



Local Economic Development in Uruguay



International
Labour
Organization

LED STORY N°7 AUGUST 2007

Standing by the smallest

In Uruguay the great majority of enterprises are micro or small. Though national policies have been designed to support enterprises, many of them (especially those located in isolated areas) are still beyond their reach. This story tells how public and private actors can work together to implement a plan of local economic development to provide micro and small entrepreneurs the support they need.

The first *Servicio de Apoyo Empresarial* or **Enterprise Support Service (ESS)**, was inaugurated in July 2006 in the region of Paysandu, located in the northeast of Uruguay. This office, one of the five that already exist in the country, was set up by the REDEL programme (implemented by the ILO and funded by the Italian Cooperation and Italia Lavoro) to strengthen the local productive fabric by providing services to promote the development of small scale businesses. The fact that the ESS offices have been installed in previously existing institutions such as Business Chambers, Cooperatives and Local Development Agencies contributes to build capacity in the host institution and to strengthen their focus on micro and small enterprises (MSEs).

The **steps** to set up an ESS are taken jointly by the Local Government and the Ministry of Labour and range from identifying the institutions that will act as partners in each

locality, contacting the local actors who will comprise the Ad-Hoc Advisory Commission (in charge of identifying the main areas of work of each ESS), to reaching institutional and territorial agreements that support their actions. In the process of institutionalization it is important to engage other key organizations for the development of the MSEs, such as technological and educational centres, development agencies and training institutes to better assure cooperation between local actors and the sustainability of the process.

But why is the installation of the ESS of special interest? Mainly because they have a dual, innovative objective:

- To design a local development strategy in which actors from the public and private sectors join forces in its planning.

Project Facts

Title:
Employment Recovery through the support to the creation and consolidation of micro and small enterprises in the framework of local economic development strategies (REDEL)

Duration:
October 2004- September 2008

Donor:
Italian Government

ILO Units:
Sub Regional Office of the ILO in Santiago, CRISIS

International Partner:
Italia Lavoro, Government of Italy

National Partner:
Ministry of Labour and Social Security

Location:
Departments of Montevideo, Paysandu and Terinta y Tres

Objectives:
To promote the improvement of the socioeconomic situation and employment recovery through local economic development initiatives

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- To support small scale businesses by providing them with the services they require for their expansion.



Inauguration ESS Paysandu, July 2006

The Ad-Hoc Advisory Commission identifies and coordinates the local economic development strategy to achieve the first objective. The Commission operates as a **Public-Private Forum** in which members of the public and private sectors work together to promote the local economy. Regular members include representatives of the host institution (the institution in which the ESS is located), representative of the different business chambers, members of the local government, representatives of institutions of higher education, union members and stakeholders of agencies of local development. The fact that several local actors meet in the Forum and coordinate their actions to promote the local economy contributes to **root social dialogue while supporting small-scale businesses.**

The principal function of the Advisory Commission is to identify the economic sectors of the territory with the most potential and to implement a development strategy to promote them, focusing on providing support to the MSEs that operate in those sectors. Another important function carried out by the Commission is establishing and rooting the links between institutions that are key to strengthen the local productive fabric, so that the local economic development process is supported and also fostered by them.

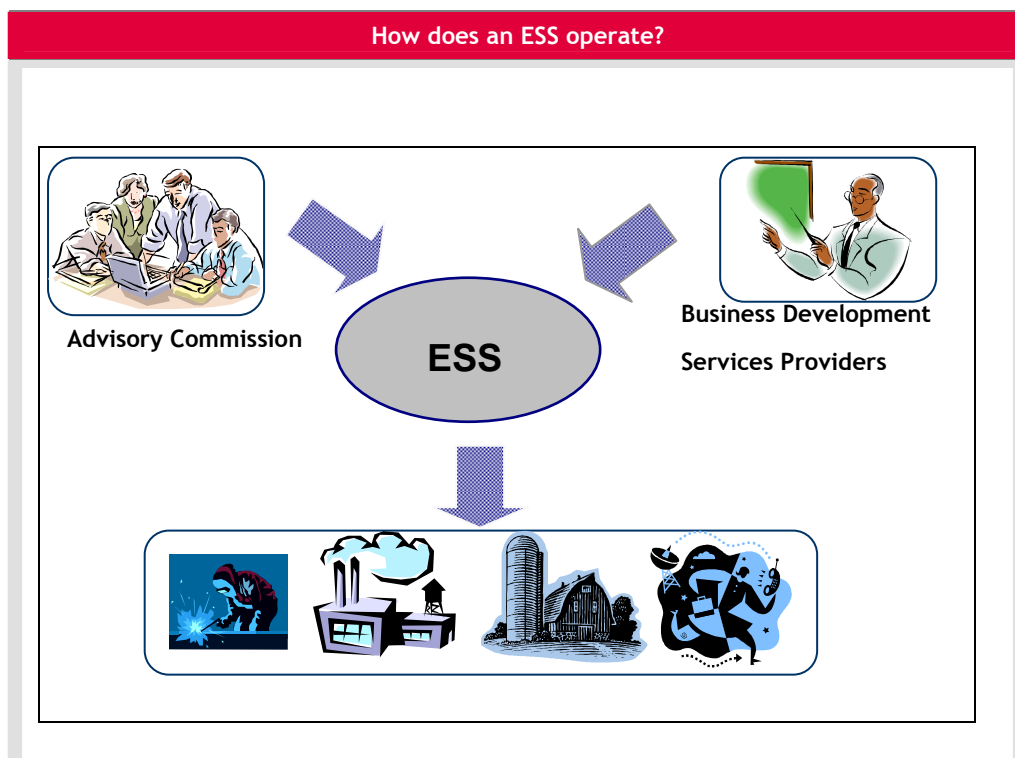
The establishment of the ESS and the Advisory Commission guiding it is **innovative** in Uruguay, as mechanisms to institutionalize social dialogue at the local level by supporting micro and small enterprises in economic sectors with potential where not in place before.

The second objective of the ESSs -the provision of technical support- arises from the fact that a great number of factors affecting MSEs creation and development are related to the isolation produced by the absence of favourable local conditions for them to operate in. Due to this isolation, employment recovery through MSE support does not only require policies designed to promote the development of the enterprises through credits or fiscal incentives. Moreover, a viable environment can be fostered through the provision of **training, information and technical assistance.** The

creation of the ESSs responds precisely to this crucial need.

More concretely, the services that the ESSs offer to the MSEs consist of identifying the principal impediments to their development, linking them with the local offer of business development services, and accompanying them in their implementation of initiatives to overcome them. This is done through the provision of permanent technical assistance placing emphasis on the expected results in terms of job creation, formalization and improved production techniques. The ESSs thereby link the demand of external services that MSEs require for their development with the existing offer of business development service providers, while assisting and monitoring the provision of the services.

To date, the ESSs have assisted more than 300 microenterprises that employ around 700 workers. Through their services, the ESSs have contributed to the creation of a more **enabling environment** for MSEs to operate in at the local level. The ESSs provide a public function with the participation and collaboration of the private sector by focusing their actions on improving the competitiveness of the enterprises of the territory and therefore contributing to employment recovery. Following the establishment of the ESSs the demand of services from micro and small enterprises has grown substantially in the regions where the REDEL programme operates. Because five ESSs have been opened in two regions of Uruguay, it has been possible to form a network through which the different institutions coordinate their activities and





increase the possibilities for MSEs to obtain the service they require.

Lessons Learned

Collaboration between public and private actors. In a country with a strong centralist tradition, the creation of consolidated mechanisms of cooperation between public and private actors is still a challenge. However, the programme has contributed to ease this process, bringing together representatives from the public and private sectors who jointly identify local priorities.

Creating a favourable environment for micro and small enterprises. The ESSs have been established as a tool of development designed to generate an enabling environment for micro and small enterprises. Differences in the existing enterprise culture explain certain dissimilarities in the reception of the services in the two regions where REDEL operates. Even so, the services put into action show stability and increasing demand.

Development of local capacities to assure stability. Although the existing local capacities in the regions before the implementation of the REDEL programme were different, the level of the local promoters and technical assistance providers in terms of formation and delivery has become homogenized. This levelling, along with the integration of other institutions, has been important in assuring the future sustainability of the initiatives in course.

Assessing impact. The impact of a development process is not immediate. To date, the REDEL programme has been focused both on the installation of capacities at the level of local institutions and on improving the access of micro and small enterprises to business development services. An evaluation verifying at what extent the guidance provided by the ESSs has contributed to the growth in productivity of the benefited micro and small enterprises, and to the creation of more and better jobs is envisaged for more advance stages of the programme.

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The collaboration of Fernando Casanova, Adriana Betbeder, Roberto Di Meglio y Juna José Bertero, Director of REDEL is much appreciated.

More info on Local Economic Development at the ILO

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