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ORIGINAL: ENGLISH

ORGANIZATION AND ADMINISTRATION OF INDUSTRIAL SERVICES
IN
CHILE*

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**ORGANIZATION AND ADMINISTRATION OF INDUSTRIAL
SERVICES IN CHILE**

Introduction

1. This report is one in a series of 25 country studies in Africa, Asia and the Far East, the Middle East, Latin America and the Caribbean area, which attempt to identify those public and semi-public institutions important to the organization and administration of industrial development. The report is not a study of the substantive aspects of the economy of Chile, but rather a review of the institutional framework for industrial development.
2. This series of country studies was endorsed by the Committee for Industrial Development during its Fifth Session in May 1965.
3. To ensure some measure of uniformity in the presentation of the country reports, the various aspects of the organization and administration of industrial services have been broken down into the following functional categories:
 - (a) Industrial Development Policies, Aims and Objectives;
 - (b) Planning Agencies;
 - (c) Industrial Research and Standardisation;
 - (d) Financing of Industrial Enterprises;
 - (e) Promotion;
 - (f) Public Industrial Enterprises;
 - (g) Training;
 - (h) Advisory Extension Services;
 - (i) Regulatory Services.
4. This report has been prepared with the assistance of Mr. Alfonso Cuevas Inostroza, who conducted the study in Chile in 1966 as a consultant to the Centre for Industrial Development.

I. THE INDUSTRIAL SECTOR IN THE CHILEAN ECONOMY

A. Sectoral Contributions

5. While the rate of growth of the Chilean economy over the last three decades has been rather slow, the industrial sector has been notable for its dynamism. From 1930 to 1960 industrial production rose by 354 per cent, as compared with agriculture which grew by 84 per cent and mining by 9 per cent. Production as a whole increased by 157 per cent and services by 187 per cent over that period. This anomaly is attributed to the fact that capital formation in direct production is not adequate (1).
6. After the world depression of 1929-1931, which had a particularly severe effect on Chile's export activities, industry began to play an increasingly dynamic part once the process of import substitution started. The first stage of this process was left to private enterprise but, from 1939 onwards, the State deliberately encouraged industrialization by setting up the Production Development Corporation (CORFO); a State body responsible for the systematic promotion of industrial development. Thus there was strikingly rapid growth in this sector, particularly after the Second World War.
7. At present the industrial sector makes the largest contribution to the gross national product: its contribution in the three-year period 1960-1963 was 24 per cent. If construction, which is closely related to manufacturing, is added, this contribution rises to almost 27 per cent. The increase in the share of these sectors can be seen in the following table:

TABLE 1: STRUCTURE OF PRODUCTION

(As percentages of the gross national product
at constant market prices)

<u>SECTOR</u>	<u>1940-1944</u>	<u>1960-1963</u>
<u>1. Primary</u>		
a. Agriculture	22.7	14.8
b. Fishing	14.7	9.8
c. Mining	0.3	0.3
	7.7	4.7

/...

TABLE 1 (continued)

<u>SECTOR</u>	<u>1940-1944</u>	<u>1960-1963</u>
<u>2. Secondary</u>	<u>23.3</u>	<u>27.9</u>
a. Industry	20.0	23.6
b. Construction	2.4	3.1
c. Electricity, gas and water	0.9	1.2
<u>3. Tertiary</u>	<u>56.2</u>	<u>57.0</u>
a. Trade	18.2	18.9
b. Transport and communications	6.8	6.1
c. Financial services	4.0	3.6
d. Government services	6.0	9.1
e. Personal services	10.5	9.4
f. Home ownership	10.7	9.9
<u>4. Terms of trade adjustment</u>	<u>2.0</u>	<u>0.3</u>
Gross geographical product	100.0	100.0

Source: National accounts, 1964, CORFO (2).

B. The Working Population

8. Out of a working population of 2,325,000, industry and construction employed approximately 590,000 (25 per cent) in 1960 (3). Nevertheless, the annual labour absorption capacity of the industrial sector has been declining, particularly since 1952. This, together with other factors, has contributed to the marked increase in employment in services.

9. Half of the industrial working population is employed in home and artisan industries, typified by the small establishment; this clearly shows that Chilean industrial development, despite the dynamism it has shown, is still at an initial stage. Moreover, the siting of industries is such that 85 per cent of the population working in that sector live in the so-called central nucleus of the country and the Concepción area (500 km south of the capital, Santiago), i.e., in the area with the largest urban concentrations (3).

C. Foreign Trade in Manufactures

10. Chile is a heavy importer of manufactures, mainly machinery, tools and transport equipment. On the other hand, manufactures account for an insignificant proportion of its exports as compared with minerals. The relative value of imports and exports is shown in the following table.

/...

TABLE 2: IMPORTS AND EXPORTS OF MANUFACTURES
(Millions of dollars)

YEAR	EXPORTS			IMPORTS		
	PRODUCT	TOTAL	\$	PRODUCT	TOTAL	\$
1950	47	308	15	186	256	72
1955	38	489	8	277	395	70
1960	32	462	7	365	559	65
1963	32	494	6	477	586	80
1964	58	590	10	...	623	
1965	82	685	12	...		

Source: "El Desarrollo industrial de Chile y Balanza de Pagos", Banco Central de Chile.

11. It will be seen that industrial exports increased significantly in 1964 and still more in 1965. Some items, such as fish-flour, pulp and paper are expanding considerably and giving the country's manufacturing industry a more dynamic impetus.

II. INDUSTRIAL DEVELOPMENT POLICIES, AIMS AND OBJECTIVES

A. Policy Objectives

12. The strategy for encouraging industrial development reflects one deliberate aspect of Government policy, the main features of which are the following (3):

- (i) to intensify the process of industrialization in order to raise income and absorb the larger labour supply resulting from natural population growth and the rationalization of agricultural work;
- (ii) to boost exports of manufactures in order to strengthen the balance of payments and reduce dependence on a single commodity;
- (iii) to speed up import substitution in respect of capital goods, which means giving priority to basic industries;
- (iv) to develop the production of popular consumer durables in order to meet a higher proportion of the domestic demand in this field without a substantial increase in consumer spending on imports of these items.
- (v) to improve the productivity and efficiency of existing industry in order to make it internationally more competitive and to secure an adequate share of the domestic market.

13. Chile has a "mixed economy" and the Government believes that the State ought to support large-scale private enterprise, if it is export-oriented, and to control it within the domestic market in order to prevent monopolistic abuses. It is thought, on the other hand, that medium- and small-scale enterprises should be left to private enterprise, with State encouragement taking the form of easier access to bank credit and other incentives. "Small-scale industry should not compete with large-scale industry, but complement it by focusing on production lines in which there are no economies of scale..." Industrial development policy seeks to prevent the over-concentration of manufacturing plants by systematically siting them in specified areas of the country (3).

B. Policy Measures for Industrial Development

14. The President of the Republic, in his two messages to the National Congress at the opening of the 1965 and 1966 regular sessions, listed a series of measures which form the nucleus of the State's action in the industrial field (5 and 6):

- (i) Establishment of a Ministry of Industry and Trade for the purpose of unifying and co-ordinating Government policy in industry and domestic and foreign trade. The present Ministry of Economic Affairs is believed to discharge some of these functions;
- (ii) Regulation of industrial development by an Industrial Promotion Act which would combine in a single text the various provisions in force governing regional development, new industries, incentives to foreign capital, etc.;
- (iii) Promulgation of a Foreign Trade Act to simplify export procedures, promote trade agreements and encourage the export of manufactures; ^{1/}
- (iv) Reorganisation of distribution and marketing systems with the dual aim of "...improving the income of the agricultural producer without raising consumer prices ...and giving rural people access to the ordinary market for industrial consumer goods and durables which are beyond the means of this huge sector of the population today...";
- (v) Continued use, through the Development Corporation (COFPO), of external and domestic credit to support industrial investment, especially in branches producing materials used in agriculture and export products. The Government also intends to encourage the use of private and public resources by setting up Development Banks; ^{2/}
- (vi) A substantial cut in customs duties on imports of equipment and machinery, by virtue of the power vested in the President of the Republic to introduce a new customs tariff;
- (vii) Provision of incentives for channelling foreign investment into industries producing finished products and/or those requiring a high degree of processing;
- (viii) Special support for small and artisan industries in order to improve their productivity and production structure;

^{1/} This Act has recently been promulgated by the Executive.

^{2/} Act adopted in 1965.

- (ix) Vocational training of workers.

C. Sectoral Development Strategy

15. In addition to these general objectives, the Government intends to put the following industrial sectoral programmes into operation (5, 6 and 7):

(i) The copper plan, based on the investments of the major mining enterprises, the effects of which are expected to be felt initially in the materials and construction industry and thereafter in the manufacture of copper and alloyed products;

(ii) The iron and steel programme, which will culminate in the establishment of the Iron and Steel Fund, owned by CORFO and formed with 30 per cent of the profits of the Compañía de Acero del Pacífico (CAP). "...This Fund will help to finance the expansion of the iron and steel industry and steel manufacturing under programmes approved by CORFO, and will promote and finance exports of these products";^{3/}

(iii) Motor vehicle industry, the planning of which is expected to have a considerable technological impact; this will launch the policy of complementarity with the Latin American Free Trade Association (LAFTA);

(iv) Chemical and petrochemical industry, in two well defined phases: firstly, inorganic chemistry, in which it is intended to establish a phosphate fertilizer industry based on the increased production of sulphuric acid, thus saving from \$ 8 million to \$ 10 million; secondly, the petrochemical industry, which has been in operation since the founding of the Sociedad Petroquímica Chilena Ltda., formed by CORFO and the Empresa Nacional de Petróleo (ENAP), and involving the setting up of four big petrochemical complexes;

(v) Electricity industry, a programme to expand the country's power supply, with consequential effects on the light electrical equipment industry. It is planned, as part of the programme, to nationalize the Compañía Chilena de Electricidad (CHILEOTRA), a subsidiary of American Power of the United States;

✓ Bill sent to Congress

/...

- (vi) Timber derivatives industry, which is closely related to the chemical industry, COMPO is drawing up plans for the establishment of two new pulp plants;
 - (vii) Beet sugar industry, the output capacity of which will be stepped up to 60,000 tons;
 - (viii) Fisheries industry, a programme which includes four major phases: integration of the existing industry in the North, diversification, distribution and marketing, and funds for the study of fishery resources.
16. The Government looks upon the industrial policy outlined above as part of its scheme for accelerated economic development. This scheme is aimed at changing the basic economic structure of the country, securing better distribution of income and wealth, and achieving monetary stability by checking the long-standing inflationary process.

III. DEVELOPMENT PLANNING

17. Responsibility for planning has been assigned to a National Planning Office (ODEPLAN) which is directly answerable to the President of the Republic, whom it advises and from whom it receives instructions on assisting public authorities and other institutions.
18. ODEPLAN has been operating only since 1965 as an advisory office with administrative but not, as yet, institutional status.^{4/} Just recently the Government sent a message to Parliament proposing that it should be established as an institution, and legislation to that effect was expected to be promulgated before the end of 1966.
19. At present (1966) there is no industrial development plan; it is expected that this work will be speeded up when ODEPLAN is established legally. Some targets for the period 1966-1970 were fixed for the industrial sector by the Government which took office in November 1964.
20. Until then the Development Corporation was responsible for preparing development plans. This body prepared a ten-year plan for 1961-1970. It was decided not to use this as a frame of reference on the grounds that (i) the figures were out of date and their revision would require considerable work; and (ii) economic policy had been radically altered and, with it, growth targets, production policy and the whole strategy of development. However, the projects which were being studied or executed by CORFO, its branches and certain private concerns were continued.
21. The new industrial policy is geared to general basic targets which are translated into specific projects in the sectoral programmes formulated periodically by the President of the Republic and the Ministers of Economic Affairs and Finance. (See Policy Objectives, Part II).
22. The tentative targets of the development programme for 1967, which were recently published (7) would bring an increase of over 5 per cent in the GNP. This aggregate figure represents increases of 6 per cent in industrial production, 4 per cent in agriculture and 4.4 per cent in mining. The programme provides for an expansion of 5.6 per cent in exports and a cut of 7 per cent in imports. Moreover, an increase of 10 per cent in gross investment and an expansion of almost 4 per cent in consumption is planned.
23. In the industrial sector the following growth rates are planned; 4.8 per cent in the non-durable consumer goods group, 7.6 per cent in intermediate goods and 7 per cent in consumer durables and capital goods.

^{4/} At the time of writing.

A. The National Planning Office (ODEPLAN)

24. During this distinctly transitional and organizational phase through which planning in Chile is passing, it is worthwhile to outline the key features of the Bill for the creation of ODEPLAN sent to Congress by the Executive (8):

(i) Functions

25. The Planning Office has no executive responsibilities; it only advises the President of the Republic. Its main function is to prepare the National Development Plan and to integrate the various projects in accordance with government economic policy. It lays down the minimum methodological standards to which the sectoral programmes must conform in presenting their figures, so that they can be fitted into the global projections. This basic function is carried out at three levels:

- (a) Global: the sectors are informed of the short- and long-term global policies and the priorities and general targets for the preparation of sectoral plans;
- (b) Sectoral: ODEPLAN co-ordinates the sectoral plans prepared by the various public bodies in order to make the necessary adjustments, as appropriate, for the execution of those plans;
- (c) Regional: the co-ordinated sectoral plans are reviewed in terms of geographic distribution with a view to determining the sites for specific projects in each region.

26. The transfer to ODEPLAN of the responsibility for preparing the National Development Plan, which was formerly CORFO's, means that the latter body does the work of preparing and executing programmes in the industrial sector for large and medium-scale industry, and the Technical Co-operation Service, a subsidiary of CORFO, for small-scale and artisan industry. The National Vocational Training Institute (INACAP) will be responsible for related programmes of training and instruction under which skilled manpower will be trained according to the requirements of the Development Plan.

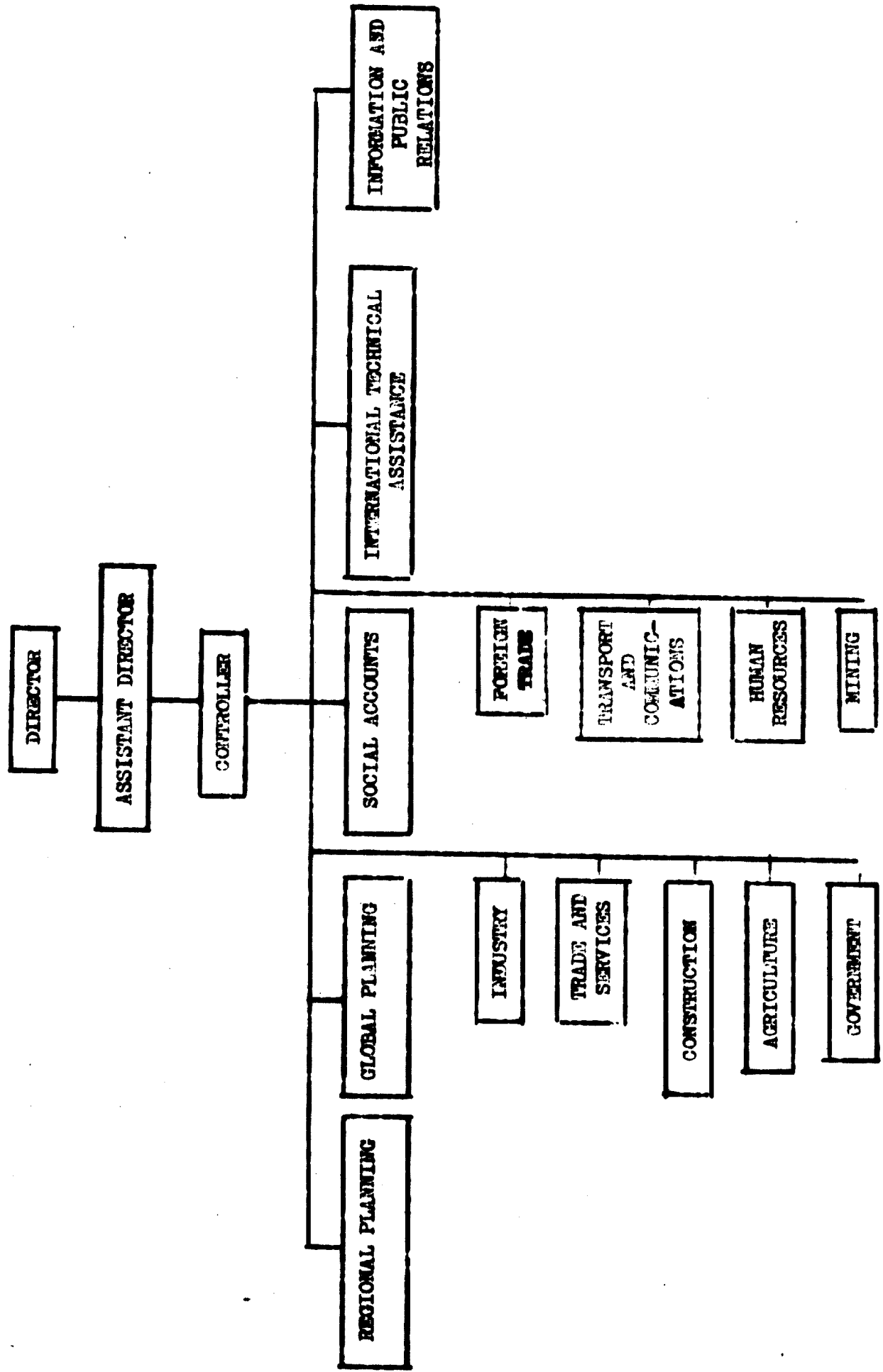
(ii) Organization (See Chart 1)

27. The Director of the Planning Office will be responsible for higher technical and administrative supervision; below him will be the Assistant Director and Controller. They will be appointed by the President of the Republic as officials responsible only to him.

28. All Ministries and public bodies which prepare complete development plans or parts of them will have planning and budget departments or offices. Co-ordinating committees may be set up for liaison between Ministries which prepare parts of sectoral plans.

/...

CHART 1: ORGANIZATION OF THE NATIONAL PLANNING OFFICE (ODEPLAN) (PROVISIONAL) NOVEMBER 1964



ODEPLAN, with the co-operation of the Budget Department of the Ministry of Finance, will be responsible for co-ordinating the annual budget estimates submitted by public bodies.

29. These planning offices or departments will operate under the supervision and administrative direction of the Ministry or institution concerned but will be guided in their work by the general technical criteria and global projections of ODEPLAN. The linking of planning and budget at this level will facilitate the study of methods of financing individual projects.

30. The Planning Office will have five departments: Social Accounts, Global Programming, Regional Planning, International Technical Assistance and Information and Public Relations. Regional planning offices may be established at places decided by the Director. The heads of departments and regional directors will also be responsible to the Head of State.

31. Moreover, the organizational structure provides for a number of sections, groups or divisions of varying sizes, the heads of which will be appointed by the Director of ODEPLAN. The following sections are in operation at present: Industry, Trade and Services, Construction, Agriculture, Government, Foreign Trade, Transport and Communications, Human Resources and Mining.

32. The Industry Section is responsible for preparing the relevant figures for Social Accounts, for global planning of the industrial sector and for providing basic information for the industrial programmes. An input-output model for the period 1962-1965 is in preparation. The sections are administratively subordinate to the Director; on technical matters, they work with the Departments of Social Accounts and Global Programming.

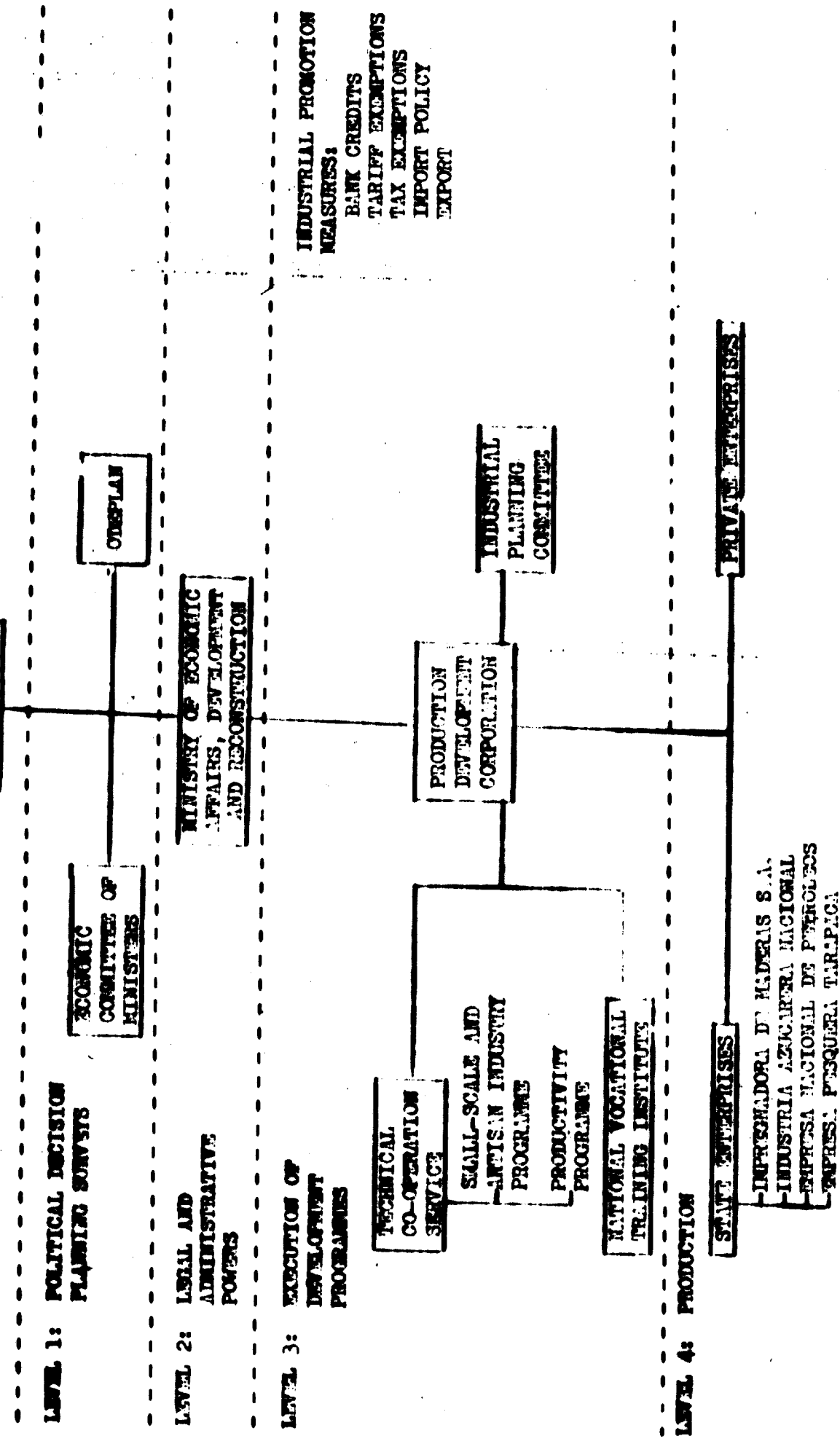
(iii) Responsibilities of the Planning Division

33. The basic function of the Planning Office is to prepare the global projections of the medium and long-term economic and social situation required for preparing the National Development Plan. It is intended that this initial fundamental work of determining the basic targets and the pattern for the allocation of resources, both based on sound technical information, should be done by ODEPLAN.

34. The Economic Committee of Ministers, made up of the Ministers of Finance, Economic Affairs, Agriculture and Labour, and, if necessary, the President of the Republic, must consider and approve the basic proposals of ODEPLAN, so that it is backed by a political decision at the highest level. The Economic Committee of Ministers was set up on the explicit instructions of the President of the Republic; it does not therefore have the status of an institution. It nevertheless decides the fundamental lines of the Government's economic policy at the highest political level. (See Chart 2)

/...

CHART 2: ORGANIZATION OF THE PUBLIC SECTOR FOR INDUSTRIAL DEVELOPMENT (PROVISIONAL)



35. In its second phase, ODEPLAN must harmonize the general short- and long-term policies governing the preparation of the sectoral plans for the preparation of which the Ministries, CORFO and other bodies are responsible. ODEPLAN then co-ordinates these sectoral plans and ensures that the investment programmes and projects they cover comply with the priorities of the National Development Plan. ODEPLAN must submit those of its conclusions which refer to industrial development for consideration and discussion by the Industrial Planning Committee. This Committee was established by decision of the Governing Council of CORFO and consists of: a member of the CORFO Council, who is Chairman, the Vice-President of CORFO, the Director of ODEPLAN, the General Manager of CORFO and two advisers.
36. ODEPLAN has no direct contact with the private sector for the purpose of industrial planning; it operates through CORFO's Technical Committees. Individual entrepreneurs or associations of entrepreneurs in a specific sector are called in by these Committees for discussions or specific advice.
37. The planning structure outlined above shows that direct supervision of the industrial plan is carried out by the sectoral executing agencies, in this case CORFO and the Technical Co-operation Service. ODEPLAN exercises indirect supervision by evaluating the record of implementation of the targets.
38. The President of the Republic and the executive organs of Government are kept informed of the plan's progress in two ways: (i) through the executing agencies and (ii) through ODEPLAN, whose constitution empowers it to report direct to the President on the implementation of the plan.

B. Other Planning Offices

39. Planning offices have been in operation for some time in various public bodies and universities. They were set up in response to the need to plan each body's action in the sector concerned and thus to ensure better utilization of resources. These offices were isolated attempts to rationalize the State's operations. The Bill establishing ODEPLAN contains provisions designed to institutionalize the operations of these offices.
40. At present the central Government has the following offices which are engaged in planning work:

- Ministry of Education:	Planning Office
- Ministry of Public Works:	Planning Department
- Ministry of Agriculture:	Planning Office

/...

41. All these offices will be converted into Planning and Budget Departments and Offices.

42. Similar offices will be established in the following:

- Ministry of Housing and Town Planning
- Ministry of Health
- Ministry of Mining

43. Their basic function is to prepare short-term and long-term plans for their individual sectors and to co-ordinate those plans at the sectoral level in accordance with criteria laid down by ODEPLAN and to report to it on the progress made in executing plans and in achieving targets; they must also provide the same information to the Minister concerned.

44. CORFO's planning organisation also acts as a sectoral office, as will be explained later.

45. The following offices are in operation in the decentralized organisations:

- | | |
|---|------------------|
| - National Health Service: | Programme Office |
| - National Mining Corporation: | Programme Office |
| - Land Reform Corporation: | Programme Office |
| - Agricultural Development
Institutes: | Programme Office |

46. These offices do the important work of preparing the specific projects and sectoral programmes under the technical guidance of the Planning and Budget Department concerned.

47. The universities have the following offices:

- University of Chile: Planning Office, which supervises the educational policy of that establishment;
- University of Chile: Planning Centre (Engineering School); Economics Institute (School of Economics).

Both the latter centres carry out academic studies on planning technique.

IV. INDUSTRIAL RESEARCH, QUALITY CONTROL, STANDARDIZATION AND STATISTICS

A. Research

48. The State has shown its interest in general industrial and scientific research not directly by establishing a specialized governmental body, but indirectly by supporting university activity in this field.

49. Under a special Act (9) the Government has, since 1946, been feeding 0.5 per cent per year of all receipts from direct and indirect national taxes and customs duties into the University Construction and Research Fund and will continue to do so until 1976. The funds thus collected^{5/} are distributed among the eight existing universities. The Board of Rectors, assisted by the Advisory Committee on Science and Technology (established pursuant to the same Act) is responsible for drawing up annual plans for co-ordinating technological research.

50. So far, the funds have been turned over to the universities, which have invested them separately in the programmes approved by each University Board. A National Research Committee, under the Board of Rectors, was established recently to draw up a comprehensive national research plan. This Committee is still being organized (10).

51. Each university has established many research institutes and centres of various types on its own initiative.^{6/}

52. According to a recent report (11), the University of Chile, which is the State University and the oldest and largest in the country, has ninety-five research institutes and centres distributed among its various faculties (Annex I). Most of these are engaged in exclusively scientific and academic research, although the activities of some smaller institutes in the field of quality control and the setting of technical standards are to some extent related to those of the industrial sector.

B. Quality Control

53. By law, the Directorate of Industry and Trade (DIRINCO) of the Ministry of Economic Affairs is responsible for the quality control of articles or goods designated as necessities. It is empowered to require products to bear the name of the producing factory, a trade mark, and the article's name, quality and price, and also supervise and authorize the sale of adulterated products.

5/ In 1965, receipts amounted to approximately 12.6 million escudos plus \$0.9 million, i.e. a total of about 35 million.

6/ The Board of Rectors is preparing a complete list of research centres in all the universities.

The National Department of Health and the Municipalities are also active in this area. Other public bodies, such as the Ministry of Public Works and the General Directorate of Electrical Services, are responsible for other products.

54. The following three University of Chile institutes undertake quality control for specific industrial sectors. The scope of their activities is therefore somewhat limited.

(i) Institute of Materials Research and Testing (IDIEM)

55. At the request of the Ministry of Economic Affairs or the Ministry of Public Works, this Institute makes quality control tests based on standards established by INDITECNOR,^{7/} on a limited number of products. Its activities are limited to building items and materials.^{8/}

56. IDIEM is a unit of the Faculty of Physics and Mathematics. It also engages in research and teaching and, for a fee, provides technical advisory services in its speciality at the request of private firms and individuals (12).

(ii) Institute of Electrical Research and Testing

57. This Institute was established in conjunction with the Electricity Corporation (ENDESA). It is subordinate to the Faculty of Physics and Mathematics and performs functions similar to those of IDIEM but in the electricity sector. The General Directorate of Electrical Services, a subordinate body of the Ministry of the Interior, may ask the Institute to perform quality control tests to ensure compliance with the safety standards for electrical machinery, appliances and equipment established by the Directorate pursuant to specific legal provisions. The Institute also does work for private firms at their request.

(iii) Institute of Pharmaceutical Research and Testing

58. This Institute, which forms part of the Faculty of Chemistry and Pharmacy, carries out quality control tests on chemical and pharmaceutical products, both on request and on its own initiative, and also undertakes basic research and research for private firms.

C. Standardisation

59. The Bureau of Economic Affairs collaborates with INDITECNOR in preparing standards for industrial products, sponsors them as official standards and ensures that they are complied with. Officially approved standards are mandatory in the public sector but not in the private sector. In order to be declared official, standards for industrial products must be approved by the Board of INDITECNOR and subsequently confirmed by a decree of the Ministry of Economic Affairs.

^{7/} Institute of Technological Research and Standardisation (see paras. 60-61, p.13)

^{8/} Concrete, cement, asbestos-cement slabs and tubing, steel bars for concrete, etc.

60. This National Institute of Technological Research and Standardization (INDITECHON) is a private, non-profit corporation established under the auspices of the University of Chile. It is composed of the Development Corporation and many other educational institutions, public bodies, employers' associations and private firms (13). In 1945 it was declared to be "...a body which assists the State in technological research and the preparation of technical standards..."^{2/}

61. For financial reasons the Institute has confined itself to setting standards for the quality of industrial materials and items used in construction work and the conditions in which they are used. Its statutes are now being reviewed for the purpose of transforming it into an institute dealing exclusively with standardization.

D. Statistics

62. The official statistics and censuses of Chile are the responsibility of the Directorate of Statistics and Census (DEC), which forms part of the administrative structure of the Ministry of Economic Affairs (See Chart 4). The Directorate is responsible for collecting, collating, analysing and publishing official statistics (14) and its Department of Economic and Financial Statistics, through its Bureau of Industries, is responsible for industrial statistics.

63. All enterprises are required by law to submit information to the Directorate. Annex 2 shows the industrial statistics compiled and the industrial sectors and branches covered. There have been considerable delays in preparing some of these statistics. A Technical Advisory Committee on Statistics has been established to co-ordinate the collection, classification and publication of statistics by public, semi-public and private bodies with the work of the Directorate of Statistics. This Committee is composed of representatives of government departments, the universities, the Latin American Demographic Centre (CELADE) and observers from United Nations regional bodies based at Santiago.

^{2/} By decree of the Ministry of Education.

V. FINANCING OF INDUSTRIAL ENTERPRISES

A. Current measures

64. Taxation, customs duties and financial support for enterprises are some of the most important means by which the Government promotes industrial development. In addition to the direct role played by CORFO in credit matters, the Government also uses other legal and administrative machinery, described below, ^{10/}

65. Credit policy, which is executed through the banking system in accordance with rules and regulations established by the monetary authorities. There are at present several schemes for providing credit in national currency, with a range of preferences. They are refinanced wholly or partially by the Central Bank.

These schemes are as follows:

- (i) Credit lines based on estimated cash income;
- (ii) Loans for purchasing domestic capital goods;
- (iii) Export financing covering shipment and marketing abroad;
- (iv) Loans to promote small and medium-scale industries;
- (v) Financing for the manufacture of mass produced housing.

66. Partial or total exemption from customs duties or imports of machinery and equipment for new industries, for firms producing solely for export or for firms establishing themselves in specific regions of the country.

67. Tax exemptions, provided for in various Acts, which reduce or waive taxes on industries complying with certain conditions, established in certain regions of the country or producing goods for export.

68. The Central Bank is responsible for the application of all measures relating to import restrictions, which have become a much more important and effective means of regulation and control than the customs tariff. Import restrictions result in higher prices for complex manufactures produced by domestic industry.

The purpose of the restrictions is twofold;

- (i) to maintain a reasonable degree of equilibrium in the balance of payments;
- (ii) to protect the development of domestic production.

69. The Central Bank uses the following main devices:

- (i) schedules of permitted and prohibited imports;
- (ii) prior cash deposits in Chilean currency;
- (iii) surtaxes on CIF values;
- (iv) refusal to grant import licences.

10/ Promotional policy is described in greater detail in Part VI.

/...

70. There are a number of legislative instruments providing incentives for foreign private investment, particularly DFL No. 258, which expresses Chile's traditional policy of offering investors a stable and favourable climate, guaranteeing their capital, their profits and the necessary repatriation. A Guarantee Agreement has been signed with the United States Government, guaranteeing investors against all political risks.

71. These promotional measures have not been applied with the necessary coordination mainly owing to the lack of planning.

B. Development banks

72. The industrial development structure does not include an industrial development bank: some of the functions of such a bank have been performed by the Production Development Corporation (CORFO) (See Part VI). The desire to set up a financial body to provide medium-term support for industrial growth found expression recently in a legal text authorising the establishment of development banks to finance the preparation and the execution of projects and investment in capital goods necessary for the development of domestic economic activity and to provide technical assistance for those projects and the means of financing them.

73. Pursuant to title IV of the General Banking Act, the development banks must be established as incorporated companies, under the supervision of the Office of the Superintendent of Banks. Their main functions are, inter alia, to contract loans and issue bonds or debentures in national or foreign currency; to grant loans in national or foreign currency, with a minimum maturity of three years; to provide Chilean incorporated companies with capital by subscribing to their share capital; to provide endorsements and guarantees; to provide direct technical assistance through third parties; etc.

74. No development bank has yet been set up, but plans are under way to establish two such institutions, one sponsored by the Government and the other by private business interests.

VI. INDUSTRIAL PROMOTION: AGENCIES AND MEASURES

A. Agencies

75. Efforts by the public sector to promote and develop industry have been divided into two clearly defined areas: (a) the dynamic area of large and medium-sized industries, which are regarded as the driving force for the process of industrialisation and are the responsibility of the Production Development Corporation and (b) the area of small industries and handicrafts, for which the Technical Co-operation Service, an affiliate of CONTO, is responsible (See Part IX).

(i) The Production Development Corporation (CORFO)

76. This agency for industrial development was set up on 29 April 1939 by Act No. 6334. Its establishment may be regarded as the culmination of a process of political and economic evolution; it represented a step forward in the rationalisation undertaken by the State with a view to promoting industrialisation in Chile, and its activities have since been expanded and strengthened through a variety of legislation and through the provision of increased resources. (19)

(a) Functions

77. The functions of CORFO, which are exercised by its Governing Council, are as follows; ^{11/}

- To carry out studies aimed at the creation of new industries or the expansion of existing ones. CORFO may carry out studies of this kind in collaboration with other public bodies or private agencies;
- To take appropriate steps to assist the domestic manufacture of machinery and other production facilities;
- To study the over-all financing of the development plan or of the various component projects;
- To provide the Government with technical advice on promoting and co-ordinating the investment of government funds and on dovetailing State investment activities with private investment programmes;
- To suggest to the Government the order of priority for the implementation of projects for the development of the economy;
- To negotiate external credits for the Government and external credits requiring a guarantee by the State;
- To provide guarantees in foreign currency within the statutory limits and with the prior approval of the Ministry of Finance;

^{11/} The function of drawing up a general development plan has been transferred to ODEPLAN (See Part III).

/...

- To grant loans in local currency, convertible into foreign currency at the rate of exchange prevailing on the date on which the loan is granted. CORFO is also empowered to grant loans in adjustable local currency. Both these arrangements are designed to maintain the purchasing power of the loans.

78. At the time when CORFO began its operations, there were no censuses of industry or agriculture, little was known of Chile's natural resources, and proper statistics were not available. The unfavourable conditions resulting from the Second World War and the fact that in those days there was no international financial system as advanced as that which now exists should also be borne in mind.

79. The Corporation directed its initial operations towards rectifying flagrant deficiencies in national production and preparing the formulation of a long-term industrial development policy. Thus, "Immediate Action Plans" for the priority development of certain sectors of production came into being. These sectoral plans included plans for electrification, which led to the creation of the National Electricity Enterprise (ENDESA), for the steel industry through the establishment of the Compañia de Acero del Pacifico (CAP), for the petroleum industry through the establishment of the National Petroleum Enterprise (ENAP), and for the mechanization of agriculture through the Mechanized Agricultural Equipment Service.

80. At the same time, studies and research were initiated, with a view to determining what were the existing economic conditions, on such subjects as gross product, size and composition of income, investment, and appraisal of natural resources.

(b) Organisation

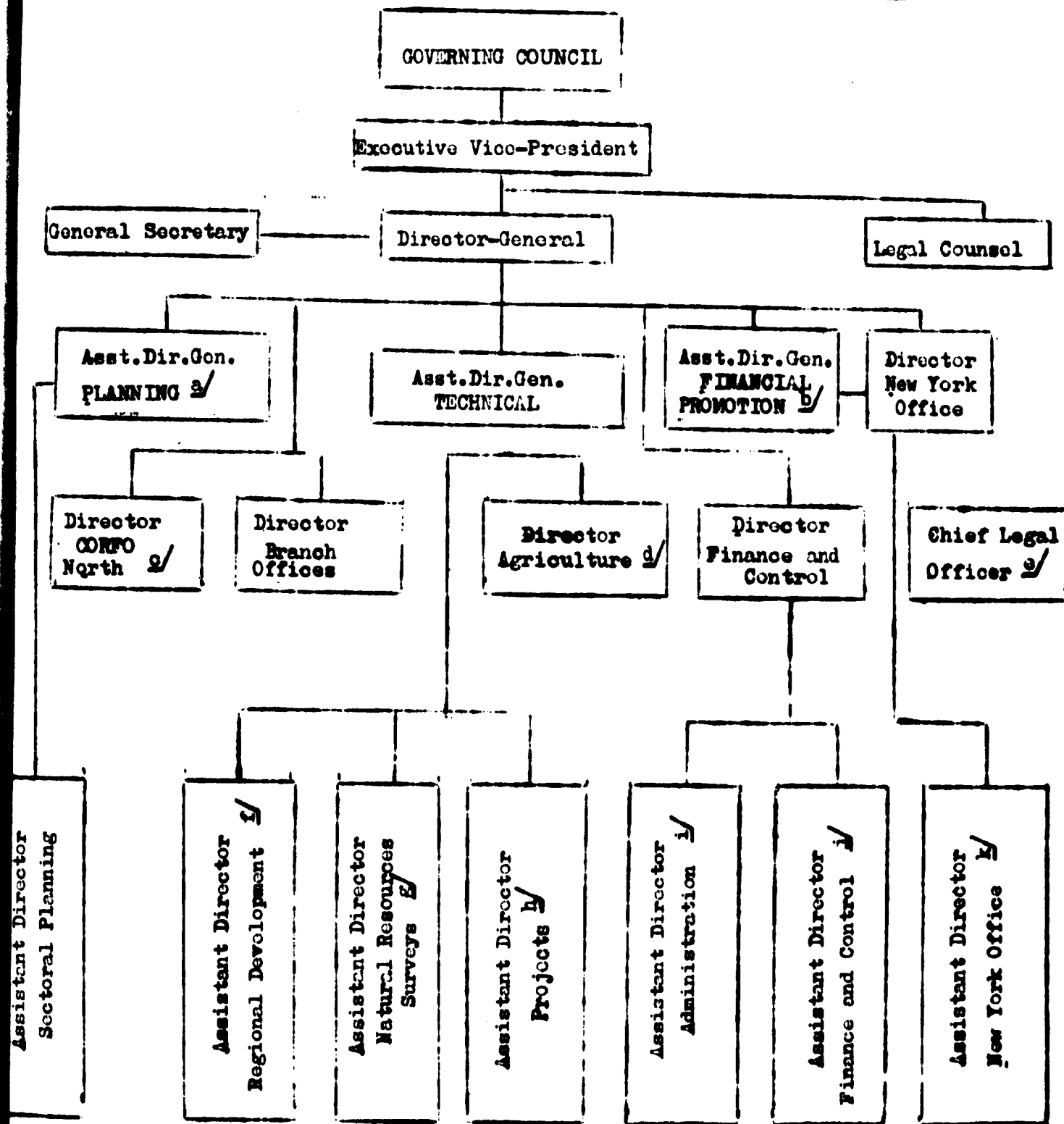
81. CORFO is a decentralized public institution under the Ministry of Economic Affairs, Development and Reconstruction, which provides the link with the executive. It enjoys autonomy in its administration and has its own operational budget, which is approved by decree each year.

The Governing Council

82. CORFO is managed and administered by a Council composed of twenty-nine members, headed by the Minister of Economic Affairs, who is the Chairman (see membership below). The membership of the Council is very broad, including representatives of both the public and the private sectors. Also included are all the economic and financial executive agencies of the Government as well as the main private business groupings.

83. The formation of this Council reflects a determination to centralise all the country's economic and financial activities, in order to impose unity of criteria

CHART 3: ORGANIZATION OF THE PRODUCTION DEVELOPMENT CORPORATION (CORFO)



With the following Departments:

- a/ Surveys; Regional Planning.
- b/ Foreign Investments; External Credits.
- c/ Tarapaod.
- d/ Stock-raising; Agriculture; Credits; Agricultural Operations.
- e/ Legal Reports; Legalisations.

- f/ Chiloé; Magallanes; AGENCIAS.
- g/ Surveys; Water Resources.
- h/ Industries; Mining; Civil works.
- i/ Personnel.
- j/ Finance; Auditing; Accounts.
- k/ Administrative Head— New York Office

and action on the formulation of development plans, on the development of the sectors of production and on the implementation of the various programmes.

84. Resolutions of the Council are adopted by an absolute majority of the members present.

85. The members listed under items 1 - 15 below are ex officio members. Those listed under items 16 - 21 are appointed by the President of Chile, upon presentation of a single nomination by each of the private bodies concerned. The five representatives under item 22 are appointed by the President at his absolute discretion, and the nominations of those referred to in item 23 are submitted to the Chief Executive direct by the organisations mentioned.

86. The term of office of all members of the Council except the ex officio members (Nos.1-15) is two years, and they may be re-elected indefinitely.

MEMBERSHIP OF THE GOVERNING COUNCIL OF CORFO

1. Minister of Economic Affairs, Development and Reconstruction
2. Executive Vice-President
3. Under-Secretary for Finance
4. Under-Secretary for Economic Affairs, Development and Reconstruction
5. Under-Secretary for Transport
6. Under-Secretary for Mines
7. Under-Secretary for Public Works
8. Under-Secretary for Agriculture
9. President of the Central Bank
10. President of the State Bank
11. Director of the Budget
12. Economic Director, Ministry of Foreign Affairs
13. Director of Agriculture and Fisheries
14. Executive Vice-President of the National Mining Enterprise
15. Executive Vice-President of the Agricultural Trading Enterprise (DCA)
16. Representative of the National Agricultural Society (private sector)
17. Representative of the National Mining Society (private sector)
18. Representative of the Manufacturing Development Society (private sector)
19. Representative of the Chamber of Commerce (private sector)
20. Representative of the Southern Agricultural Consortium (private sector)
21. Representative of the Institute of Engineers
22. Five representatives of the President of Chile
23. Three representatives appointed by the President of Chile on the nomination of the Northern Agricultural Society, the National Confederation of Dairy Co-operatives and Stock-raisers' Associations, and other agricultural associations representing producers of agricultural products for export.

/...

The Agricultural Executive Committee

87. This Executive Committee, which was set up within the CORFO structure, is responsible for studying and settling issues connected with agricultural activities. It is composed of the Vice-President, three members of the Council, three representatives of the private agricultural societies, the Director of Agriculture and Fisheries, the Director-General, and one member of the executive staff of the Corporation.

Permanent Commissions

88. In order to advance its work, the Governing Council may appoint bodies known as Permanent Commissions, composed of members of the Council. The function of these Commissions is to study and analyse whatever issues the Council may decide to refer to them. The studies they make are condensed into recommendations by means of draft resolutions prepared by the Office of the Director-General.

89. Permanent Commissions are composed of twelve members of the Council, appointed by the Council on the nomination of the Vice-President, who is a member of every Commission which is appointed.

90. These Permanent Commissions constitute a work and study machinery which is an essentially dynamic part of the Corporation's structure. The Council establishes Commissions, by simple resolution, whenever necessary, and the number of Commissions therefore varies.

91. The following Commissions are at present active in CORFO:

- (i) Commission on Regulations
- (ii) Commission on Act No. 11828^{12/}, which formulates plans for the advancement and development of the "copper provinces".
- (iii) Commission on Industries
- (iv) Commission on Energy and Fuels
- (v) Commission on Domestic Credits
- (vi) Commission on External Credits
- (vii) Commission on Planning and Studies.

^{12/} Act of 5 May 1955 prescribing the statute of the large copper mining enterprises.

Technical Committees

92. These Committees study certain very specific matters within the area of activities of CORFO and maintain contact with the appropriate Permanent Commission. Their primary purposes are to promote research and study of the industrial sector with which they deal, to put into operation the plans that are drawn up and, perhaps, either to organise a sectoral Institute to carry out the detailed work or to form enterprises that will exploit resources on a commercial scale, using State capital, private capital or both.

93. The following Technical Committees are at present active:

- (i) Committee on the Pulp and Paper Industry;
- (ii) Committee on the Forestry Industry;
- (iii) Committee on the Fisheries Industry;
- (iv) Committee on Large-Scale Iron-Mining;
- (v) Committee on Natural Fibres.

Administrative structure

94. The organisation of CORFO is large and complex and distinctly flexible. The constant expansion of the agency's activities has been accompanied by marked changes in its structure. Administrative sub-divisions are frequently created or abolished, in order to adapt them to the promotion and development policies laid down by the Council. The present organization may be seen from the latest organisational chart (Chart 3).

95. The staff is divided into two groups: (i) executive, professional and technical staff; (ii) administrative and service staff.

96. The executive staff comprises the Vice-President, Director-General, Legal Counsel, Assistant Directors-General, Directors, Assistant Directors, Agents, General Secretary, Chief Legal Officer and heads of departments. The professional and technical staff consists of those officials who perform professional duties, such as civil engineers, agronomists or economists. The remaining posts in the manning table constitute the administrative and service staff.

The Vice-President

97. The Vice-President is the administrative head of the service; he presides over the Council in the absence of the Minister of Economic Affairs, and he is responsible for the work of the agency. He is appointed by the President of Chile, and is therefore a civil servant enjoying the President's confidence. His specific powers and responsibilities are as follows:

- (i) To summon special sessions of the Council;
- (ii) To submit the affairs of the Corporation to the Council for its consideration;
- (iii) To implement and cause to be implemented the resolutions of the Council;
- (iv) To act as the legal representative of the Corporation, judicially and extrajudicially, with authority to execute all such deeds, to enter into all such contracts and to sign all such public and private instruments as may be necessary and to delegate and confer special powers;
- (v) To ensure compliance with the laws and regulations governing CORFO;
- (vi) To appoint, to accept the resignation of and to remove the Director-General, the other members of the executive staff and all staff in general, and to appoint and to remove the representatives of the Corporation in other bodies;
- (vii) To submit to the Council the budget estimates of income and expenditure, the proposed staff manning table and the proposed investment plan of the Corporation and to submit the annual statements of assets and liabilities for its approval;
- (viii) To establish and abolish divisions, agencies, sub-divisions, departments and sections; to determine their status and to distribute their staff, and to report to the Council accordingly;
- (ix) To submit to the Council for its approval proposals concerning the powers and obligations of officials of the executive staff.

The Director-General

98. The Director-General is second in rank to the Executive Vice-President; his duties are to further the business of CORFO, to study investments of national interest in which the agency participates, and to prepare the annual budget, the staff manning table, the investment plan and the annual statements of assets and liabilities.

Assistant Directors-General

99. These offices, subordinate to the Director-General, were created recently with responsibilities in three specific areas:

- (1) The Office of the Assistant Director-General for Technical Affairs performs one of the most important tasks of CORFO, namely, studying and implementing specific projects and facilitating the required technical and/or financial assistance. Under it are the Agricultural Division and its subordinate bodies, which are responsible for surveys, research, technical assistance and credits for the agricultural sector.

/...

It also has two sub-divisions - The Sub-Division for Natural Resource Surveys, which studies specific projects and carries out feasibility studies, and the Projects Sub-Division, which provides information on private-sector projects submitted to CORFO and organizes public-sector projects for which the agency is responsible. In performing these functions, it occasionally employs the services of local or foreign consultants;

(ii) The Office of the Assistant Director-General for Planning^{13/} has thus far been assigned the tasks of formulating an over-all development strategy for the industrial and energy sector, promoting the preparation of development programmes, establishing relations with ODEPLAN and with the Budget Division of the Ministry of Finance, co-ordinating information emanating from other departments of CORFO, evaluating projects prepared in other sectors, and so forth. It is subordinate administratively to the Office of the Director-General, but technically to the Industrial Planning Committee. It has a Sub-Division for Sectoral Planning and two departments - the Surveys Department and the Regional Planning Department;

(iii) The Office of the Assistant Director-General for Promotion of Financing is primarily concerned with negotiating for and arranging external credits and processing and considering foreign private investments. It acts as the technical secretariat of the Foreign Investments Committee.

New York Office

100. This Office was established for the purpose of facilitating the negotiation of external credits, making purchases for CORFO in the United States, supervising shipments, and so forth. It acts as an official agent in arranging credits, processes requests to international sources, presents the necessary background, discusses agreements and, in some cases, is given authority to sign them on behalf of the Government. In negotiations for very large governmental credits, it operates in conjunction with other representatives of the Government.

The Industrial Planning Committee^{14/}

101. Act No. 16425 stipulated that CORFO should set up an Institute to be responsible for the promotion and development of mining, industry, agriculture, fisheries and commerce and for the promotion of urban progress, cultural advancement and social well-being in the northern region (provinces of Antofagasta, Atacama and Tarapacá) (23)

102. The work of the Institute will be focused on the fulfillment of the

^{13/} This whole planning unit is in an organisational phase, and there may therefore be some changes in its functions.

^{14/} For the membership of this Committee, see para.35.

national development plan in general and of whatever regional or sectoral plans are approved for the northern region in particular.

103. The CORFO-North Institute will be administered by a Governing Board composed of fifteen members, including the Vice-President of CORFO, the Director of the CORFO-North Department and local authorities. In pursuit of its objectives, the Institute will operate in accordance with the Statute of CORFO.

Development Board for the Province of O'Higgins

104. Under the same Act, an Advisory Board for this copper-producing province was to be converted into an agency responsible for proposing and approving the investment plans to be put into effect each year in this region. This Development Board is composed of nineteen members representing regional activities, and it will prepare a Social Advancement Budget and a Production Development Budget, to be submitted to the Governing Council of CORFO for its approval.

(c) Industrial policy

105. The agency's work at the national, sectoral and regional levels is carried out through a number of specific programmes for the sugar industry, the fishing industry, forestry, chemicals, metal-working, manufacturing, and so forth.

106. CORFO is at present engaged in advancing intensive development plans in the various areas of production, and it has concentrated its activities on putting into effect specific programmes in the fields of iron and steel, petrochemicals, electronics, the automotive industry and telecommunications, and on expediting programmes for various other industrial activities and for the investigation and harnessing of natural and human resources (7 and 21).

107. The agency carries out its industrial policies through the organisational structure described above and through its extensive network of branch offices. In the private sector, in particular, its activities consist of the formation of companies or enterprises and of technical or financial assistance granted on a continuing basis.

108. In order to achieve its other objectives, such as the co-ordination of producing activities, evaluation of natural and human resources, compilation of background information for economic planning, and training of manpower, CORFO has established, either directly or through agreements with international and State agencies, many other bodies of a similar nature to those mentioned above, or committees and enterprises subordinate to both the Governing Council and the Agricultural Executive Committee.

/...

109. Lastly, in order to expand or maintain the activities and the employment capacity of industries of national interest or of industries in which the action taken by the private sector is inadequate, CORFO has established, or where necessary acquired an interest in, many enterprises or companies.

110. Annex 3 shows in detail the main corporations, enterprises, institutes, companies and committees in which CORFO has an interest, together with the specific sectors of economic activity which they cover.

(4) Financial assistance policy

111. Within its broad and varied functions, the agency handles a large proportion of the Government's financial support activities for the promotion of investment in industry.

112. The financing of the private sector of large, medium-sized and small industries is effected by CORFO by the following methods:

- Credits in national currency, adjustable in accordance with the annual variation in the official wholesale price index for domestic industrial products, at a rate of interest of between 6 and 12 per cent; the necessary funds are provided in the budget of CORFO;
- Credits in foreign currency, from such external sources as the Inter-American Bank and the United States Government's Agency for International Development. (Both kinds of credits are intended for new industrial projects, for the expansion and modernization of manufacturing establishments and for pre-investment surveys).
- Guarantees in the form of joint indemnities or confirmations with respect to external credits obtained by enterprises direct for specific projects.
- Issues of funds, such as the purchase of shares in an active enterprise which is developing a high-priority project.

(11) Ministry of Economic Affairs, Development and Reconstruction

(a) Background information

113. This Ministry's organization and administrative functions have undergone many changes in the course of time. The wide powers vested in it by law reflect the efforts of successive Governments to steer the country's development policy through it. It has to supervise the most varied aspects of Chile's economic activity, including: (i) economic co-ordination; (ii) industrial development; (iii) production; (iv) foreign trade; (v) domestic trade; (vi) supplies; (vii) price and quality control; (viii) tourism; (ix) transport; (x) foreign investment; (xi) other matters.

/...

114. Within the institutional framework and pursuant to its organic law, the Ministry has a great impact on the Chilean economy, since it determines economic policy in many different fields. The Minister is a member of the Economic Committee of Ministers, headed by the President of the Republic, which sets the course of the Government's economic policy.

115. In practice, however, there has been a tendency to assign matters of industrial policy to the Development Corporation with the result that, given the latter's primary responsibility for the formulation and implementation of development plans, the Ministry's activities in this area have been restricted to administrative duties.

116. A similar development has occurred with regard to foreign trade policy. Responsibility for implementing it has been assigned to the Central Bank, although the Ministry naturally retains the relevant general legal powers.

117. The Ministry's activities have thus changed and are now focused on certain specific areas such as supply policy, costs, prices and transport. It retains its basic policy-making role and legal powers, but other bodies have begun to play a more decisive part in connexion with industrial policy and development, while the proposals to reorganise the Ministry and co-ordinate government industrial policy with domestic and foreign trade policy are being put into effect (15 and 16).

(b) Organisation

118. The Ministry of Economic Affairs consists of two Bureaux and three Directorates (See Chart 4).

119. In carrying out its functions, the Bureau of Economic Affairs, Development and Reconstruction is assisted by an administrative organisation consisting of four departments and a legal counsel's office.

120. The Directorate of Industry and Trade consists of six departments, two of which are directly concerned with industrial policy. The Department of Industries is responsible for the Industrial Register and the Department of Industrial Property is responsible for the Trade-Mark Register and the Patent and Industrial Models Register.

(c) Functions

121. The Ministry of Economic Affairs exercises its industrial policy functions through the Bureau and Directorate of Industry and Trade (DIRINCO).

Bureau of Economic Affairs, Development and Reconstruction

122. The Bureau is responsible for general economic co-ordination and, more specifically, for the formulation of policy relating to foreign trade, supplies,

/...

domestic trade and production development.

123. Its general co-ordination functions cover public bodies whose activities affect the Chilean economy, foreign and domestic trade and supplies. The Bureau is responsible for all State activities relating to trade and industry, pursuant to present and future legislation and regulations (16 and 17).

124. As regards industrial policy and related measures, the following functions of the Ministry have been delegated to the Bureau:

(i) To survey and study the ratio of industrial production, in terms of value and volume, to the factories' output capacity;

(ii) To promote the development of Chile's industrial production, especially of those industries using domestic raw materials and, particularly in given areas, to propose whatever action is required to protect it;

(iii) To encourage industrial rationalization, to co-operate with the Institute of Technological Research and Standardization in preparing standards for industrial products, to sponsor them as official standards and to ensure that they are complied with;

(iv) To report on the installation of new industries, on the transfer or expansion of existing industries and on compliance with technical requirements relating to equipment, installations, yields, etc. These reports are required prior to the granting of the necessary permits by Municipalities;

(v) To propose exemptions or prohibitive or limitative measures relating to imports or other matters, in connexion with industrial production;

(vi) To determine industrial raw material requirements and to propose appropriate rationing plans as necessary;

(vii) To apply the operative provisions of the Industrial Property Act in respect of patents, trade-marks and industrial models;

(viii) To study the cost of all goods and services declared to be essential, of prime necessity, or widely used or consumed, which are by decree subject to the price-fixing system;

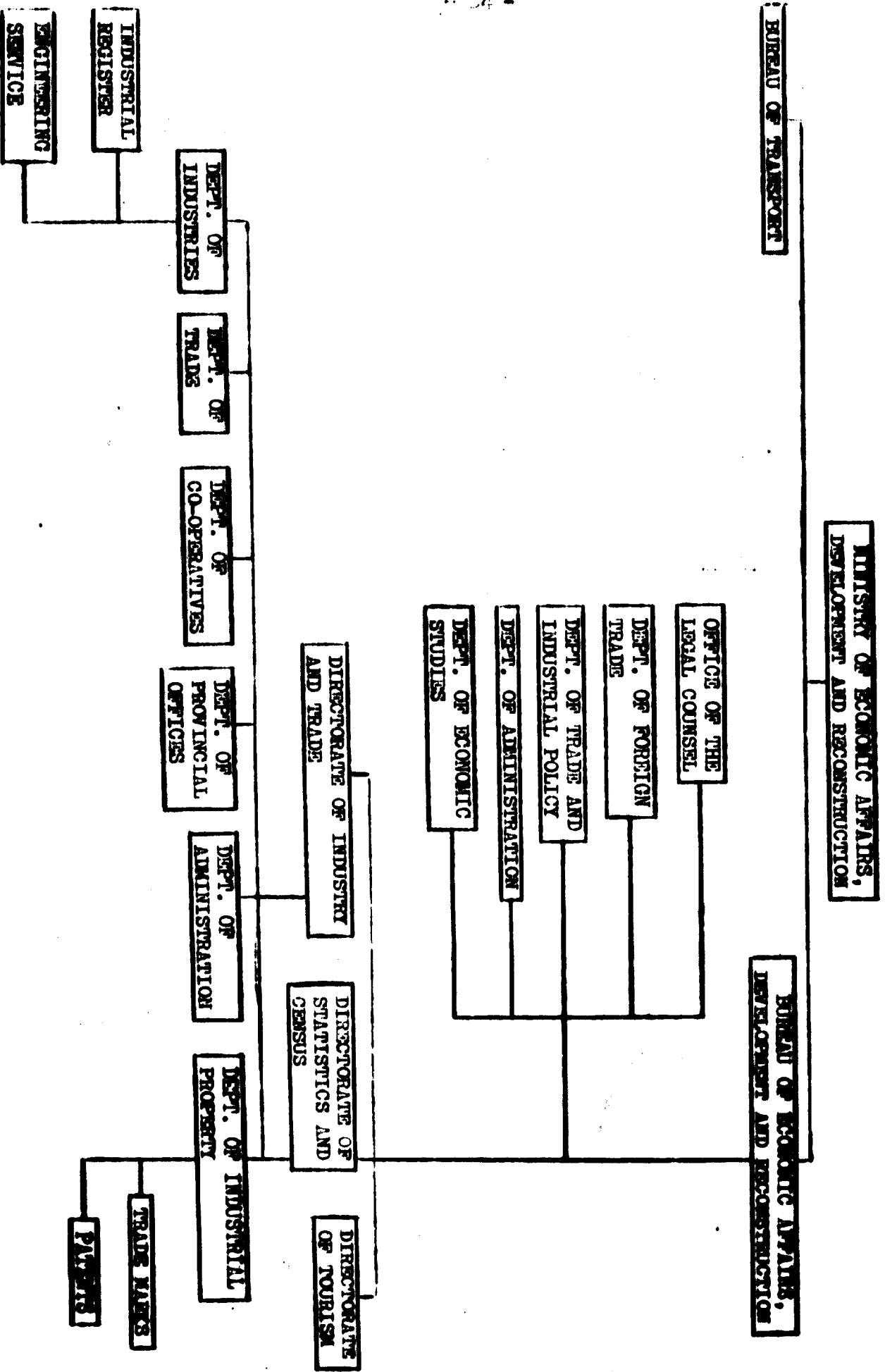
(ix) To fix the prices of all the articles and goods referred to in subparagraph (viii) above, in accordance with the general profit-margin criteria laid down by the Ministry by decree;

(x) To establish by decrees the schedule of goods which may be imported, on the basis of information provided by the Executive Committee of the Central Bank;

(xi) To take the necessary steps to promote foreign investment in Chile and to authorize foreign capital inflows.

Through this Bureau, the Ministry controls the Directorate of Industry and Trade and maintains liaison with the Production Development Corporation and its subsidiaries and with the Federal Bank (for foreign trade matters only). /...

CHART 4: ORGANIZATION OF THE MINISTRY OF ECONOMIC AFFAIRS, DEVELOPMENT AND RECONSTRUCTION



The head of the Bureau is a senior civil servant, responsible directly to the President of the Republic, who appoints him by decree.

Directorate of Industry and Trade.

125. This service is responsible for applying and ensuring compliance with existing legislation relating to industry, trade and co-operatives. Its specific functions with regard to industry are as follows (17):

(i) To apply and ensure compliance with legislation relating to manufacturing industry, co-operatives and rents;

(ii) To handle applications for the establishment of industrial property;

(iii) To handle permits for the installation of new industries and to issue the necessary technical reports;

(iv) To ensure that industries, particularly those enjoying special exemptions, comply with the technical requirements established by law;

(v) To carry out studies on costs, prices, supplies and markets and to adopt and propose measures to ensure the supply of essential goods;

(vi) To fix the price of articles of prime necessity to ensure that the quality of certain products conform to approved standards;

(vii) To collect, through local offices, background information, data and statistics relating to industry, trade and co-operatives;

(viii) To apply the provisions of the Industrial Property Act;

(ix) To maintain the registers of industries, trade, co-operatives and industrial property established by law;

(x) To supervise the operation and administration of co-operatives.

126. The Director of Industry and Trade, who heads this service is a civil servant appointed by and responsible directly to the President of the Republic and the Minister of Economic Affairs. To qualify he must hold an engineering degree and be a member of the College of Engineers.

127. The Director is responsible for the over-all administration of the service and for co-ordinating the activities of the various departments. His duties with regard to industry consist of supervising the application of legislation relating to industry, (installation conditions, technical requirements, industrial property and industrial registers); making studies of costs, prices and supplies; laying down the necessary rules for ensuring compliance throughout Chile with these requirements, etc.

B. Measures

128. The monetary authorities are constantly trying to channel the credit resources of banks into directly productive investments. Nevertheless, in order to increase the flow of resources to the industrial sector, the Central Bank has put into practice several credit schemes which greatly benefit industrial enterprises; the schemes which are now operating and which are set out below are organised through commercial banks, private banks and the State Bank.

(1) Credit Schemes through Commercial Banks

129 A line of credit may be established by an agreement between an enterprise and one or more commercial banks for the purpose of meeting the enterprises credit needs for one year. This agreement is based on a financial statement which the enterprise must present, with an estimate of its activities, based on its anticipated income and expenditure for the period in question. This scheme is regulated and supervised by the Central Bank.

130 Loans are granted for the purchase of capital goods to replace from domestic sources such imports of equipment and machinery which can be produced in Chile under satisfactory competitive conditions. The Board of Directors of the Central Bank agreed to introduce this type of financing for enterprises which purchase capital goods of domestic origin. The credits are extended by commercial banks and the Central Bank refinances them with resources obtained from the sale of savings certificates which it issues. Adjustments may be made to these credits to reflect the consumer price index (cost of living) and the annual rate of interest is 9 per cent plus the respective readjustments.

131. Financing is undertaken in respect of exports which appear in schedules drawn up by the Central Bank in the light of the priorities laid down in development plans. The first phase of this credit covers the preparation of the shipment and the second phase the marketing of the products abroad. Credit for exporters is extended by means of documents accepted by the exporter, issued by the intermediary bank on his instructions, and endorsed to the Central Bank for rediscount. The rate of interest for the exporter is 9 per cent per annum.

132 Loans are provided for the promotion of small-scale and medium-scale enterprises ^{15/}. These are designed to provide the financing required for the industrial, commercial or agricultural operation of one-man firms, partnerships, co-operatives and businesses whose credit needs are not more than seventy times the

15/ Measure agreed upon by the Board of Directors of the Central Bank at its meeting on 19 September 1966

minimum annual wage fixed for Santiago,^{16/} The system known as "lines of promotion credit" is arranged with commercial banks which must obtain the following from each firm:

- (a) Municipal license;
- (b) Financial programme, including production, sales and finance;
- (c) Promotion certificate which may be issued, in the case of industrial establishments, by the Technical Co-operation Service.

133. Under this credit system, the Central Bank refinances only part of the sums provided by the intermediary banks.

134. Loans for the construction of houses for industrial workers are granted to manufacturing firms entered in a special register kept by the Ministry of Housing and Town Planning. The commercial banks extend loans of up to the equivalent of twenty-three times the minimum wage (Santiago) for each dwelling unit.^{17/}

These loans are refinanced partially by the Central Bank and are subject to the highest rate of interest in force.

(ii) Customs exemptions.

135. This has been and still is one of the most important and most common methods adopted by the government authorities. The exemptions, applied by the customs are legislative measures designed to promote industrial development and include the following:

- (a) Exemption from all import duties and charges for new machinery and equipment necessary for the establishment of industries which do not yet exist in Chile and which use raw materials at least 80 per cent of which are of domestic origin;
- (b) Exemption on the same terms for enterprises which produce exclusively for export;
- (c) Facilities for paying import charges and duties on machinery and equipment purchased from foreign suppliers under the system of deferred payments.

(iii) Tax exemptions.

135. This instrument is used extensively and frequently as part of government policy for the promotion and channelling of industrial investment. The Government has preferred to encourage industrial development in this way and not by direct subsidies. The incentives are established by law and the Department of Internal Revenue (Ministry of Finance) is responsible for applying them. They include the following:

- (a) No taxes are levied on the income of a shareholder of an incorporated company when it is derived from the payment of profits in the form of a distribution of

^{16/} For this particular year : sum of 210,000 escudos
" : (\$50,000).

^{17/} 69,000 escudos (\$16,000).

- shares as dividends or of an increase in their face value;
- (b) Exemption of industrial machinery from domestic taxes (20 per cent of assessed value);
 - (c) Accelerated amortization (a certain percentage higher than normal) of machinery and plant for industries which the Government is particularly keen to promote;
 - (d) Increases in value resulting from the revaluation each year of the assets of an enterprise to reflect changes in the consumer price index. These increases are not subject to taxes and are considered part of the capital proper;
 - (e) The President of the Republic may exempt from the turnover and transfer tax sales and services provided by firms which are industrially complementary or which have joint capital, licences or technical consultants, for the purpose of improving production processes;
 - (f) Those manufacturing industries which operate uninterruptedly during the quinquennium 1955-1960 receive a reduction in the tax of their particular bracket up to a ceiling of 50 per cent, when they increase their output volume by more than 10 per cent by using new plant or changing existing plant;
 - (g) Plants established outside the province of Santiago received tax reductions ranging from 20 to 60 per cent, according to the proportion of domestic raw materials used in their products;
 - (h) Export drawback under Act No. 16528 of September 1966 the recently introduced system provides for the remission of domestic taxes up to 30 per cent of the CIF or FOB value of the export, as appropriate. The Central Bank is responsible for this operation.

137. In addition, the copious Chilean legislation provides for customs or tax exemptions in favour of specific industrial branches such as fisheries, metallurgy, iron and steel, etc. For the same promotional purposes, special statutes have been adopted for certain regions of the country, such as Arica, Chiloé, Aysén and Magallanes, etc., which include customs and tax benefits for the industries established in those areas.

138. This whole complex of legislation is the result of the efforts made to accelerate Chile's industrialization which have not complied with certain basic criteria in previously formulated development plans.

(iv) Foreign trade policy

139. The oldest of these instruments is the customs tariff, an important source of revenue for the Government. Duties may be reduced in order to stimulate certain activities. On 1 January 1967 a new tariff will enter into force and incorporate the additional duties which at the moment are applied administratively in existing duties.

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140. The Central Bank is responsible for applying and administering many different instruments of trade policy:

(a) Schedule of permitted imports, which sets forth the goods which may be imported into Chile after prior registration with the issuing office;

(b) Schedule of prohibited imports, which is complementary to the schedule of permitted imports. The schedules are applied flexibly and operate on the basis of decrees issued by the Ministry of Economic Affairs, following proposals made by the Executive Committee of the Central Bank;

(c) Advance deposits for imports in Chilean currency placed with the Central Bank. The percentages vary according to the extent to which the goods are considered to be essential. The deposits range from 0 per cent to 10,000 per cent of the value of the goods.

(d) Additional duties on the CIF value of the goods varying from 0 per cent to 400 per cent, set by decree of the Ministry of Finance following proposals by the Central Bank;

(e) Deletion from import registers, a power granted to the Bank under Act. No. 16101 of 15 January 1965 the purpose of which is to increase restrictive measures in cases of emergency. This power is not exercised at the moment.

(v) Arrangements for Foreign Investment

141. The Chilean Government has always been favourably disposed towards foreign capital investment. This attitude is reflected in the body of existing constitutional provisions and laws governing the treatment of foreign capital. In order to give greater incentive to foreign investors, the Chilean Government has signed guarantee agreements with the Governments of the United States and the Federal Republic of Germany insuring investors against risks of non-convertibility, expropriation, war, revolution, etc. Of these agreements only that signed with the United States has been ratified by Congress and is therefore the law of the land.

142. Capital investment in foreign currency may be governed by Articles 14 and 16 of Decree 1272 embodying the amended text of the International Exchange Law the application of which is the responsibility of the Central Bank. In choosing this category of investment the foreign investor specifies the field in which he intends to invest.

143. Imported foreign exchange and equipment are governed by Legislative Decree NO. 258 which is the main body of legislation providing special treatment for foreign capital. This law contains special provisions for the payment and repatriation of capital and profits; the revaluation of assets; the right to use foreign exchange derived from exports; the reinvestment of profits; customs and

tariff exemptions, etc.

144. The acceptance or rejection of foreign capital subject to Legislative Decree No. 258 is the responsibility of the Foreign Investment Committee, an affiliate of CORFO made up of Ministers of State, representatives of CORFO, the Central Bank and the private sector. The acceptance of the investment is sanctioned by a decree signed by the President of the Republic and the Minister of Economic Affairs. It is officially published so that it becomes a legal contract which guarantees the continuity of the legal provisions to which the investor has subscribed. The decree specifies the sector in which the investment is to be made. The procedure set up by CORFO channel the flow of foreign capital into investments in accordance with development plans and needs.

145. The bulk of foreign investment has been in the mining sector; only a small amount has gone into the industrial sector.

VII. STATE INDUSTRIAL ENTERPRISES

147. Enterprises of this type were set up in pursuance of the State's development policy, executed through COPECO, in order to promote production in vital sectors of the economy and in projects with a high multiplier effect where nothing has been done by private enterprise or large-scale investment is required.

148. It can be said that "when an industrial enterprise is set up by State action, the State refrains from participating in it only in those cases where the industry in question is not a basic one. Furthermore, the State seeks to keep in operation and under its control industrial activities which are privately owned and no longer of interest to their owners but necessary for the national and/or regional economy"(3).

(i) Principal Enterprises

149. The following is a list of State enterprises proper, i.e., those whose capital is provided almost entirely by the State:

<u>Enterprise</u>	<u>Type of production</u>	<u>State's share of capital</u>
(a) Empresa Nacional de Petróleo (ENAP)	Prospecting, refinery	100 per cent
(b) Industria Azucarera Nacional	Beet sugar	95 per cent
(c) Impregnadora de Maderas (IPREDMA)	Industrial processing of wood	97 per cent
(d) Empresa Pesquera Tarapacá S.A.	Fish flour, oil, etc.	94 per cent
(e) Petroquímica Chilena Ltda.	Ethylene, ammonia, aromatic and acetaldehyde complexes	100 per cent (COPECO 50 per cent and ENAP 50 per cent)

150. In addition, the State has a share in the capital of many other enterprises, to a varying extent depending on the importance and quality of the project.

(ii) Main Characteristics

151. These undertakings have the legal status of industrial and commercial enterprises with legal personality which gives them autonomy and flexibility in their operation and organization. The management is in the hands of a board of directors, consisting of a majority appointed by COPECO and a minority, varying in number, who represent private employers' associations.

152. The State, through COPECO and its representatives in the enterprise, lays down policy and general guidelines for the board of directors, which has wide powers with regard to the formalities, contracts and operations necessary for the conduct of business.

/...

153. The board of directors lays down the organizational rules, establishes the functions and duties of the staff and appoints the managing director and all employees of the enterprise.

154. The Chairman of the board, who is ex officio the Executive Vice-President of OZEFU, supervises the management of the enterprise and, in collaboration with the managing director, considers and takes decisions on business matters, complying with decisions of the board of directors.

155. The managing director represents the enterprise judicially and extra-judicially and is responsible for its technical and administrative operation.

156. State enterprises are subject to audits and supervision in legal matters by the Companies Inspectorate and OZEFU.

VIII. TRAINING

A. Background

157. The industrial and technological development achieved by Chile in the last twenty-five years has revealed the need for sufficient skilled manpower to satisfy the demand of industry.

158. The rate at which workers have been trained in recent years has been very far from satisfying the needs of industry; up to 1965 the training deficit amounted to approximately 353,000 workers. This background information reflects the magnitude of the training problem which Chile will have to tackle if it is to fulfill the targets of any development plan.

159. Pursuant to a recommendation of the National Committee for the Study of Vocational Training of the Minister of Labour, the Programme of Vocational Training was set forth in Decree No. 286 of 18 March 1960. Having been given general responsibility for the Programme, COPEFO entrusted its execution to the Technical Co-operation Service which, for this purpose, set up the Department of Vocational Training as a first step towards establishing a permanent and national organization. The aims of this Programme are to provide vocational training for workers and junior foremen; to train apprentices and novices in specific trades, to give further training to workers already employed; to train personnel responsible for the direct supervision of workers; to determine qualitative and quantitative needs in skilled labour and junior foremen; to study in detail the various occupations with a view to drawing up vocational training programmes (21 and 26).

B. Technical Education and the System of Vocational Training

160. In Chile the regular system of primary and intermediate education is the responsibility of the Ministry of Education. Intermediate education is provided by 900 State and private schools attended by 220,000 liberal arts students and 90,000 technical students. Of these technical students some 27,000 are receiving specifically industrial training at the intermediate level (27).

161. Higher scientific, technical and academic education is provided by eight universities scattered throughout the country and attended by some 35,000 students. It may be pointed out purely for purposes of information that the School of Technology comprises some 13.6 per cent of the total student body and the School of Engineering some 9.2 per cent (11).

162. At the same time, Chile has developed a system of vocational training which supplements the technical education provided at the intermediate level. Under this system, public and private organizations carry out non-scholastic training programmes.

/...

163. These vocational training organizations are as follows:

(a) Public sector:

- (i) National Vocational Training Institute (INCAP), a subsidiary of CONFO, the most important of all in this field, responsible specifically for the accelerated vocational training of unskilled workers, supervisors and junior foremen;
- (ii) Technical Co-operation Service, a subsidiary of CONFO, responsible for the training of intermediate and senior executives and for other promotional and advisory services;
- (iii) National Health Service, responsible for rehabilitating disabled persons and training medical auxiliaries;
- (iv) Technical Institute for the Training of Machine Operators, a subsidiary of the Ministry of Public Works, responsible for the training of workers operating heavy construction machinery;
- (v) National Citizens' Advisory Service, which operates on a small scale among the inhabitants of marginal settlements;
- (vi) Industrial Training Centre, which comes under the State Technical University.

(b) Private sector:

- (i) Rural Educational Institute, a private body supported by the State, responsible in co-ordination with the Ministry of Education and the Ministry of Agriculture, for community development, vocational training, dissemination of technology and social research in the main agricultural regions of Chile;
- (ii) Satellite schools of the Technical University of Santa Maria attached to important industries; they are trade and apprenticeship schools.

164. The National Training Institute and the Technical Co-operation Service are the biggest organizations, particularly the first. The other public and private organizations operate on a small scale.

165. The system of regular technical education and of vocational training includes co-ordination machinery which is being gradually improved. At present it consists of the following:

- (a) Directorate of Education, which advises the Ministry of Education and is composed of representatives of various sectors, including the production and labour sectors;
- (b) Co-ordinating Committee for Over-all Educational Planning, whose members come from the Ministry of Education, the Ministry of Finance and the Universities;

/...

- (c) The Council of Rectors, composed of the rectors of the eight Chilean universities;
- (d) Permanent Advisory Committees for Vocational Training in agriculture, industry and trade. Their functions include co-ordinating the general policy of regular technical education with non-scholastic vocational training. They are broadly representative, covering the Ministries of Education, Labour, Mining, Economic Affairs, Agriculture, the National Training Institute, the universities and the production and labour sectors (28).

166. Co-ordination in the execution of programmes is ensured by agreements concluded between the institutions concerned with education and technical training. These agreements specify the programme or programmes which are to be carried out, the objective sought, the method of execution, and the human, financial and material resources to be provided by each participating organization. The basic feature of these agreements is that the National Training Institute participates in all of them as the body primarily responsible for the national system of vocational training, which supplements the regular school system. For purposes of information, Annex IV contains a list of the agreements which are now in force and those which will soon enter into force.

C. National Vocational Training Institute (INICAP)

167. In order to accelerate the training of skilled workers, who are so necessary for more dynamic development, for smoother adjustment to technological advances and for improving educational and professional standards, the Governing Council of CORFO agreed at its meeting on 25 May 1966 to set up the National Vocational Training Institute as a public corporation. This organization began operations on 8 June 1966 and on 21 October the Decree approving its articles of association was signed.

(a) Objectives

168. The Institute is responsible for formulating and carrying out the required policies with regard to apprenticeship of minors, the training of adult workers and raising the educational and technical standards of workers.

169. In order to fulfill these general aims, the Institute will have the following main functions:

- (i) to enable young workers to serve an apprenticeship for a trade or skilled occupation systematically and under supervision;
- (ii) to promote the vocational training and further technical training of adult workers;

/...

- (iii) to provide adult workers who are transferred from one sector to another with the knowledge necessary for their new occupations;
- (iv) to afford persons who have not completed their general education opportunities for vocational training at the skilled worker level;
- (v) to co-operate with the Ministry of Labour in the vocational classification or reclassification of unemployed workers and their possible training for suitable employment;
- (vi) to encourage the technical training of supervisory staff in small enterprises;
- (vii) to organize courses for highly qualified staff at the intermediate level through agreements with the Ministry of Education and the universities;
- (viii) to encourage and advise enterprises in the execution of internal programmes designed to train workers and junior foremen;
- (ix) to provide for the rehabilitation of disabled persons, in collaboration with the National Health Service;
- (x) to supervise the award of scholarships in order to allow gifted young workers to continue their studies;
- (xi) to lay the foundation for a system of promotion, in co-operation with the Ministry of Education, the universities and other bodies, which will allow workers to better themselves culturally and professionally and thus attain higher levels of employment.

(b) Aims pursued by IICAF

170. For the biennium 1966-67 the work of the Institute will be concentrated on the preparation and training of personnel for industry, construction, mining, fishing and agriculture.

171. It is hoped to train approximately 21,000 workers in 1966* and 32,000 in 1967; in two years a total of more than 53,000 persons. The training will be carried out in training centres and through special programmes in private firms, industrial schools, the army, etc.

*This represents about 30 per cent of the manpower which enters the labour market every year.

(c) Training centres

172. In fulfilling its objectives, IN CAP delegates part of its activities to those centres which provide accelerated vocational training at three levels: basic training, further training and specialization.

173. Throughout Chile IN CAP has fifteen training centres in operation (15,300 m² of workshops and 2,400 m² of ancillary buildings), in addition, four other centres are under construction.

174. The geographical distribution of the centres and their specialties are given below:

<u>Site</u>	<u>Number</u>	<u>Specialty</u>
Arica	1**	Construction, engineering, electricity
Antofagasta	1**	Construction, engineering, mining
Valparaiso	1	Electricity
Valparaiso	1	Construction, engineering
Santiago	1	Construction
"	1	Electricity
"	1	Manufacturing
"	3	Engineering
"	1	Training of supervisors and instructors (CENFI)
"	1	Engineering, smelting
San Fernando	1	Agricultural engineering
Talca	1	Construction
Concepción	1	Engineering, construction, electricity
"	1**	Engineering, boiler-making, smelting
Lota	1	Engineering, construction, agricultural engineering
Temuco	1	Agricultural engineering, construction
Valdivia	1	Engineering, construction

** Under construction

/...

175. The value of the equipment and machinery installed in these centres is approximately \$1,200,000 (CF). Virtually the whole amount was obtained from donations from France, Denmark, the United Kingdom, the International Labour Organization and the United Nations Special Fund.

(d) Activities of INACAP

176. In pursuance of the objectives already mentioned, INACAP's activities are concentrated on three types of courses: basic training, further training and specialization, distributed among the following programmes:^{18/}

- (i) apprenticeship of minors, a joint programme with the Ministry of Education and of Labour;
- (ii) in-service training;
- (iii) training of unskilled workers (five months) and highly-skilled workers (one to two years);
- (iv) training of skilled workers (ten to twelve weeks);
- (v) training of supervisors;
- (vi) training of teachers and instructors;
- (vii) vocational rehabilitation of disabled persons;
- (viii) high-level training of workers;

(e) Special programmes

177. INACAP carries out other activities through special joint programmes with other bodies. The current programmes, which are of varying duration, are as follows:

- (1) Ignacio: fishing, building and industrial;
- (11) Sotolero: mining, building and industrial;
- (111) Industrial schools: in order to use vocational training facilities to the full, an agreement has been signed with the Ministry of Education regarding the organisation of evening classes for adults in the Ministry's industrial schools;

^{18/} Further details of these programmes are given in Annex V.

- (iv) Military services: an agreement has been reached with the army on the provision of technical training for those recruited each year for compulsory military service;
- (v) Mobile units: there are twelve of these units, which help to train operators of agricultural machinery (tractors, harvesters, etc.) in the central and southern regions of the country.

(f) Financing

178. INACAF's work is financed from the following sources:

- (i) Contributions by the Development Corporation;
- (ii) Contributions by the Ministry of Education.
These contributions are used for operating expenses, domestic investment and payment of foreign currency debts.
- (iii) Contributions by international bodies and foreign Governments under bilateral agreements, which are used to finance parts of the Institute's general programme.
- (iv) Foreign loans granted by the International Bank for Reconstruction and Development, amounting to 12,750,000, which are guaranteed by COSFO.

179. The following two tables show the foreign aid received up to and including 1965 and give a projection for the biennium 1966-1967.

TABLE 3: IDACAP - SOURCE OF EXTERNAL FINANCING

(in dollars)

BODIES AND COUNTRIES	UP TO AND INCLUDING		ESTIMATE 1966-67	TOTAL
	1964	1965		
United Nations Special Fund	429,300	466,200	258,500	1,154,000
ILO	320,000	7,000	-	327,000
CAFE	10,000		-	10,000
United Kingdom	33,600	133,400	28,000	245,000
USA	10,000	298	80,000	90,298
Denmark	51,000	103,000	83,000	237,000
France	119,700	165,800	213,200	498,700
Totals	973,600	925,698	662,700	2,561,998

Agreements Funding

New agreements:

Belgium	200,000
France-Federal Republic of Germany	400,000

Extension of existing agreements:

Denmark	200,000
France	70,000

TOTAL	910,000
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TABLE 4: ITACP - ALLOCATION OF FEDERAL ASSISTANCE FUNDS
(in dollars)

ITEM	UP TO AND INCLUDING 1964	1965	1966-67	TOTAL
Equipment	484,600	688,598	293,000	1,466,298
Experts	455,200	194,700	319,000	978,900
Fellowships	23,900	42,300	50,700	116,900
TOTAL	973,600	925,698	662,700	2,561,998



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(g) Board of Directors

180. INACAP is administered by a Board consisting of (29):

- (i) The Vice-President of COEFO or his representative, who takes the Chair;
- (ii) A representative of the Ministry of Education;
- (iii) A representative of the Ministry of Labour and Social Security;
- (iv) Two representatives of COEFO;
- (v) A representative of the Technical Co-operation Service;
- (vi) A representative of the Council of Rectors;
- (vii) Two entrepreneurs' representatives, appointed by the Confederation of Production and Trade(*);
- (viii) Two workers' representatives, appointed by the Ministry of Labour.

(h) Organisation

181. The Institute has a staff of 520 headed by an Executive Director who is nominated by the Board of INACAP and appointed by the Vice-President of COEFO. They include executives, engineers, technicians and administrative personnel. The termination of the Executive Director's employment is subject to the same rules as his appointment. He is responsible for the technical direction of the Institute, in accordance with the general policy laid down by the Board.

182. There is also a Deputy Director, who is the chief administrative officer. He may take the Director's place for all legal purposes.

183. It is proposed to establish a Co-ordinating Committee within the Institute (see Chart 5) in order to ensure closer co-ordination. The Committee is composed of the two chief executives and the heads of the Technical Department and the Department of Operations.

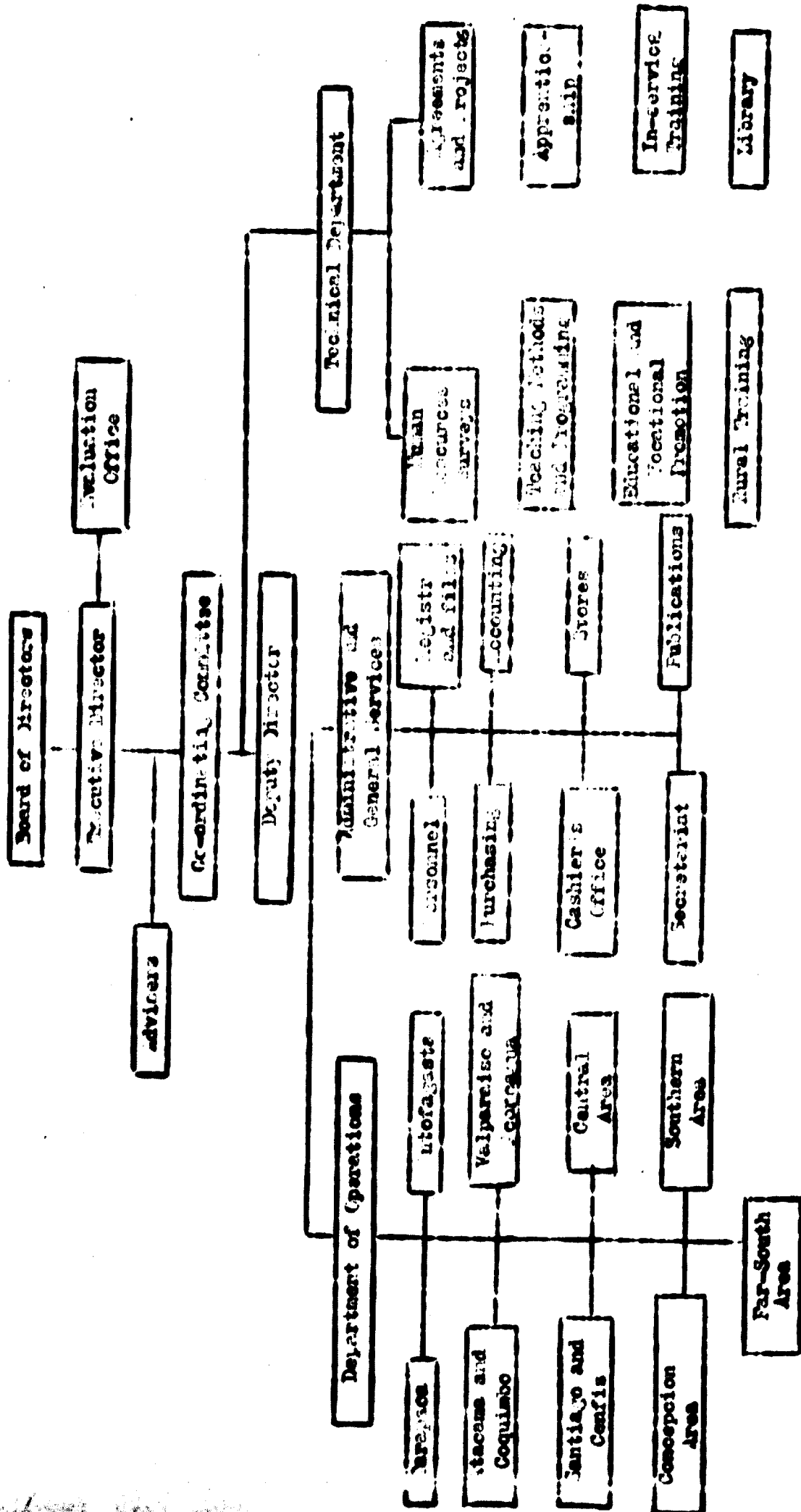
184. The Technical Department formulates vocational training policy, negotiates agreements with domestic and foreign agencies, promotes education, training and in-service training, etc.

185. The Department of Operations administers INACAP courses and programmes through local offices, arranges for the Institute's participation in placing graduates of the courses, and provides background information for the programming of the Institute's activities.

186. The Institute's relations with the Planning Office are not institutionalised and are maintained through contacts between staff members.

(*) The largest association of private entrepreneurs.

CHART 5: ORGANIZATION OF THE NATIONAL VOCATIONAL TRAINING INSTITUTE (NVTI)
 (October 1956)



IX. EXTENSION SERVICES

The Technical Co-operation Service (SCT)

187. CORFO set up the Technical Co-operation Service (SCT) in 1952 as a Productivity Institute. It is the only body of this kind in Chile and serves as the agency through which the state carries out its policy of technical assistance to industry.

188. It is a non-profit public corporation and subsidiary of CORFO. Persons and other entities approved by its Board of Directors can become members.

A. Aims

189. With the changes shortly to be made in its articles of association, ^{19/} the aims of the Service will be as follows:

- (i) To increase the productivity of the resources available in all branches of production, trade and services;
- (ii) To investigate, apply, disseminate and teach techniques, methods, systems and practices of good business organization and management; to instruct and train executive personnel in these techniques; to promote the introduction of standard and uniform procedures and products; to give advice or assistance on request;
- (iii) To engage in research, promotion and assistance of all kinds for the benefit of small-scale industry and crafts; to advise public and private bodies on the development of this sector of industry; to undertake the technical, administrative and financial studies required by credit institutions for the purpose of granting loans to small-scale industry;
- (iv) To encourage and advise on the formation of small business co-operatives.

B. Organization

190. The administration and management of the Service will be in the hands of a Board of Directors consisting of the following:

^{19/}

These changes are awaiting legal approval.

/...

- (i) The President, who will be the Vice-President of COEFO or a person appointed by him;
- (ii) Five directors appointed by COEFO, one of whom will be Vice-President of OCT;
- (iii) A director appointed by the Chilean Enterprise Management Institute (ICARE);^{20/}
- (iv) A director appointed by the Manufacturing Development Society;^{21/}
- (v) A director appointed by the Production and Trade Confederation;
- (vi) A director appointed by INACAP from among the representatives of COEFO on that body;
- (vii) Two directors appointed by the Vice-President of COEFO to represent small businesses and crafts;
- (viii) A director appointed by the President of the State Bank;
- (ix) A director representing the labour sector, appointed by the Ministry of Labour and Social Security.

The directors will remain in office indefinitely.

191. Through the members of its Board of Directors the Service is closely connected with COEFO, INACAP, the Ministry of Labour and the State Bank, a State financial institution which acts as a commercial bank and also gives financial assistance to certain economic activities. It also has links with the private sector, with large-scale industry and with medium- and small-scale industry.

192. The Board of Directors draws up the general plan of work and approves the annual budgets and manning table and, in general, the entire policy of the Service.

193. The administrative structure includes an Executive Committee, consisting of two directors from among those appointed by COEFO, the President and the Vice-President of the Service, two directors elected from among the remaining members and the Managing Director, who is only entitled to vote. This Executive Committee is responsible for executing the policy laid down by the Board of Directors.

^{20/}

A private group of businessmen.

^{21/}

The biggest industrialists' trade association.

194. The staff of SCT, at present numbering between 250 and 300, is headed by a Managing Director, proposed by the President and appointed by the Board of Directors. His main powers and functions are to direct the Service in accordance with the articles of association and the instructions of the Board of Directors and the Executive Committee, to prepare the work programmes and their financing, to prepare reports requested by the Board of Directors or the Executive Committee, to recruit staff and, in general, to take all appropriate measures as head of the Service. He has to report on his activities to the Board of Directors.

195. The structure of the Service's departments is constantly changing, because of the expansion of its activities in recent years. This has made it advisable to adopt a highly flexible organisational structure, which can be adapted easily to the rapid growth of the Service. This is made easier by the fact that it is legally constituted as a corporation in private law, which gives it great administrative and operational flexibility. In addition, the recent transformation of the Department of Vocational Training into an independent organ, INACAP, has brought about an important change in the policy and organization of the Service, which is undergoing a thorough review with a view to reorganization and the development of a new structure. Under the new arrangements, plans for the development of small-scale industry will have priority.

C. Activities

196. The Service's programmes fall into two main categories:

- (i) Promotion and development of small-scale industry and crafts;
- (ii) Technical assistance and training for large- and medium-scale industry.

197. Current programmes are described below and indicate the way in which the Service works for industry in general.

(a) Promotion and development of small-scale industry and crafts

198. This whole field of action is covered by four basic programmes:

- (1) Technical and technological assistance, the purpose of which is to give advice to small-scale industries and workshops on how to improve their methods of work and increase their productivity. The assistance is of two kinds: technical/administrative, which includes planning and control of production, costs and budgets, materials control, distribution of plant and equipment, methods of work, etc., and technological, i.e., machine design, design of products and moulds, heat processes, finishing, moulding and smelting processes, etc.

These advisory services include co-operation during the implementation of the measures suggested. The results are periodically followed up and evaluated.

/...

- (ii) Financial assistance, with resources provided for in the budget of COPEO. ICT is responsible for the technical and economic report on the basis of which COPEO grants credit. COPEO establishes priorities for the granting of loans and takes charge of the banking side, making the formal arrangements and handling payment and repayment of the loans. In 1965 loans were approved for 416 small-scale industries and workshops amounting to very nearly 3 million escudos (1950,000)^{22/} in local currency and 3226,000 in foreign currency.
- (iii) Industrial research and projects, a programme consisting of two types of activities: general projects and studies connected with development planning for small-scale industry and crafts as a whole, by sectors or groups of small entrepreneurs and for the different regions of the country; and feasibility studies to determine the advisability of establishing new enterprises or introducing new products, extending as far as preliminary projects or studies of technical and economic feasibility. These feasibility studies can be undertaken by ICT on its own initiative or at the request of entrepreneurs who ask it to help clarify their ideas on a product or industry.
- (iv) Information and co-operation, a fairly wide-ranging programme which includes many kinds of activities designed to guide the small entrepreneur on legal matters, markets and supplies, to give him a better grasp of factors outside his enterprise, to encourage the organization of small-scale industry into co-operatives and to prepare for the establishment of a self-help system for supplies of raw materials and marketing. Under this programme the Service provides information through the distribution of pamphlets on various subjects, including legal proceedings, seminars, programmes operated by the Service, etc. Courses are given on the management of small businesses and co-operatives and seminars are held on costs, finance and applied legislation.

^{22/}

At the average rate of exchange on the money market in 1965.

199. One of the main aims of the information and co-operation programme is to organise the small businessmen into national associations, so that they can defend their interests better, and into producers' and consumers' co-operatives, both to facilitate the marketing of products and to organise purchases of raw materials, sales to special markets, joint participation in fairs and bank financing. Another aspect of the programme is assistance in organising sales to special markets through the system of tenders (bidding) and sub-contracts, i.e., contracts with larger enterprises to manufacture high-quality products in short series, as components of other more complex products, in order to prevent the vertical development of large-scale industry. Plans are afoot to organise a product design centre for small-scale industry and crafts.

200. The number of small industrial and artisan enterprises is so great that certain selective criteria have had to be applied in order to give the work some direction (26). These criteria include:

- (a) Position of the product in the consumer price index;
- (b) Site of the enterprise in the area of a regional development plan;
- (c) Amount of foreign currency saved or earned;
- (d) High labour-capital ratio.

Resources for financing the promotion of small-scale industries.

201. These industries have generally been financed from domestic and foreign sources. So far domestic sources have been more productive and almost the bulk of the investment has been contributed by the State through CORFO. To a very small extent, income obtained from fees paid by enterprises has had some influence; small-scale industries are charged at preferential rates.

202. Foreign aid is provided through the following channels:

- (a) An agreement with the United Nations Special Fund provides \$U\$1,090,000 in terms of experts, fellowships and equipment.
- (b) The Chile-California Programme provides for technical assistance financed by the United States Government's Agency for International Development and is operated in Chile by the Chile-California Programme.
- (c) Foreign loans granted to CORFO, part of which it has siphoned into small industry. Such loans are provided by:
 - The Inter-American Development Bank: approved loans amount to \$U\$190,000 and 200,000 escudos, and
 - The Kreditanstalt für Wiederaufbau (Federal Republic of Germany): \$U\$465,000 used.

/...

Technical assistance and training for large- and medium-scale industry

203. Efforts to increase productivity fall into three categories:

(a) Technical assistance on a sectoral basis.

204. This is intended to improve productive efficiency through a comprehensive programme covering a particular branch of industry and designed to make a substantial impact on the industrial branch concerned as well as on the overall industrial sector. In order to provide the chosen branch with technical personnel to increase its productivity, the Service, as Productivity Institute, engages in the following kinds of activity, among others:

- (i) Planning and introduction of efficient management systems and procedures;
- (ii) Appointment of technical personnel to improve methods of work;
- (iii) Demonstration of administrative and technological operations;
- (iv) Training of personnel at all levels;
- (v) Measurement of productivity in the sector in order to direct and supervise its development.

205. As a means of co-ordinating the activities of SCT and the industrial sectors, productivity boards have been organised for each sector.

206. SCT sends specialists from its own staff to make recommendations on the most backward sectors and apply the recommendations. In the case of the more highly developed sectors, it is the preferred procedure for the sector itself to engage technical personnel directly to work with its productivity centre. Each enterprise in the sector determines whether such recommendations are to be put into effect through special departments organized by the enterprise itself or through the services of private consultants. Thus SCT, through its sectoral activities, spreads ideas on productivity, encourages the training of technical personnel and opens up a market for private consultants.

207. So far, efforts to promote productivity have been made in the following sectors: construction, transport, textiles and clothing, metallurgy, agriculture and foreign trade. In these sectoral activities, the Service has worked not only with private enterprises or entrepreneurs' trade associations, but also with State bodies.

(b) Direct technical assistance.

208. This is provided for a fee to State enterprises, COMFO and its branches and to private enterprises of importance to the national economy. This assistance has concentrated on systems and procedures relating to the executive operations of the enterprise, such as general administration, production, finance and costs, marketing and personnel.

(c) Training.

209. This is primarily designed to improve the knowledge of engineers employed by the Service itself and secondly to train executives for enterprises at different levels in order to promote the use of productivity experts.

210. The training programme has been carried out within the Service itself and through the universities, ICARE and other private agencies. ICARE is a private body founded in 1954 on the initiative of SCT and a group of industrialists to collaborate with the Service on disseminating the principles of productivity through courses, seminars, lectures, round table discussions, etc.

X. LAW AND REGULATIONS

211. Industrial development policy is not set forth in a single text; promotional measures are to be found in a number of separate legal provisions.

212. A number of important legal texts affecting industrial development, which have not been mentioned in the preceding chapters, are listed below:

- (a) Legislative Decree No. 958 of 1931 on industrial property deals with patents, industrial models and trade marks. The Ministry of Economic Affairs applies this decree through the Directorate of Industry and Trade;
- (b) DFL No. 258 of 1960, establishes tax exemptions for foreign investment;
- (c) Special regimes for certain regions of the country:
 - (i) Arica, Act No. 13039 of 1958;
 - (ii) Area of Pizarra, Iquique, Taltal, Chacabuco, Acts No. 12937 and 13305;
 - (iii) Area of Chiloé, Aysén and Magallanes, Act No. 12003;
- (d) DFL No. 266 of 1960 and Decree No. 1272 of 1961 grant tax exemptions to the fisheries industry;
- (e) DFL No. 257 of 1960 grants tax exemptions for machinery and equipment intended exclusively for export industries;
- (f) DFL No. 375 of 1953 lays down rules for the installation, expansion and transfer of industries and is applied by the Ministry of Economic Affairs.
- (g) Decree No. 267 of 1966 established a Special Committee as a subsidiary organ of CORFO, composed of representatives of various public bodies, to co-ordinate the procedures necessary for installing and expanding manufacturing plants.

ANNEX I

MINISTRY OF CIVIL SERVICE EMPLOYMENT

1. Statistical research
2. Political and administrative sciences
3. Documentary research
4. Economics
5. Business organization and management (INBBA)
6. Planning
7. Material testing and research
8. Electrical research and testing
9. Geology
10. Metallurgy
11. Housing and town and physical planning
12. Experimental building
13. History of architecture
14. Testing stability of civil structures
15. Architectural composition
16. Food technology
17. Hygiene and development of livestock production
18. Pharmacological research and tests
19. Botany
20. Biology (Jussief Institute) (Department of Parasitology)
21. Brain surgery and research
22. Alcoholism research
23. Physiology
24. Normal anatomy
25. Pathological anatomy of cancer
26. Pharmacology
27. Pharmacology
28. Radiology
29. Microbiology and immunology
30. Histology

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31. Theatre
32. Education
33. Psychology
34. Sociology
35. Folklore research
36. Cultural history research
37. Chilean literature
38. Geography
39. Chilean history
40. Chemistry
41. Morphology
42. Mathematics
43. Biology
44. Physics
45. Normal and pathological physiology
46. Pathology
47. Social services (1966)
48. Secondary studies
49. Music extension courses
50. Teaching (Santiago, Valparaiso and Antofagasta)
51. Physical and technical education
52. Plastic arts extension courses

Source: University of Chile, Planning Office

Annex II

A. CHILE: TYPES OF INDUSTRIAL STATISTICS

1. Size of labour forces: by sex and category
2. Value of industrial assets
3. Value of output
4. Production indexes: general and by branch or sector
5. Installed capacity
6. Electricity consumption
7. Fuel consumption
8. Production costs (inputs) by cost headings

All these statistics are prepared for Chile as a whole and for each province.

B. CHILE: INDUSTRIAL CATEGORIES USED IN STATISTICS

1. Food-stuffs
2. Beverages
3. Tobacco processing
4. Textiles
5. Footwear and clothing
6. Furniture and accessories
7. Paper and cardboard
8. Printing and publishing
9. Hide and skin processing
10. Rubber products
11. Chemical substances and products
12. Petroleum and coal by-products
13. Non-metallic mineral products
14. Basic metal industries
15. Metal products
16. Electrical machinery and accessories
17. Miscellaneous manufacturing

All these categories are subdivided into groups, which in turn are subdivided into enterprises.

Annex III

LIST OF SUBSIDIARIES OF CORFO

A. Public corporations

1. National Petroleum Company (ENAP). Responsible for carrying out the country's petroleum policy, including prospecting, drilling and marketing.
2. Agricultural machinery service (SEAM). Established to boost agricultural output through the use of machinery, to interest farmers in the use of such machinery, to assist small farmers, etc.

B. Private corporations

1. Geological Research Institute (IG). Responsible for studies of the geophysics, economic geology and subterranean water resources in important parts of the country intended for use in preparing a metallogenetic map of Chile.
2. Technical Co-operation Service (SCT). Responsible for carrying out specific programmes dealing with vocational training, sectoral planning and assistance to small industries and crafts.
3. National Vocational Training Institute (INACAP). Trains technically skilled workers in order to increase their productivity and thus speed up economic development.
4. Fisheries Development Institute (INFOPE). Established in 1963 by a special agreement between the Government of Chile, the United Nations Special Fund and FAO. Responsible for carrying out a development and research programme for the national fishing industry covering the following aspects:
(a) surveys of fisheries; (b) preparation of a fisheries map of Chile;
(c) technical assistance to the industry and professional fishermen; (d) vocational training; (e) marketing.
5. Technological Research Institute (INDITECNOR). Does research into the technology of industrial processes for application in the public and private sectors. The leading Chilean universities also take part in this work.
6. Agrological Research Institute (IIA). Responsible for preparing the agrological map of Chile for the corresponding sector programmes on the economic use of land.

C. Committees

These Committees are enterprises set up by decision of the Governing Council or Agricultural Executive Committee to carry out experiments and studies in particular branches of the national economy with a view to the subsequent formation, on the basis of the results, of corporations or companies in law, if economically justified and feasible.

The main Committees established by CORFO are:

1. CORFO Estates Management Committee. Administers six estates belonging to CORFO, at which various kinds of experiments are conducted.
2. Natural Fibres Committee. Responsible for experiments in connexion with the development of the national silk industry. Maintains many mulberry tree hatcheries and spinning mills which are now limited liability companies.
3. Workshop and Foundry Committee. Established to promote the development of the metallurgical industry in the province of Antofagasta.
4. Aysen Mine Committee (EMA). Responsible for all mining operations at the Las Chivas and Puerto Cristal deposits in Aysen Province, which produce copper, lead and zinc.
5. National Commission for Promoting the Consumption of Sea Food. Encourages the consumption of sea food and better use of all types for nutritional purposes.
6. Technical Forestry Committee. Carries out the development programme for the forestry industry with the assistance of the United Nations Special Fund. One of its main purposes, apart from research and activities connected with the conservation, exploitation and marketing of forestry resources, is to hold special vocational training courses for all types of technical personnel and skilled workers needed for this activity.
7. Telecommunications Committee. Existed until 1965. Now been replaced by the National Telecommunications Enterprise.
8. Cavanoha Fisheries Enterprise. Administers the Cavanoha fish plant at the port of Iquique (in the north), which is being wound up.
9. Rural Education Committee. Responsible for projects concerned with primary rural education, teacher-training and self-help school construction which are financed by contributions from United States foundation. This Committee administered the Victoria Plan, financed by the Rockefeller Foundation, and the Noble Plan, which receives funds from AID.

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10. Canchones Agricultural Committee. Participates in the experiments with crops and livestock conducted by CORFO in the arid zone of the Tamarugal Pampas, at the Canchones agricultural research centre and Tarapaed Gulch, all of which are in northern Chile.
11. Major Mining Projects Committee. Set up to manage the project for the development of the Boqueron-Chañar deposit, one of the biggest magnetic anomalies in the world and responsible for surveys and prospecting of this iron deposit discovered in Atacama Province (in northern Chile).
12. Natural Resources Committee. Set up in 1964 to administer the project for the establishment of the Natural Resources Institute, a body responsible for tabulating, completing and analysing all the results of the aerial photography survey, a programme carried out in Chile by various State organs, with the financial assistance and collaboration of the Organization of American States (OAS).

D. Enterprises and companies

1. National Electricity Enterprise (ENDESA). Set up to carry out Chile's vast electrification programme. Towards the end of 1965, total installed capacity at hydraulic and thermal power stations amounted to 547,000 kW and total output in 1965 was 2,620 million kW.
2. Victoria Nitrate Enterprise (ESVI). This subsidiary of CORFO has been operating at the Victoria Nitrate Works since June 1961 as an agency of CORFO, following the judicial decision transferring to national ownership the property of the Tarapaed and Antofagasta Nitrate Company (COSATAN), a private enterprise which virtually declared bankruptcy. Some 8,000 persons are dependent on its activities.
3. Tarapaed Enterprise. Set up to manage a modern fish plant at Iquique, in order to open up new markets for export products and serve as a model for similar industries in the area. Has complete production lines at its processing, preservation and refrigeration plants.
4. Chilean Fertilizer Company. Responsible for all guano deposits in Chile and particularly for the production of mixed and insecticide fertiliser, which are marketed through the State Bank.

5. National Hotel Company. Responsible for the national hotel construction programme. Has many hotels and inns in various parts of the country.
6. Del Tatio Geothermal Company. Responsible for studies and research in connexion with the development of the natural resources to be found in Antofagasta Province. In 1965 an allocation of \$1.4 million was obtained from the United Nations Special Fund to finance the programme, the total cost of which is \$2.6 million.
7. Sulphuric Acid Manufacturing Company (FASSA). Administers a plant built by CORFO in Antofagasta, which is of the vanadium catalyst contact type. This company is also responsible for promoting surveys of sulphur deposits in Atacama Province.
8. National Sugar Industry (IANSA). Responsible for the execution of the national sugar policy from sugar-beet growing onwards, particularly in order to meet domestic demand and encourage agricultural development.

E. Other subsidiaries

CORFO also has a share in the following enterprises, holding the indicated percentage of shares, in conjunction with private entrepreneurs:

	<u>Per cent</u>
1. Colico Sur Coal Company	99.67
2. Leta Coal Company	99.46
3. Wood Impregnation	97.12
4. Los Copihues (Pupunahue) Coal Company	95.52
5. Fishing Terminals Company	90.00
6. San Vicente Citrus Fruit Growing and Grain Drying Company	86.28
7. Cinematographic Studies (Chilo-Film)	85.63
8. Asapa Olive Growing Company	82.93
9. Fishing Co-operatives Auxiliary Society	65.63
10. Pilpilco Coal Company	58.90
11. Arauco Fishing Company	56.25

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	<u>Per cent</u>
12. CONFIAT Agricultural Machinery Industries	54.54
13. Rio de Oro Gold Company	51.00
14. National Radio-active Minerals Company	33.34
15. Radio Corporation of Chile (RCA)	33.33
16. Juan Soldado Cement Company	32.87
17. Vibrocret Company (vibrated cement)	30.49
18. Tamaya Mining Company	30.00
19. Pacific Steel Company (CAP)	24.65
20. Chilean-Italian Land Development Company	13.33
21. Mantos Blancos Mining Company	5.59
22. Las Chilcas Mining Company	1.00

Source: **CONFO, 1965 Report, Boletín informativo, Management of Subsidiaries, 1965.**

ANNEX IV

LIST OF ORGANIZATIONS UNDERTAKING TRAINING PROGRAMMES UNDER
CONTRACTUAL ARRANGEMENTS WITH INAGAP

A. Central

1. State Technical University and the Ministry of Education
2. Ministry of Public Works (1966)
3. Ministry of Education (1964)
4. National Health Service (1966)
5. Rural Educational Institute (1965)
6. University of Concepción (1965)
7. Catholic University of Valparaíso (1966)
8. Chilean Army (1962)
9. State Technical University (1964)

B. External

1. Ministries of Education and of Labour and Management to establish the National Apprenticeship System.
2. National Citizens' Advisory Service for a community development programme.
3. Ministry of Education and the Universities for the operation of a system of vocational advancement for workers.

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Annex V

INACAP: PROGRAMMES OF TRAINING, FURTHER TRAINING AND SPECIALIZATION

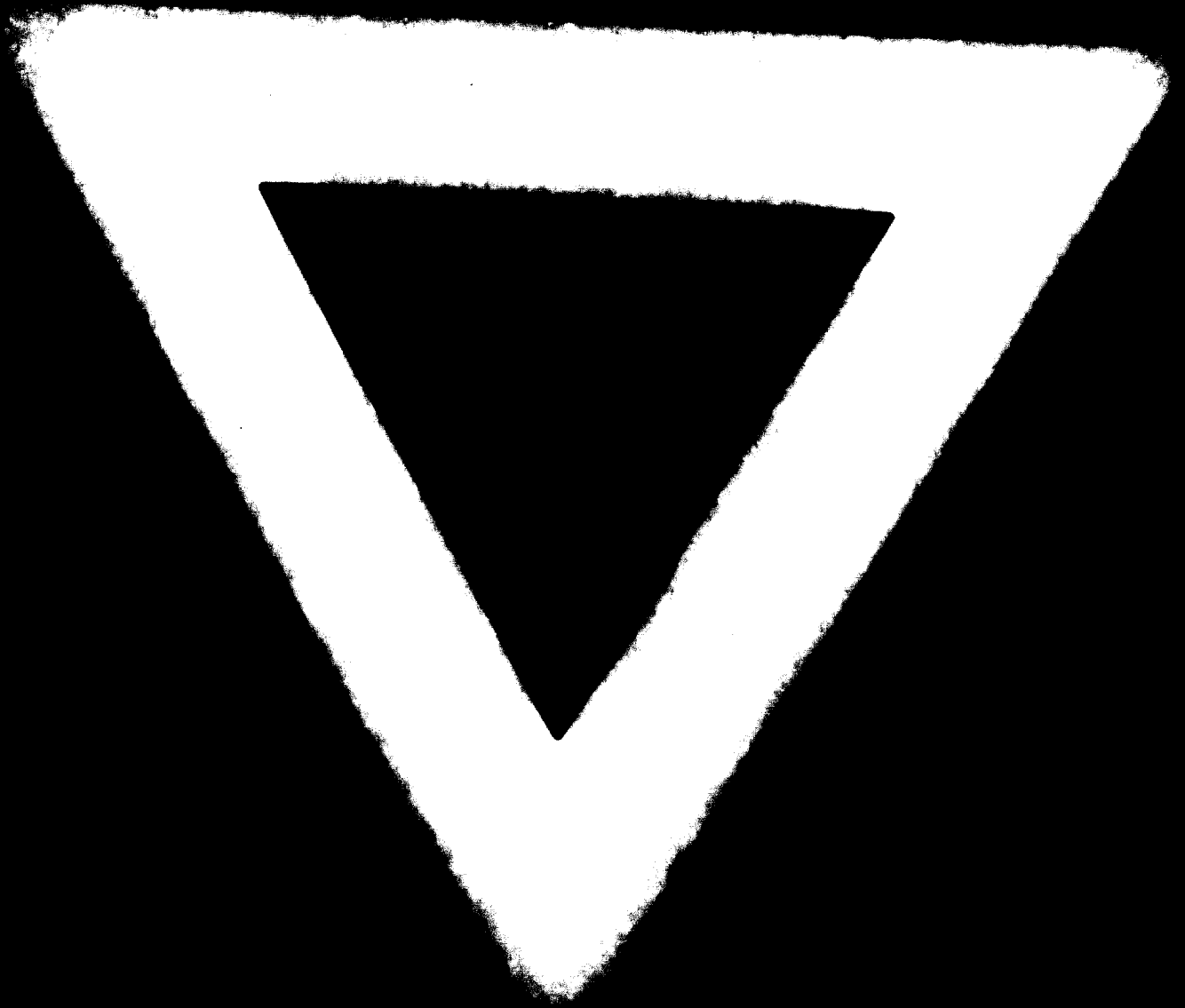
1. Apprenticeship. One of the basic aims of the Institute is to carry out a National Apprenticeship Programme for Miners through the concerted action of the Ministries of Education and of Labour and INACAP. The apprenticeship courses are intended for young workers, between the ages of fourteen and eighteen, who, for various reasons, have dropped out of the regular educational system at an early stage and have little chance of finding work. For 1965, statistics showed that about 60,000 young people were neither studying nor employed. The apprentices will attend classes on theory to supplement the practical instruction which they will be given in the enterprises where they work. Apprenticeship is scheduled to last between two and four years. (Agreement with the Ministry of Education).
2. Basic training in the enterprises for skilled and semi-skilled occupations. INACAP will assist enterprises in the establishment of training plans, the drawing up of programmes, the training of instructors and the evaluation of their results.
3. Accelerated training of adult workers, whether young or not, who are seeking employment for the first time or are being transferred from one sector to another; the course will consist of eight hours of instruction per day for a total of five months.
4. Training of highly skilled personnel, with courses lasting eight hours a day for a total period ranging from one to two years. This is intended for people between the ages of eighteen and twenty-five who did not complete their secondary education (fourth to sixth years of secondary school). This programme is closely linked with the Ministry of Education.
5. Further training of skilled workers at courses lasting from ten to twenty weeks (three hours per day) and providing participants with sufficient technical knowledge to enable them to master new and more complicated jobs.

6. Training of supervisors in enterprises and in the INACAP Centres; these are short courses dealing with technical subjects, staff supervision, organisation of work and briefing of workers. With the co-operation of interested firms, training courses will be organised to enable young people with secondary education to exercise auxiliary supervisory functions. These courses will last from twelve to eighteen months.
7. Training of teachers and instructors. INACAP will be responsible for the basic and further training of its own teachers and instructors and will co-operate in the training of in-service instructors and teachers belonging to the industrial educational system.
8. Vocational rehabilitation of disabled persons who are able to work with reasonable efficiency. These courses are of varying length and will be organised in co-operation with the National Health Service.
9. High-level training. A system for this purpose will be organised in co-operation with the Ministry of Education and the universities and will enable workers to attain higher professional standards. This programme also offers opportunities for scholarships at technical schools or universities for the purpose of obtaining professional qualifications. (Agreement with the Ministry of Education and universities).

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