later on.

The more projects move away from the local level, the greater the administrative difficulties and the harder the coordination of policies and procedures will be. The administrative-normative difficulties which have to be tackled by projects aimed, for instance, at supporting sector reform processes at the State level are well known. In all cases, these difficulties translate into efficiency problems (APROLAB, Secondary Education in Honduras).

By budget line, the main problems with regard to efficiency are to be found in the Economic Cooperation budget line (3 of the 4 projects included in the sample are considered as problematic (c)).

Efficiency Problems of TFC and EC Projects:

In general terms, the efficiency problems pointed out in the reports are common to projects financed under the TFC and EC lines:

- Delays in the availability of national counterpart funds.
- Problems with the adequacy of ITA (Support to the creation of innovating enterprises-Chile, Support to the MSE in Guatemala, PIAPYME).
- Delays with regard to the implementation schedule, and difficulties to respect the time given for the contracting of funds (n+3 rule).
- Non-existent or excessively weak internal monitoring and evaluation systems.
- The administrative-legal frameworks implemented for the projects' execution are inadequate and do not facilitate human resources management and decision-making, nor make easier the circulation of the information between the main actors in an appropriate way (APROLAB, FOMYPE). This includes inherent difficulties in the limited harmonization between EC procedures and those of the counterparts' public administrations. However, the adoption of a facilitating approach which is increasingly overlapped with national and local structures is partly solving this problem.
- In the case of projects aimed at contributing to support national reform processes, the embedding of the Project Management Unit within the line Ministries turns out to be a particularly sensitive aspect.²⁰
- Excessive rotation of Project Management Unit human resources (Secondary Education in Honduras)

²⁰ The APROLAB case : The Project Management Unit is properly inserted into State structures. Nevertheless, the PT reform at the national level required a high degree of consensus and agreement between the Ministries of Education and Employment. For this reason, the PMU included Human Resources from both ministries although physically under the aegis of the Ministry of Employment. With regard to efficiency, this implied the coexistence of 3 different administration systems in the PMU, which made the execution of the project practically impossible.

Common efficiency problems of NGO projects:

With regard to the NGO budget line projects, there are also common efficiency problems:

- Weaknesses in the identification and design phase show their first consequences in terms of efficiency. Grant Agreements are signed on the basis of project profiles that do not have sufficient foundation in terms of field studies, base line studies, feasibility studies, etc. These pre-investment studies must be carried out by the projects during the short periods of time available, which sometimes (vocational training in Venezuela) implies obtaining work permits, licenses, etc. This generates delays that directly affect the level of physical and financial progress.
- Isolation. In some cases, the institutional structures of projects are not suited to ensuring an efficient execution. Sometimes, NGO projects lack the necessary coordination with other relevant actors, which makes them exceptional and very isolated actions without any possibility of generating the awaited effectiveness or impact and, obviously, with inherent problems in sustainability.
- Insufficient monitoring and evaluation mechanisms. Problems sometimes related to poor budgetary planning.
- Insufficient support and added value contributed by European NGOs to the Latin American counterparts and to the processes undertaken.

6.4 Overall effectiveness

In this section, it is necessary to bear in mind that employment is -in this case- mainly and essentially a “labour” indicator for the effectiveness of the aid rather than a specific area in which the latter operates. The labour market, labour rights, the income generating productive environment and the socio-economic fabric are the areas of interest to us. As mentioned previously, this study results from an attempt to find some “signs” and tendencies which could shed some light on the extent to which EC-AL cooperation is contributing to the reduction of unemployment, professional inclusion, social inclusion through employment, the improvement of the collective beneficiaries’ social protection, employability and sustained income generation.

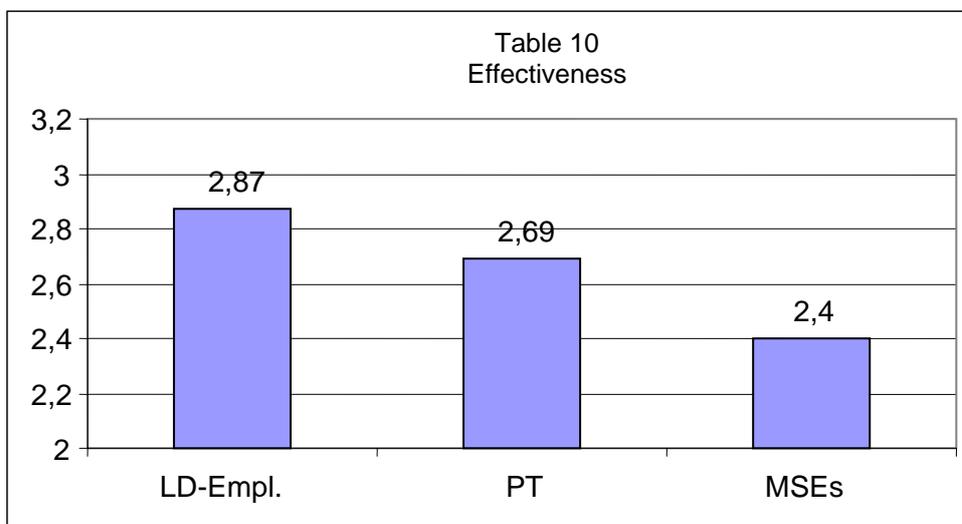
It is worth recalling that the Effectiveness criterion is aimed at assessing the prospects of achieving the Project Purpose, access to project services by beneficiaries and their use of them (which is related to their level of satisfaction etc). Analysis of the effectiveness of the projects in the sample monitored in 2006 therefore acquires a double value in this study:

- a. It is the natural space in which one can find the greatest amount of interesting factors and tendencies on the contribution of ongoing projects in the field of employment²¹ (natural space as it is focussed on the intermediate -institutions and entities involved- and final –people- beneficiary group, which is usually the target of employment policies).
- b. It is the only criteria that can provide a “genuine” assessment of the effects that ongoing projects are having on the target group (“Genuine” assessment as

²¹ As a matter of fact, once projects are completed, the most reliable data on the contribution to employment are provided by the impact analysis. Therefore, as it will be shown in section 6. “the Ex-post Monitoring Case”, the ex-post monitoring results turn out to be of particular importance.

opposed to assessments of the hypothetical impact and sustainability “prospects” that are included in the reports).

Table 10 presents the overall results in effectiveness (weighted average) by sub sample.



As can be observed, the best performing projects in terms of effectiveness are to be found in the “Local Development and Employment” sub sample, which is followed by the “Education and Professional Training” sub sample. The projects in the “Support to MSEs” sub sample get the worst scores in this parameter.

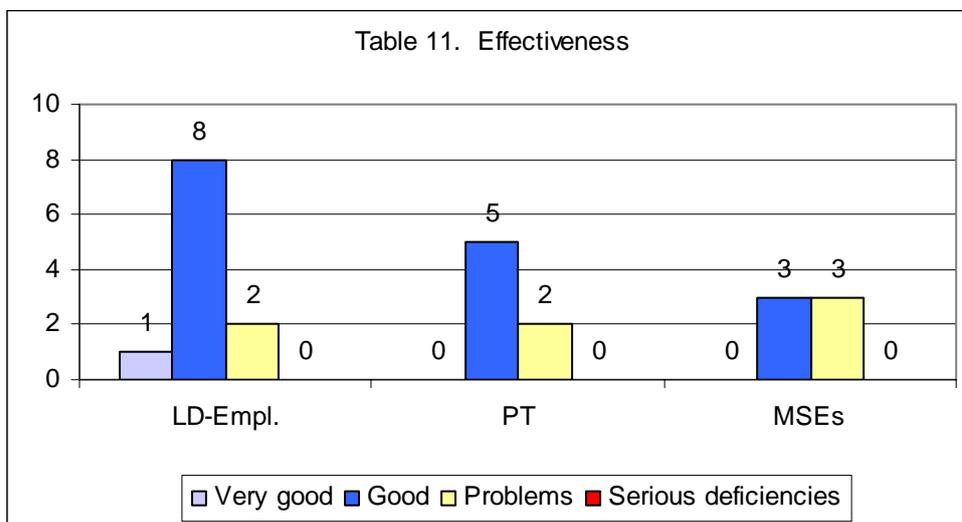


Table 11 shows the breakdown of the overall effectiveness results by sub sample, emphasizing the number of projects of each sub sample that obtain “very good” (a), “good” (b), “problematic” (c) or “serious deficiencies” (c) scores.

Analysing the characteristics of the projects’ effectiveness from an employment-labour perspective in each subgroup provides the following insights:

Education and Professional Training

First of all, it is necessary to indicate the composition of the Education and Professional Training projects' beneficiary group:

In the case of the projects in the **"Education and Professional Training"** sub sample, the final beneficiaries can be divided into three groups:

- a. Young people inserted into the formal and regulated education system. Young people aged 14-17 who have had access to secondary education (Secondary school reform in Honduras, vocational training in Maracay).
- b. Young people excluded from the formal education system who show high drop-out rates and are unemployed or only employed part-time in the informal sector of the economy (PAPPUM, PAOF).
- c. Adults who operate in the informal sector and who have access to professional training.

The intermediate beneficiary training organisations and public institutions are:

- a. Institutes of professional technical training that include technical secondary education as part of the regulated training plans.
- b. Private institutions of professional training attending groups of people that did not finish their secondary education; Public Institutes of professional training attending young people and adults.
- c. Professional training departments of the Ministries of Education and Employment and regional educational delegations.

Taking into account this beneficiary target group, the following remarks can be made on the basis of the analysis:

1. Projects with effectiveness problems are interventions which had reached low levels of coverage at the time of the monitoring, far from what was foreseen in the grant agreements.
2. Progress towards the PPs related to improvements in the regulatory environment and to the planning of the education and professional training sector is slow and problematic (there is a need for a strong political will to support the proposed reforms and for close coordination between the many relevant bodies in the field of education and employment).
3. The main strength of these projects lies in the fact that the educational entities supply innovative occupational and professional training (modular, flexible and "competence based") which increases the employability capacities of the graduates.
4. However, the most notable weakness is precisely concentrated in the labour orientation, intermediation and insertion initiatives provided by the training bodies to the target population. The emphasis on labour orientation, intermediation with the productive sector or promotion and monitoring of internships are still fragile aspects which determine the degree to which they contribute to employment.
5. On the one hand, we have projects that increase access to training opportunities targeted at groups in risk of exclusion, with innovative and updated curricular designs and improved facilities (infrastructures and equipment). On the other hand, these interventions have a low return rate in terms of percentage of educated people eventually inserted into the labour market.
6. In general terms, these interventions aim at seeking agreement and coordination between the training bodies and the relevant line Institutions (Ministries of Education and Employment) with a view of

- obtaining official certifications of the training supplied (in all cases, official support has been obtained). Nevertheless, coordination with the productive and entrepreneurial sector is generally weak except in some isolated cases. Thus, with non-reimbursable funds from EC cooperation, there is an improvement in the quality of the labour force supply almost without any return involvement from the employers (neither in terms of co-financing of expensive training - due to the maintenance and cost of the required equipment- nor in terms of absorption of the educated labour force). In some cases, short term internship agreements are being reached (internships that do not necessarily entail any contractual regime or any type of social protection and, sometimes, not even a minimum remuneration).
7. As usual, problems related to the interventions' design have a direct impact on effectiveness. This is the case for educational projects that adequately foresee the creation of Labour Insertion Funds, but then assign responsibility for management of these funds to public administration entities (different from those carrying out the project), with the resulting under utilization of these resources. Inefficiency in the implementation of these funds implies breaking the "bridge" between the educational and the productive areas, and therefore reducing the potential insertion of graduates into the labour market.
 8. With regard to projects in support of Secondary Technical Education, the correlation between training and employment is extended in time since, in some cases; this training is more a launching pad towards University or superior studies for students than a path toward their short term insertion into the labour market. Students graduate from the STE Institutes with a greater level of training and social recognition that allows them to get a temporary job, which helps them finance their graduate studies.
 9. Again, when analysing effectiveness, the actions' local dimension and coherence appear as key factors allowing projects to be assessed more favourably. There are some notable interventions (FEPP Ecuador) for which good levels of effectiveness are based on: i) the local counterpart - FEPP- coordination with social organizations; ii) the strong emphasis on the phase preceding training (information, motivation and increasing awareness, selection of beneficiaries); iii) the incorporation of credit support services in order to promote micro-entrepreneurs aimed at graduates iv) the insertion of the action into the production line with a strong emphasis on trading and market opportunities.
 10. The beneficiaries' satisfaction level with the training supplied and project services vary from one case to another. In general terms, students considered as final beneficiaries of the interventions show satisfaction with the training received which is considered as innovative and of a good quality. In some cases satisfaction is extended to the support to labour insertion and income generation provided by the training bodies (SME incubators, internships, etc). However, resistance is noted on behalf of some actors. Significant resistance arose mainly from the educational staff in those projects where the introduction of the competency-based approach has been implemented. This approach implies a shift from teachers to students in the traditional breakdown of power within the lecture room since it means moving from a system in which knowledge was transmitted "from top to bottom", vertically from the teacher to the student to a system in which knowledge is jointly built up "from bottom to top". It is a much more participative approach that puts the teacher in the position of a facilitator rather than in that of an instructor. Not only does it imply a loss of "power" for the teacher, but it also means an in-depth pedagogical update, a curricular revision and in some cases longer teaching hours.
 11. In one NGO project (Labour Insertion in Paraguay) the monitoring activity detected problems of access to the training supplied by the low-income population. Due to the high costs of the PT supplied and to the search for institutional sustainability, the rates turned out to be too high to allow access to low-income people. The problem gets worse when these institutions do not have any kind of coordination with the PT public system. Thus, the EC contribution to such projects would be strengthening private parallel PT systems with a doubtful impact on equity and social cohesion and would not play an experimental and innovative role from which lessons could be transferred to the public administration in order to be duplicated.

12. Except in one case, the educational bodies' training does not incorporate the gender perspective, meaning that the reproduction of classical female and male roles on the labour market is promoted through training. The reports' data broken down by sex reveals no information that would allow for tendencies to be drawn on the employment typology for women and men, on the degree of access to a higher income level, etc.

Support to Micro and Small Enterprises Projects

The beneficiaries of the projects in support of MSEs can be characterised as follows:

- a. Micro enterprises and Productive units that are created and maintained within the informal sector as they do not have access to productive resources (credit, corporate services, EDS, etc).
- b. MSEs having access to productive resources (though not very abundant) that remain within the informal sector as they are not able to cope with transaction costs (administrative and tax obligations).
- c. MSEs that, although able to afford the cost of legality, choose to remain on the wrong side of the law in order to obtain competitive advantages.
- d. Associations and Chambers of Commerce representing the different productive sectors, corporate Organizations and Entities providing various services to MSEs.
- e. State secretaries and national decision-making bodies of support to the SME and the MSE, Universities.
- f. The population living in areas where the beneficiary enterprises are located is considered in these projects as an indirect beneficiary (either as a group that increases its possibilities of being inserted into the labour market since there is a reinforcement of the productive fabric, or as micro-entrepreneurs).

1. This is the group of the sample where most problems have been found in terms of effectiveness. 50% of the projects received a "c".
2. Weaknesses are always associated with problems of access to project services by the target group (MSEs and SMEs). In several cases, it is pointed out that the foreseen PPs will be hard to achieve, mainly due to the lack of time available so that the initiatives aimed at sector strengthening can mature (financial and non-financial entrepreneurial support services). The level of coverage is considered as insufficient in other cases, due to delays, efficiency problems and the fact of being in the initial implementation stages. In some cases, it is specifically indicated that "at the end of the project, the MSE sector will not be sufficiently strengthened, which implies the non-compliance with the PP and the OO". (MSEs Guatemala, MSEs El Salvador, Project of support to innovative SMEs-Chile).
3. The component in support of trading in order to attain greater insertion into markets presents generalised weaknesses, usually for not having adopted an approach centred on the search for markets from the beginning. Thus, the provision of micro-entrepreneurial services is a necessary but insufficient support to ensure micro-entrepreneurial viability and take-off, and therefore, stable income and employment generation.
4. The delays in making corporate services available are, in some cases, generating a significant disincentive on behalf of the potential applicants and users (operators, MSEs, etc), reducing the interventions' degree of effectiveness.

5. In the case of interventions in support of MSEs, unpredicted risks which limit effectiveness were also identified. It is the case with the project in support of MSEs in El Salvador, in which it is not easy to award the tender for the provision of EDS (Funds for Technical assistance and BONOMSE), due to the lack of interest. Applying for tenders for this kind of service provision to MSEs is sometimes perceived as a high-risk market with limited margins.
6. Despite the problems that have been pointed out, these projects are providing a useful contribution in terms of implementation of systems of support to MSEs and SMEs (provision of entrepreneurial development services, credit access, provision of technical assistance to MSEs, strengthening of operators). The 2006 monitoring highlights some specific contributions made by various projects such as:
 - i) alliances between institutions promoting micro and small enterprises and local authorities (IDESI Peru);
 - ii) the provision of services of support to SMEs by means of pre-existing State tools (this modality presents the advantage of ensuring the availability of counterpart funds, but the disadvantage of losing “sovereignty” and control over the type of businesses that receive support – i.e.: Innovative businesses in Chile
 - iii) the contribution of ITA has been significant for the improvement of the businesses’ competitiveness (Expo Ecuador, PIAPYME – once the quality of ITA was improved)
7. In addition to the difficulties related to the achievement of the PPs, there are specific weaknesses which have an impact on the labour market: i) a lack of OVIs and components related to the legalisation and formalisation of MSEs, II) a lack of reference to the provision and promotion of social protection mechanisms, III) a lack of strategies for the promotion of the representativeness and dialogue of SME workers. The projects contribution to an increased formalisation of the economy and to an extension of social welfare mechanisms to MSEs (as an important vector for the inclusion of social cohesion) is not clear. And this reasonable doubt gives rise to new uncertainties not only on the quantity but also on the quality of employment that is being generated by these projects.

Local Development and Employment

As regards the “Local Development and Employment” projects, the beneficiaries can be characterised as follows:

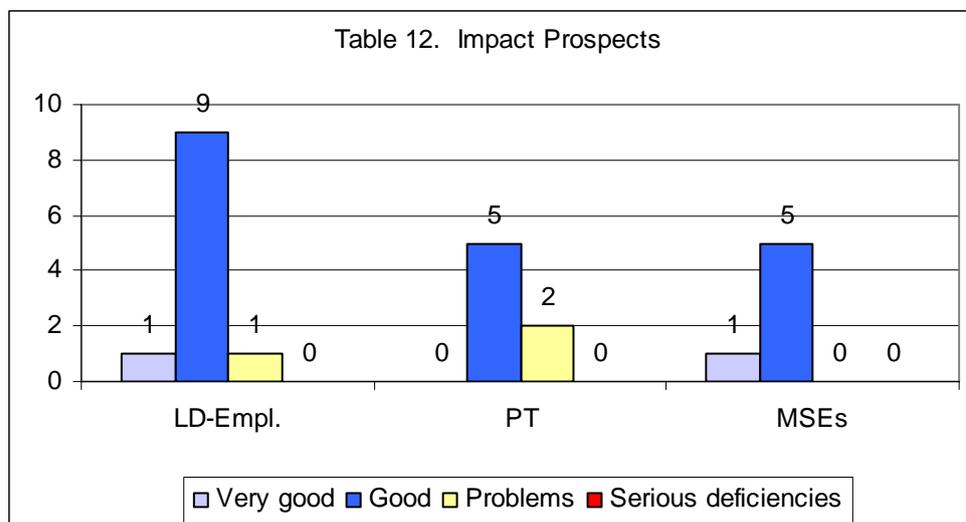
- a. Young people aged 13-25 from marginal urban areas in a situation of social risk.
- b. Female working population from urban areas (domestics, maquilas, etc).
- c. Low-income families in rural and urban areas.
- d. Second-level organizations: Credit Financial Institutions, MSEs Operators, Producers’ Organizations, NGOs.
- e. Municipalities and local governments.

1. Most projects in the sample receive positive scores with regard to the level of effectiveness achieved at the time of the 2006 monitoring. The best performing projects in this parameter are those of the “Local Development and Employment” sub sample.
2. The positive effectiveness of some interventions of the TFC budget line based on local development strategies, both in urban (PROPOLI, PAPPUM) and rural (PRODELICA, PROLOCAL) areas, has significant effects on employment, given the strategic relevance of the actors involved, the high percentage of EC financial supporting comparison with the whole subsample and the extended level of beneficiary population coverage that is being reached.

3. The existing local development systems are being reinforced, together with the associative fabric and civil society. Dialogue and coordination platforms leading to alliances for development with a strong social basis are also being created.
4. In some cases, legalisation of many social and economic organisations is being stimulated (cooperatives and MSEs), which clearly contributes to the planning and rationalization of economic activity, and thus to a generation of less precarious sources of employment.
5. EC Projects are contributing to the provision of integrated support to municipalities and civil society, which includes facilitating access to credit and strong technical assistance, reinforcement of management capacity, etc.
6. The level of access to all these services is reasonably high and has significant levels of appropriation (level of arrears are usually low, participation in municipal initiatives for the definition of Municipal Development Plans is high).
7. The adoption of strategies of support to the local productive sector implementing a productive chain approach (crafts, milk producing cattle and milk products, tourism, crops, vegetables for export, grape, cacao/chocolate, coffee), the grouping and organisation of MSEs and cooperatives in beneficiary areas and the strengthening of the municipalities' capacity in the field of local development planning, are factors that contribute to the good performance of several monitored projects (PRODELICA, PROLOCAL).
8. There is smooth progress towards the achievement of the PPs, which, if they are eventually achieved, will constitute a significant contribution in terms of social inclusion and employment.
9. Unfortunately, only one project of the sample deals with the protection of labour rights (Women's employment rights in the face of globalisation, Costa Rica). Despite the problems detected in design and efficiency, the monitor considers that the project has reached a positive degree of effectiveness. It is foreseen that, as a result of the project (NGO line), female migrant workers from urban areas, female workers from maquilas, female domestic workers, and women older than 40 will be able to defend their labour rights, and that awareness will be increased among public institutions, mainly within the Judiciary.
10. In urban areas, projects strengthen municipalities in their local development planning and leadership capability; contribute to the implementation of systems of support to micro enterprises and cooperatives and to the improvement of labour intermediation services as a strategy for social inclusion and employment generation. In rural areas, projects strongly support the organization of productive units, structuring them under a productive chain approach, and help implement an entrepreneurial development services system embedded partly in rural municipalities, partly in the second and third level producers associations.

6.5 Impact Prospects and Overall Sustainability

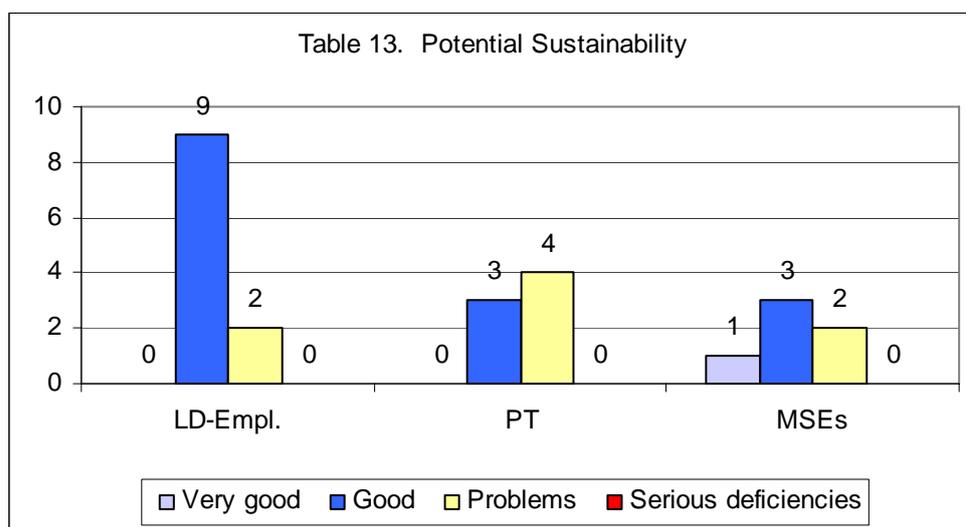
Table 12 presents the breakdown of the impact prospect results of the sample's ongoing projects.



- As can be seen, projects are mainly positively assessed in the Impact parameter as only 3 projects out of the total sample present potential problems. In two out of those three cases (*breaking the cycle of reproduction of poverty in Uruguay*, and *Promotion of development for marginalized groups of the population in the port area of Rio de Janeiro*), impact problems are linked to: i) Insufficient physico-financial progress related to problematic levels of effectiveness (problems of access for beneficiaries) that have translated into potential risks of sub-use of the available training centres; ii) the intervention's isolation: insufficient coordination with other relevant actors to ensure acceptable levels of impact.
- Two projects obtain a "very good" score (a) in terms of impact prospects (PROPOLI and the project of support to the Creation and Development of Innovative Companies in Chile). In both cases, the value of the projects' contribution is linked to the incorporation of relevant and large scale innovations in their respective fields. In one case (PROPOLI) the project "successfully implemented an innovative social engineering of local development" that allows the socio-economic stimulation of the beneficiary municipalities in the urban cone of Lima. In this case, the validity of the project as an employment generating initiative is pointed out in the report. In the Chile project, noteworthy is the strategic importance of the experiment that is being carried out with regard to the introduction of innovative logics (R&D) in the field of small enterprises with the aim of promoting their exporting capacity and insertion into international markets.
- The projects' Impact prospects are generally dependent on the evolution of external factors and the scores mainly depend on the coordination capability of the projects with the relevant actors (Ministries of Education and Employment, Secretariats of support to SMEs, municipalities, Chambers of Commerce, etc). This coordination aims at generating "demonstration" and "multiplier" effects that extend the interventions' scope. The fact that projects are being used as

laboratories for professional training policies, local development, and promotion of MSEs is highlighted as an unquestionable sector contribution. Another common denominator in the reports is the emphasis on the need to seek coordination and complementarity of aid with other donors and among EC projects.

Table 13 below presents the scores obtained in potential sustainability:



1. As can be observed, the overall results in sustainability prospects are positive in 16 projects of the sample, whereas 8 projects present problems. The main problems are to be found in the "Education and Professional Training" sub sample.
2. In general terms, the projects' weak sustainability prospects in the PT sector have two common causes: i) the existence of potential risks of insufficient institutional support to the innovative processes undertaken by the projects (this is the case for PAOF, secondary education in Honduras); ii) as a result of the weak prospects with regard to political support, there are risks of economic-financial unsustainability of the ongoing processes. The reforms undertaken (competency-based training) require greater investment, which is added to the high natural cost of vocational training. Thus, the risks of impact in terms of contribution to employability and employment are focused on the doubt related to the sustainability of the educational entities, in addition to the uncertainty as to whether the reform processes will have a consolidation phase leading to an acceptable return rate with regard to employment.
3. In the case of projects in support of MSEs, the weaknesses are concentrated in two projects of a different nature: PIAPYME (TFC) in Mexico and Support to MSEs in Peru (NGO). In both cases, there is a lack of design of a sustainability plan as well as of an exit and transfer strategy. In the first case there was an insufficient level of adhesion on behalf of the beneficiary (Secretary of Economy) and the operators to build up a co-financing structure which would have allowed the maintenance of the services in support of the competitiveness and internationalisation of SMEs. In the other case, the networks of support to MSEs

have operated on an excessively micro level without any coordination with other existing actors within the country that support the micro-entrepreneurial sector. The latter case also presents a problem of isolation and permanent dependency on cooperation funds. In these cases, the risks of an interruption in the provision of corporate development services (before the supported SMEs and MSEs reach their critical maturity point in terms of competitiveness) at project completion also present uncertain prospects as regards the contribution of these interventions in the field of social inclusion and employment generation.

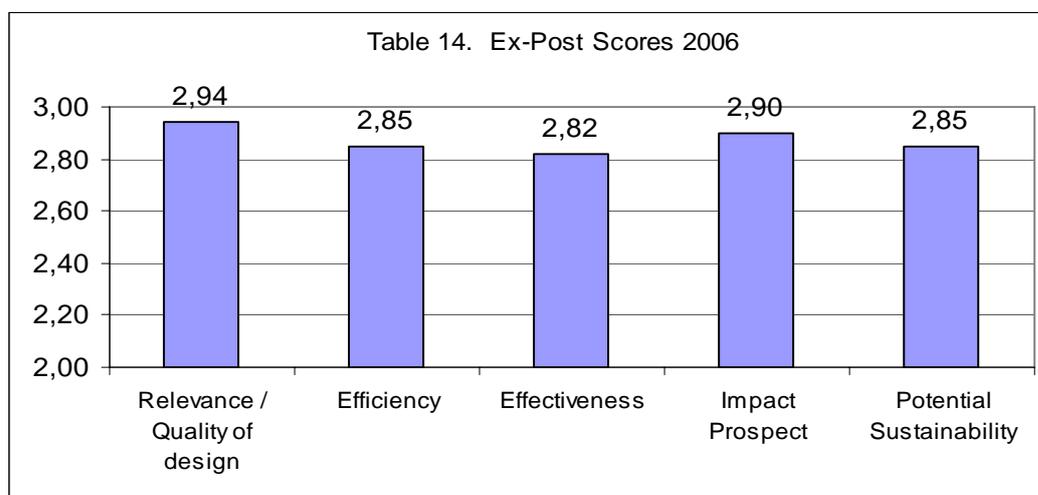
4. The Local Development projects that show weak sustainability prospects belong to the NGO line and share the following causes: i) problems in participation as of the identification phase; ii) low level of appropriation by users, beneficiaries and local institutions; iii) weak embeddedness in ongoing local structures and processes; iv) isolation and dependency of international cooperation.

7. The Case of Ex-Post Monitoring

As indicated in section “4. Representativeness of the sample”, along with the 24 ongoing projects monitored in 2006, this sector report on employment focuses on 8 closed projects that were monitored ex-post in 2006.

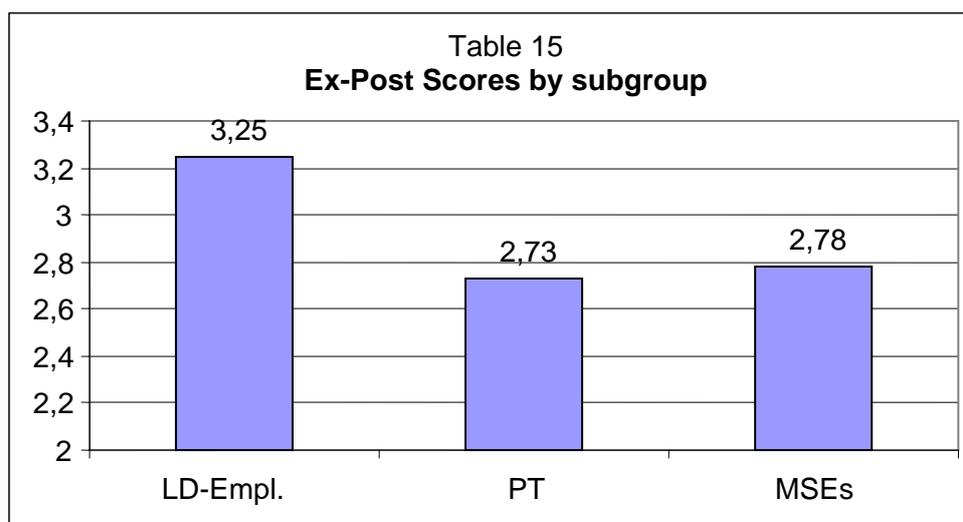
It turns out to be of particular interest to include this group of completed projects since ex-post monitoring allows us to have access to an interesting assessment of the “current” impact and sustainability (whilst allowing to revalidate or not the relevance of the intervention designs and strategies that have been implemented).

As can be seen from table 13, the scores awarded by monitors with regard to the Impact and Sustainability parameters are positive in almost all cases except for two projects (*FORTEPE-Peru*, which displayed both impact and sustainability problems, and *Support to SMEs in Argentina*, which showed impact problems). It is encouraging to observe that the average scores for the ROM criteria of the 8 projects that were monitored ex-post are in all parameters superior to the scores obtained by the 24 ongoing projects. Since the sample is not large enough to allow for generalizations to be made, these results could reveal a tendency in which projects logically face greater difficulties in their starting phase (first years of implementation which in many cases are linked to the period co-financed by the EC). Later on, during the consolidation phase, many of the processes undertaken become more consistent and have positive effects on target populations.



The scores resulting from the ex-post monitoring are of particular interest for this Sector Report on Employment. Since the effects of active employment policies generate mid- and long term results, it is difficult to assess the “final” impact on employment during the implementation stage of many projects rather: It is preferable to do this after a project has had sufficient time to consolidate its effect. Thus, the ex-post monitoring provides us with useful information which helps find an answer as regards the degree of contribution of Community aid towards employment generation. It mainly reveals data on the degree of consolidation of the implemented corporate support services, the degree of institutional sustainability of the educational entities that supply PT, the degree of recognition on behalf of the main actors of the processes undertaken, the demonstration and multiplier effect of the interventions and their larger impact, etc.

Table 15 gives an overview of the weighted average scores by subgroups:



The following remarks can be formulated for each sub sample:

Local development and Employment. Lessons learnt from Ex-Post Monitoring

1. “Local Development and Employment” projects also get the highest weighted average scores in the ex-post monitoring exercise. Three years after the end of EC support, these projects are generating a positive impact in the field of labour rights, employment and social inclusion.
2. With regard to the defence and promotion of labour rights, the principal achievements and lessons learnt highlighted by the monitoring at the time of the mission were: i) the registered increase in the beneficiary women’s self-esteem and knowledge on labour rights, which has translated into the achievement of better working conditions; ii) the increase of the civil servants’ awareness and training which allows them to deal with cases of violation of labour rights from a gender perspective; iii) the relevance of the strategies for the strengthening of municipalities as key actors for the defence of women’s labour rights and for their incorporation into the productive fabric in decent conditions. Therefore, the ex-post monitoring validated the strategy targeted at seeking the empowerment of key actors (municipalities, civil servants, etc) through the strengthening of its capabilities and the creation of multiplier effects for the acquired knowledge and competencies.
3. As regards their contribution to employment and income generation, the achievements and lessons learnt highlighted by the monitoring at the time of the mission were: i) the creation (through EC support) of a space for reflection on the need for integration, decentralisation, community participation and coordination of networks and actors to overcome urban poverty. ii) the provision of fundamental inputs for the creation and implementation of public national programmes, based on the same integrated, multidisciplinary and concerted approach. These public programmes were adopted at a national level with outstanding results at the time of the mission in terms of reduction of urban poverty through the creation of employment²²; iii) again, the relevance of the participation and strengthening of municipalities as key agents for local income and employment generation was highlighted. Emphasis is placed on the importance of EC support to the creation of permanent participation structures (mesas comunales) as fundamental dialogue platforms for the design of local development plans. The factors for success are: a) the need for quality International Technical Assistance; b) The adoption of a highly participative intervention approach, based on consensus and with a high level of adjustability (flexibility and versatility of the design); c) Focusing policies aimed at poverty reduction and employment creation in the local area.

²² i.e.: Chile Solidarity Programme

Support to MSEs. Lessons learnt from Ex-Post Monitoring

1. Interesting lessons can be drawn from certain bad practices (CERPyme - Argentina) that have been identified in the ECoop budget line. This intervention was aimed at strengthening and supporting SMEs so as to increase their competitiveness and internationalization capacity. According to the monitor, the low level in efficiency and impact is due to the following factors: the adoption of an excessively weak and ambitious design, the political and institutional weakness of the national counterpart (Secretariat of SME), the fact of not having sufficiently taken into account the serious situation of the Argentinian context during project execution, the limited coverage of the intervention and the fragmentation and limited effect of a TA directly aimed at a few businesses.
2. Three years after the intervention's completion, it was impossible to establish the existence of a correlation between the project and the improvement of the beneficiary MSEs' internationalization. Insufficient coverage (of operators and MSEs) makes the contribution uncertain in terms of support to the creation of employment and improvement of the income level of the people linked to the beneficiary MSEs. Again, the absence of OVIs and measuring of progress is constantly referred to. Once more, in this case, the project's contribution to the improvement of the MSEs worker's living conditions is not visible.
3. The ex-post monitoring has also identified positive lessons. Thus, in the case of the project of support to MSEs in Lima, Peru, (NGO line), the ex-post monitoring gives a positive assessment with regard to the project's contribution to the improvement of income and employment conditions of the people who are part of the supported MSEs.
4. The ITDG NGO (with a long presence in Peru) detected the opportunities for improvement within the micro-entrepreneurial sector through the strengthening of the technical and management capabilities of MSEs. To this end, it formed a strategic alliance with the SENATI (Service of Occupational Training financed and created by the country's entrepreneurs) so that this institution, besides providing services to medium and big enterprises, supports the creation of Technical Support Centres (CAT) to MSEs. These CATs supplied varied corporate development services (financial and non-financial, with a special emphasis on training and TA). From its design, the project considered the gradual shift of ownership and operation of the CATs to the SENATI. The solvency and institutional stability of the SENATI made it possible that, 2 years after the project's completion, CATs continued operating from a co-financing and partial subvention perspective, providing a valuable service to the MSEs of the food processing sector.
5. What has been learnt and pointed out by the ex-post monitoring is: i) the importance of making sure that the necessary time is dedicated to supporting micro-entrepreneurs before extending coverage, with the aim of guaranteeing the quality of the process; ii) the relevance of creating public-private alliances between different actors from civil society, the private and the public sector in order to reinforce the micro-entrepreneurial fabric; iii) the importance of vertical and horizontal coordination and the convenience of seeking other financing sources related to macro-state programmes (IDB, BONOPYME); iv) the preferential attention to female micro-entrepreneurs resulting in empowerment and access to income.
6. In spite of the difficulties related to the implementation of this kind of service, this is a good example of how civil society organisations (NGOs) can bring low-income groups that are in a situation of unemployment closer to the "orbit" of services provided by a private training body supported by the entrepreneurial sector (SENATI), turning it into a good practice which is undoubtedly contributing to employment generation.

Education and Professional Training. Lessons learnt from the Ex-Post Monitoring

1. Some projects were established as pilot experiences which monitors consider as good practices that would require an in depth systematisation (PASE and CEDEA, both from the TFC budget line).
2. In general terms, the projects supported by the EC are significantly contributing to the modernization of the professional and vocational training sector, with effects that can be seen in terms of improvement of the employability prospects for graduates.
3. The most successful processes are taking place in those projects that have been able to carry out a demanding closure and transfer process with the local counterpart and that implemented measures in order to avoid the “premature” unhitching of dynamics that were not mature enough (the difference in Impact for the PASE and FORTEPE projects is mainly based on this aspect).
4. The employers’ co-responsibility regarding professional and occupational training processes is limited. In the case of the CEDEA project, although employers/entrepreneurs participated as central actors according to the terms of the FA, they failed in their commitment to financially contribute to the centre’s operative costs thereby endangering the sustainability of the project (though thankfully, the State of Aragua assumed this responsibility, which, together with the high quality of its management, allowed the Centre to carry on with its activities providing excellent services).
5. The limited co-responsibility of the entrepreneurial sector is also clear in the low level of commitment when it comes to absorbing the labour force educated in the PT centres supported by the EC.
6. The reasonable rates of labour insertion that were achieved in some cases (PASE) are mainly due to family micro-undertakings carried out by graduates and to the creation of precarious labour relationships, most of the time without any contract, social protection, decent initial remuneration, etc. (those aspects have to be highlighted in this sector report). Nevertheless, the project has been an experience that clearly contributes to favouring social inclusion dynamics. These dynamics contribute to increasing the embedding of the target population in its places of origin, with the consequent reduction of economic emigration.
7. The choice of quality and excellence²³ has been key to gradually reducing the corporate resistance to favouring the training of its Human Resources. In the CEDEA case, the combination of training and corporate development services has been bearing fruit. Besides, in this case, as in the PASE project, there is special emphasis on the generation of an entrepreneurial culture which resulted in a breeding ground for companies and cooperatives.
8. The participation of these Centres, which are supported by EC funds and which provide a high level of quality and innovation in their training in the public National Training Plans (NTP) is an added value that deserves to be pointed out.²⁴

The main obstacles to the achievement of a greater level of impact are to be found in the process of reforms’ institutionalization. The FORTEPE case is a good example of it: a project with reasonably positive levels of efficiency and effectiveness at project completion, but which chooses to transfer the responsibility for the reform process to the Ministry of Education. The limited political support and the resistance on behalf of the educational staff, among other factors, have meant that two and a half years after the completion of the project the effects were limited (the beneficiary PT Institutes that were visited during the monitoring mission were facing many difficulties in implementing the curricular innovations, to continue the rapprochement effected with the productive sector, to optimize the use and to guarantee the maintenance of the expensive equipment provided with the support of the EC).

²³ For instance, CEDEA is the only public Centre for Training and Entrepreneurial Development in Venezuela with an ISO 9001 certification (valid at time of the ex-post monitoring in 2006).

²⁴ With the NTP, enterprises are forced to train “apprentices” during a certain time, after which they will be hired or not.

8. Lessons Learnt and Subjects for Reflection

A number of lessons have arisen from this analysis. They need to be considered in this section:

Invisibility of Employment and Labour Rights

1. From the EC-LA cooperation policy perspective, **this study clearly reveals the invisibility of employment and labour rights**, both at the regional / national strategic level and at the operational level. According to the sample studied, there is a significant gap between the most recent political orientations (Vienna Summit, Strengthened EU-LA Association) and the characteristics of the ongoing programmes and projects. Hopefully, this gap will be reduced during the 2007-2013 period as a result of the new bi-regional political and strategic framework that is to be enforced.
2. **The designs of the projects analysed in this study show strong deficiencies with regard to the incorporation of the promotion of decent work and employment aspects.** Thus, although 23 out of the 32 projects analysed (ongoing and completed) include in their Intervention Logic components that include employment as a result and/or an objective of the projects, there is almost no employment OVI (in terms of number of people that will be inserted into the formal or informal labour market within a certain period of time). Therefore, the evaluation of progress towards the objectives and results in the field of employment creation is carried out in an indirect way by assuming that the achievement of intermediate results (people trained for work, strengthened MSEs, etc) implies having an impact on employment. This correlation is neither direct nor proportional nor certain. In fact, assuming this implicit association makes the quantity and quality of employment “disappear” from the analysis as well as the income opportunities to which projects are contributing. On the other hand, it is worth noting that only two projects of the sample (and thus of the 234 projects monitored in 2006) address the labour rights protection issue. In the rest of the projects, the designs do not include components related to working standards. These design gaps have obvious consequences in terms of efficiency and impact of the aid in the field of employment and decent work.

Subjects for Reflection with regard to the INVISIBILITY OF EMPLOYMENT AND DECENT WORK:

- i) Putting social cohesion at the top of the strengthened EU-LA strategic partnership agenda provides an opportunity to build up bi-regional cooperation around a topical issue of common interest such as employment and decent work. This opportunity is reinforced by the upcoming adoption (by the United Nations in 2007) of Employment and Decent Work as one of the MDG.
- ii) There is a need to include the decent work objective in both the RSP and in the CSP, with the corresponding budgetary allocations.
- iii) To integrate the “employment-labour approach” as a cross-cutting issue into the design of programmes and projects, with the aim of ensuring an effective contribution to social cohesion. It is essential that the LFs include well-designed employment OVIs allowing to focus efforts in terms of employment and to measure the genuine progress and contributions.

Insufficient incorporation of the Gender approach

3. Although women are the group facing the biggest problems with regard to exclusion, unemployment and violation of labour rights, there is insufficient incorporation of the gender approach in almost the entire sample. The incorporation of components targeted at women (female micro-entrepreneurs, etc) does not counter-balance the existing gender deficit. In fact, many projects contribute to reproducing the traditional gender roles (i.e. when training bodies providing PT adopt curricular designs that include a traditional link between target groups and professions – for women: dressmaking, food processing, child minders, etc; and for men: mechanics, electricity etc).

Subjects for Reflection with regard to the INSUFFICIENT INCORPORATION OF THE GENDER APPROACH

Incorporate the gender approach into the design of employment and income generating projects, focusing on a human rights approach. Adopt recommendations made in the Gender Sector Report 2006 issued by the Latin American External Monitoring Service.

The Local Development approach: a key to employment generation

4. The projects from the “Local Development and Employment” subgroup are the best performing ones both from the employment-labour perspective and from the ROM point of view (from which they get the best scores in terms of efficiency and effectiveness of ongoing projects and the best scores in all the parameters of the completed projects). Therefore, it is considered that the greatest contribution in the field of employment comes from the interventions that have adopted a determined coordination strategy between the main actors at the local level, which leads to the creation of strategic alliances for local development. These initiatives rest on the understanding that employment and income generation should be a responsibility shared between civil society, local administrations and the State. The beneficiaries’ participation, level of appropriation and sense of ownership in these interventions establishes a propitious framework for social dialogue and local pacts.

Subjects for reflection with regard to the EMPLOYMENT GENERATING LOCAL DEVELOPMENT:

- i) To promote the contribution of EC projects to the creation of an overall consensus on the importance of promoting employment generating models based on agreement between the State and civil society. To support the creation of national Pacts for Employment from Local Pacts which are currently supported by other EC projects.
- ii) To promote and reinforce the decentralisation policies and processes that allow for the strengthening of municipalities as central actors for the stimulation of the productive fabric and employment.
- iii) To gradually tackle the systematisation of the following ongoing projects: PROPOLI, PROLOCAL, PRODELICA and PAPPUM. To systematise the following completed projects: Integral programme for the overcoming of urban poverty -ACTUA - Chile

Uncertain and unequal contribution of “support to MSEs” projects to employment and decent work

5. With regard to the projects that promote the development of micro and small enterprises as a strategy for income generation and employment promotion (of which there are cases in the 3 subgroups of the sample), there is no information available on the degree of formalisation of the promoted micro-entrepreneurial activity and thus on the contribution of these projects to the reduction of informality (which is a central aspect that affects the quality of employment and of the jobs generated by MSEs). In fact only one case in the sample includes a specific mention of the project's support and contribution to the formalisation and legalisation of the promoted activities (PROLOCAL - project belonging to the “Local Development” subsample).
6. The projects financed by the Economic Cooperation budget line aimed at strengthening SMEs' internationalisation raise doubts about the effects generated in terms of employment. Thus, in many cases, sectors with good export potential are strategic for economic growth but only absorb a low percentage of the labour force. According to the monitoring results, this is the weakest performing subgroup of projects in the Effectiveness parameter, which reveals problems that SMEs and MSEs are facing in getting access to the entrepreneurial development and export promotion services provided by the projects.
7. Despite what has been mentioned above, the sample includes various projects with a useful contribution in terms of implementation of systems of support to MSEs (strengthening of operators, provision of TA, financial services)

Subjects for Reflection with regard to the UNCERTAIN AND UNEQUAL CONTRIBUTION OF THE “SUPPORT TO MSEs” PROJECTS TO EMPLOYMENT AND DECENT WORK:

- i) To carry out a detailed study on EC cooperation's contribution towards LA in terms of the reduction of informality in labour markets.
- ii) It is important that EC projects contribute to reducing informality whilst at the same time favouring the setting up of a strong consensus for the implementation of “friendly” laws for MSEs and SMEs such as: a) reducing the administrative burden for the creation of businesses, meaning reducing transaction costs (so that the rates applied to the creation of businesses are low and only reflect the administrative costs), b) facilitating and speeding up the administrative procedures so that MSEs can comply with their statutory duties, c) facilitating an extension of the coverage of the MSEs' social protection.
- iii) Of particular relevance is the case of EC projects that support second and third level associations of MSEs and SMEs. The inclusion in their design of components aimed at reducing informality will be a significant contribution to employment and to the quality of the jobs created.
- iv) To favour the channelling of EC cooperation funds to social economy (cooperatives,...), which definitely contributes to employment generation and social inclusion.
- v) Along with the objectives related to the improvement of productivity and to the promotion of entrepreneurial innovation (R&D), it would be important to have the objective of employment generation included in a balanced proportion in the design of projects of support to SMEs and MSEs. Even more since social cohesion is at the top of the bi-regional agenda. The promotion and support of the entrepreneurial sector through non-reimbursable funds coming from cooperation must ensure a reasonably adequate “social” return rate (leading to quality OVIs on employment generation, enhancement of the workers' social protection, promotion of the formality of the activity, etc). Otherwise, there will be a channelling of the public funds coming from the taxes paid by European citizens to areas of the private sector, with an uncertain impact on the improvement of the beneficiary group.

Assuming that the strengthening of export-orientated SMEs will gradually lead to employment and job generation is a weak hypothesis that would have to be verified.

vi) To gradually support the systematisation of ongoing projects: “Expo Ecuador”, “Inclusion of micro-entrepreneurs with a competitive potential and in a situation of poverty into dynamic circles of local and regional markets, in Peru”. To systematise the completed project: Technical assistance to MSEs in Peru.

vii) In general, the promotion of employment and income generating micro-entrepreneurial clusters is recommended. Projects in support of exports could combine the transfer of know-how and the improvement of capabilities to facilitate access to European and international markets with a component that includes promotion of the local micro-entrepreneurial fabric, that, gathered in sectoral clusters, could be favoured by the culture of quality and innovation of these projects, which would improve productivity and access to the internal and regional market. This is a possible way in which these projects, which have so far exclusively focused on the promotion of export, can increase the “social” return rate and be turned into employment generating inclusive pilot interventions.

Education and FP projects contribute to the improvement of employability but display low rates of social return.

8. “Education and PT” projects contribute to improving the employability of graduates. However, it is important to bear in mind that the contribution to the improvement of employability is one thing and to effectively contribute to the reduction of unemployment is another. Employability puts the emphasis on the increase of capabilities to get a job, but in some cases, under this concept, the projects completely hand over the responsibility of getting integrated into the labour market to the beneficiaries of the professional training themselves.
9. A recurrent problem, apart from some exceptions, is the insufficient adaptation of the training offered to the demand of the productive sector.
10. It is worth stressing the importance of the link between PT, regional integration processes and employment. In several cases, the curricular update from a competence perspective has been achieved in accordance with the education guidelines (incipient but strategic) stemming from the different regional integration entities (particularly MERCOSUR). Thus, PT helps graduates to extend their professional options within the regional labour markets.
11. Also of note is the contribution of “support to vocational training” projects targeted at young people aged 14-17 to the generation and promotion of the students’ entrepreneurial capabilities, which later results in greater insertion capabilities in the productive field.
12. However, in many cases, vocational education and PT projects (mainly those supporting sector reforms) face internal and external resistances that reduce their impact. The internal resistance is related to the educational sector itself and in particular to the educational staff that does not easily accept the adoption of a curricular competency-based approach which modifies the power structure within the lecture room and which demands a strong educational update. As for external resistance (or at least the ambiguous position), it stems from the entrepreneurial productive sector. Paradoxically, although the productive sector asks for a more and better skilled labour force, it shows resistance to the reform process of the curricular network. This is due to the fact that, in principle, the acquisition of more and better competences would imply greater access on behalf of graduates to a larger labour and wage scale. However, graduates that benefited from innovative and modern PT are

often inserted into the labour market with “old” labour and wage conditions, meaning that they get precarious jobs. This implies a disincentive that a sector such as PT, which is traditionally considered as “second category” training, cannot afford.

Subjects for reflection with regard to the LIMITATIONS AND POTENTIALITIES OF PT PROJECTS IN THE FIELD OF EMPLOYMENT:

i) In order to increase the PT projects’ contribution to employment; it is necessary to increase their rate of return in terms of labour insertion.

ii) In order to progress towards an increased rate of return, a range of aspects would have to be taken into account with the aim of learning from existing valuable experience: a) the PT projects supported by the EC should contribute to expanding and reinforcing consensus around the adoption and extension of the competency-based approach and of modular, flexible and practical training that allows training to be matched with the requirements of the Productive Sector in a reduced period of time; b) the relevant parties should insist on the need to increase the national budgetary allocation for PT (the impact required in terms of employment and productivity will not be obtained through the mere improvement of the quality of the pedagogical approaches. There is a need for greater investment in the sector); c) projects should contribute to creating a framework for higher corporate co-responsibility. If enterprises do not take part in a national process of improvement of human capital, the impact on inclusion and social cohesion through micro-entrepreneurial self-employment will be insufficient; d) it is important that EC projects contribute to the transition of PT and Occupational Centres from the status of mere training bodies to that of centres providing resources for local socio-economic development; e) it would be advisable to resolutely promote the introduction in EC projects of more and better internships in enterprises and of a close dialogue between the educational world and the productive one; f) to promote the incorporation in all PT projects of an orientation and labour insertion component in which the projects and counterparts involved would commit to interacting with the productive sector.

iii) It is important that all EC projects of support to PT in a country are carried out in line with the common political guidelines and orientations; it is necessary to avoid any support, through the NGO budget line, to parallel PT models and systems without any “contact” with the public training systems.

iv) Systematise CEDEA and PASE, which are both completed, as good practices in the field of professional and occupational training and of the reinforcement of entrepreneurial capabilities through training. Also support the systematisation of the NGO project called “Professional Training of Young people aimed at employment generation and local economy stimulation among the provinces of Sucumbíos, Orellana and Napo in Ecuador.”

The need for Social Dialogue as a common denominator for projects in order to have an impact on employment generation.

13. In order to increase their contribution to employment and decent work, “support to Education and PT”, “support to micro and small enterprises” and “promotion of Local Development” projects require a high degree of consensus between the actors involved. Consensus must be reached on the training of human capital, on all social actors’ co-responsibility, on the joint commitment to reducing informality and on the legal framework for the promotion of the development of SMEs and MSEs. This requires the promotion and strengthening of Social Dialogue as a necessary means to reach Regional, National and Local Pacts for Employment and Decent Work. EC cooperation can provide a relevant contribution in this field thanks to the accumulated European experience.

14. The projects supported by the EC in Central America, CAN and Mercosur benefit from a favourable -though incipient- framework to strengthen processes of social dialogue and consensus. The current Protocol for closer cooperation between the EC and the European Economic and Social Committee (EESC) allows for the optimisation of part of the coordination efforts needed to strengthen Social Dialogue in Latin America (as well as the creation of synergies between the cooperation policy (RSP 2007-2013 and CSP) and the current structured dialogue processes initiated between the EESC, Mercosur, CAN and Central America

Subjects for Reflection with regard to the NEED FOR THE PROMOTION OF SOCIAL DIALOGUE:

- i) Promote, through EC projects (support to PT reforms, promotion and strengthening of the production apparatus, local development, etc.), social dialogue between employers, workers and central, regional as well as local governments in order to reach consensuses for the definition of large scale employment Pacts.
- ii). Greater coordination between the EESC and Europeaid would allow for a strengthening of the participation channel of the Latin American organized civil society so as to jointly define employment policies and to reach consensus on the progress towards the observance of international labour standards.

Coordination, coherence and complementarity of aid: keys to contribute to employment and decent work.

15. The magnitude of the efforts needed to build inclusive dynamics requires coordinated efforts. The weakness of coordination and complementarity among EC projects themselves and with MS cooperation is obvious in many cases.
16. The monitoring reports reveal the strategic importance of project coordination and structuring in order to contribute to the improvement of employment, employability and income.

Subjects for reflection with regard to the NECESSARY COORDINATION, COHERENCE AND COMPLEMENTARITY OF THE AID TO CONTRIBUTE TO EMPLOYMENT AND DECENT WORK:

- i) Promote the highest level of inter-sectorial complementarity among EC projects with a training - production "links" approach (for example, creating synergies between PT projects on the one hand and those favouring local economic development and the strengthening of MSEs on the other hand, or between the latter and export projects -PROLOCAL vs. Expo Ecuador; APROLAB vs. PRODELICA vs. PASE in Peru).
- ii) Seek coordination with Member States' similar projects and experiences in the field of cooperation. It would definitely be a valuable contribution if ECDs could coordinate European cooperation efforts in the field of employment.
- iii) Promote the coordination and structuring of Community aid with the Member States and other donors (IDB, WB, etc). It is particularly suggested here to promote the coordination and the rapprochement to Decent Work Programmes by country promoted by the ILO within the framework of the Hemispheric Agenda for the generation of Decent Work in Latin America 2006-2015.
- iv) To seek the highest level of coherence and coordination of the policies and actions that are being carried out by the EU in cooperation with LA in the field of labour rights and employment. In particular, strengthening coordination between the European Economic and Social Committee (EESC), Europeaid and the DGs Employment and Foreign trade (GSP +) would allow for an optimal exploitation of European know-how in the area of employment, a strengthening of social dialogue (which is essential for the layout of an inclusive labour market), and the compliance with international labour standards.

The NGO budget line presents some potentialities, but also natural limitations with regard to its contribution to employment and decent work

16. In many cases, NGO projects show limitations: i) to strongly stimulate the existing productive fabric in a sustainable way, enough to generate genuine income and employment opportunities; ii) to reach agreements with the productive sector (due to weak negotiating power) on the internships and labour insertion of the beneficiaries of the professional training offered; iii) to coordinate with the institutions in charge of the sector policy (PT, MSE, etc) in the country, which sometimes entails the support of parallel processes (public via the TFC line and private via the NGO line). These parallel processes are not necessarily convergent nor do they have any mutual feedback connection as a result of the previously mentioned weak coordination. As a result, interventions are somewhat “isolated” and deprived of any coordination with other ongoing processes at the meso and macro levels.
17. However, the “qualitative” contribution of NGO projects to employment and to the labour environment is significant where interventions are mainly focused on: i) the raising of political awareness to improve the framework of respect for the population’s labour rights, ii) facilitating the creation of alliances between civil society and municipalities in order to establish local pacts for employment iii) creating micro-entrepreneurial mutual strengthening and support networks so as to increase the opportunities of access to the market and to the productive resources (mainly credit and technical assistance), iv) strengthening the producers’ associative capacity; v) providing support to the local administrations’ strengthening process; vi) providing basic coverage to the most excluded groups vii) innovating and experimental employment generating approaches with the commitment to transfer know-how to larger ongoing sector reform processes.

Subjects for reflection with regard to THE LIMITATIONS AND POTENTIALITIES OF THE NGO BUDGET LINE IN THE FIELD OF EMPLOYMENT AND DECENT WORK:

- i) Promote the complementarity of the NGO, TFC and EC budget lines, thereby seeking to optimize the comparative advantages and areas of specialisation of each of them according to their contribution to employment and decent work generating processes.
- ii) Systematise the completed project entitled “Programme for the promotion of work and participation of women in local development in El Salvador (Las Dignas)”.
- iii) In any case, prevent the initiatives implemented through NGOs from becoming “parallel” subsystems without any complementarity with other existing larger subsystems.

ANNEX

2006 ROM SCORES FOR ONGOING PROJECTS INCLUDED IN THE SAMPLE

Budget Line	Country	Title	Design	Efficiency	Effectiv.	Impact	Sust.
CFT-19 09 01	PERU	Integral Development Project La Libertad/Cajamarca (PRODELICA)	b	b	b	b	b
ONG- PVD-21 02 03	BRAZIL	Promotion of Development for Marginalised Groups of the Population of the Port Area of Rio de Janeiro	c	d	c	c	c
FOOD- 21 02 01	ECUADOR	Poverty reduction and local rural development Project -PROLOCAL	b	b	b	b	b
CFT-19 09 01	URUGUAY	Comprehensive support for vulnerable and marginalised people in Montevideo	b	c	b	b	b
CFT-19 09 01	PERU	Fight against urban poverty in Lima and el Callao (PROPOLI)	a	a	a	a	b
ONG- PVD-21 02 03	CHILE	Help with integration into the labour market for mothers who are heads of families through the introduction of child minders	c	c	c	b	c
CFT-19 09 01	BOLIVIA	APEMIN II – Programme of sustainable development in traditional mining areas of West Bolivia	b	c	b	b	b
ONG- PVD-21 02 03	EL SALVADOR	Organization and integral development of young people from rural areas of the Messes and Ides micro-regions	b	b	b	b	b
GENRE- 21 02 06	COSTA RICA	Women's employment rights in the face of globalisation	c	c	b	b	b
ONG- PVD-21 02 03	BOLIVIA	Building Human Capital and participatory Governance Capacity for Sustainable Local Economic Development – BOLIVIA	c	b	b	b	b
ONG- PVD-21 02 03	COLOMBIA	Project of integral development for young people, women and the displaced and vulnerable population of Altos do Cazucá - District 4 of the Soacha municipality - Cundinamarca Department. – Colombia	b	b	b	b	b
ONG- PVD-21 02 03	PARAGUAY	Technical and professional training with the broadening of the workers' opportunities and capabilities for an fruitful insertion into the labour market	b	c	c	b	c
CFT-19 09 01	URUGUAY	Programme of support to the creation of a School of Crafts for the training and labour insertion of craftsmen	b	b	b	b	c
CFT-19 09 01	HONDURAS	Support to secondary school in Honduras	b	c	b	c	c
ONG- PVD-21	URUGUAY	Blocking the poverty reproduction cycle	c	c	c	c	c
CFT-19 09 01	PERU	Support to the vocational education and training system of Peru - (APROLAB)	c	c	b	b	b
ONG- PVD-21 02 03	ECUADOR	Professional training of young people to generate employment and stimulate the local economy of the Provinces of Sucumbíos, Orellana, Napo - Ecuador	b	b	b	b	b
ONG- PVD-21 02 03	VENEZUELA	Vocational training offer among the marginalised communities of the industrial area in Venezuela	c	c	b	b	b
CE-19 09 02	CHILE	Support for the Creation and Development of Innovative Businesses	b	c	c	a	a
CE-19 09 02	GUATEMALA	Promotion of investment and commercial exchange - Support for micro and small enterprises - MSEs.	c	c	c	b	b
CE-19 09 02	MEXICO	Integral Support to Small and Medium sized Enterprises (PIAPYME)	b	c	b	b	c
ONG- PVD-21 02 03	PERU	Inclusion of Micro-entrepreneurs with competitive potential into dynamic circles of local and regional markets	b	c	b	b	c
CE-19 09	ECUADOR	Economic Cooperation (Expo Ecuador)	b	b	b	b	b
CFT-19 09 01	EL SALVADOR	Strengthening the Competitiveness of Micro and Small Enterprises in El Salvador (FOMYPE)	b	c	c	b	b

**2006 ROM SCORES FOR CLOSED PROJECTS (monitoring ex-post)
INCLUDED IN THE SAMPLE**

Country	Budget Line	Title	Design	Efficiency	Effectiv.	Impact	Sust.
CHILE	CFT 19 09 01	Integral programme for the overcoming of urban poverty – ACTUA	a	b	b	a	b
EL SALVADOR	ONG-PVD 21 02 03	Promotion of employment and participation of women in local development in El Salvador - Las Dignas	b	b	b	b	b
PERU	CE 19 09 02	Framework programme for technological and educational professional training– FORTEPE	b	c	c	c	c
PERU	CFT 19 09 01	Programme for labour development and insertion of young people in Peru – PASE	b	a	b	b	b
VENEZUELA	CFT 19 09 01	La Victoria – CEDEA – Structural social adjustment in Venezuela (PT)	b	c	c	b	b
VENEZUELA	ONG-PVD 21 02 03	Don Cosme Jatar Dotti Training Centre in Coro Venezuela	c	b	c	b	b
ARGENTINA	CFT 19 09 01	Regional Development and Reinforcement of SME Provincial Support Structures	c	c	b	c	b
PERU	ONG-PVD 21 02 03	Technical Assistance to SMEs	b	b	b	b	b