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ORIGINAL: ENGLISH

ORGANIZATION AND ADMINISTRATION OF INDUSTRIAL SERVICES
IN
COLOMBIA*

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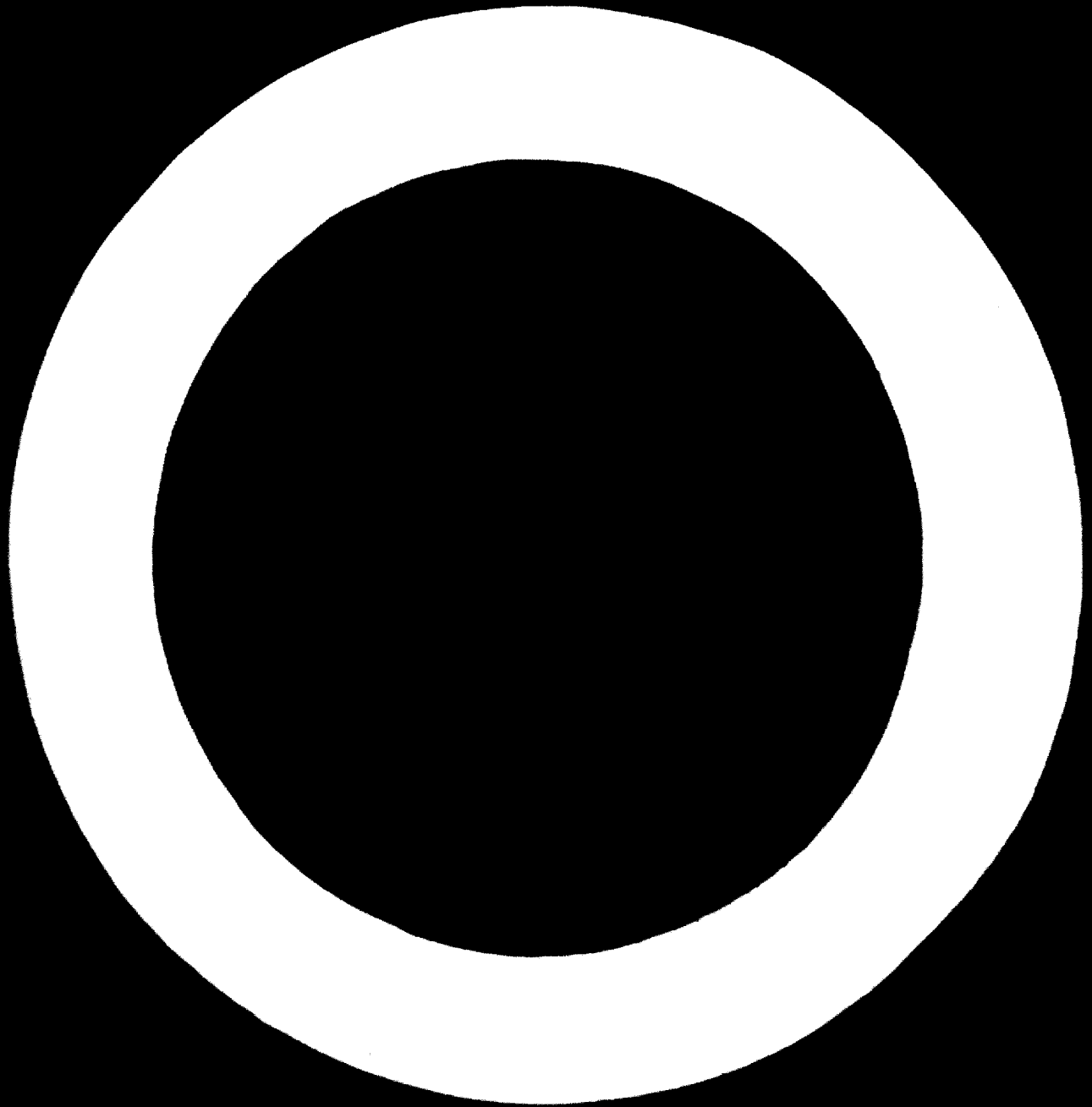
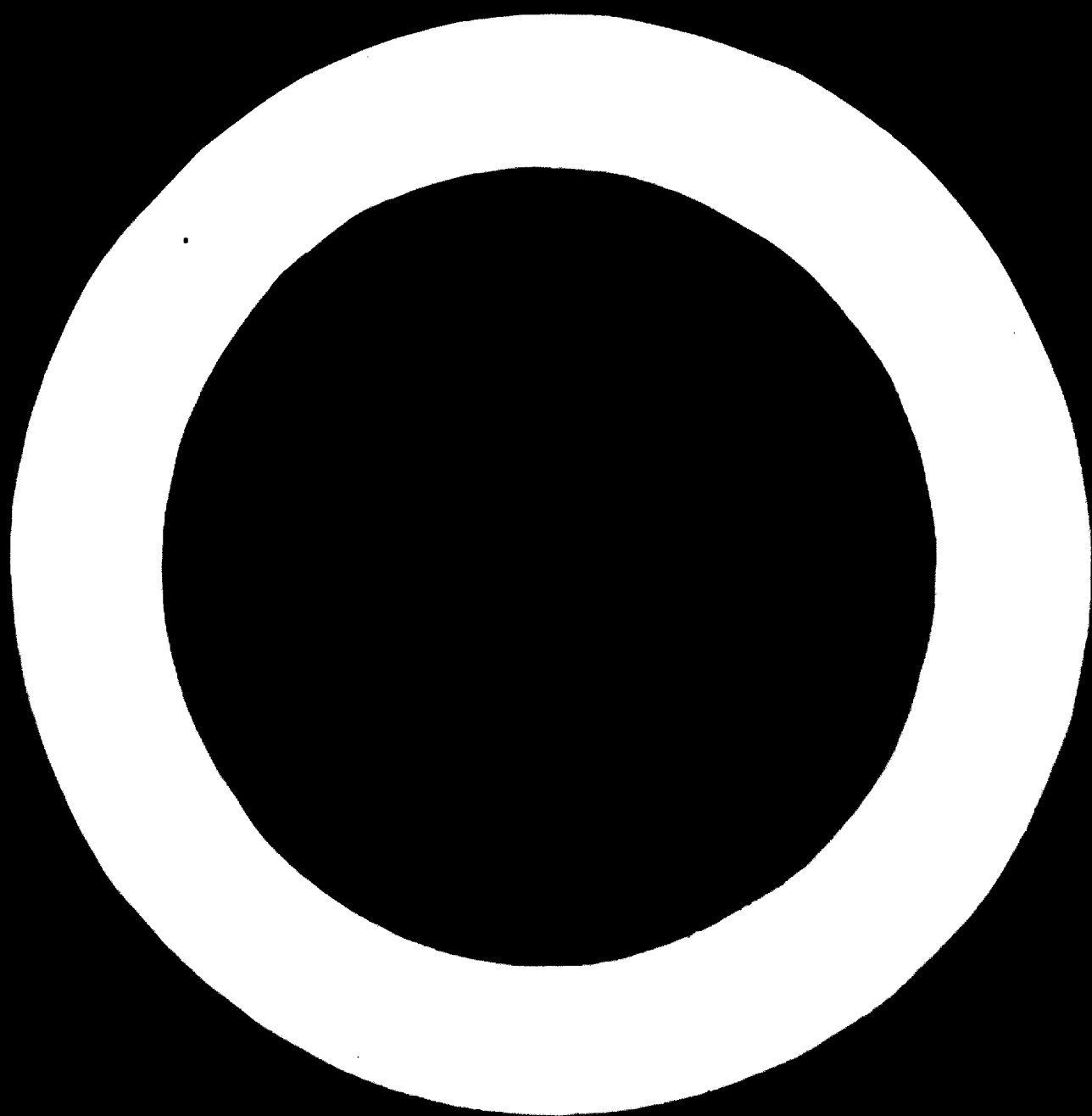


TABLE OF CONTENTS

	<u>Pages</u>
Introduction	1
I. INDUSTRIAL DEVELOPMENT POLICIES, AIMS AND OBJECTIVES	2
II. PLANNING AGENCIES	3- 6
A. The National Economic Council	3
B. The Planning Department	3- 6
III. INDUSTRIAL RESEARCH AND DEVELOPMENT, TESTING AND STANDARDIZATION	7-11
A. Instituto de Investigaciones Tecnologicas (IIT)	7- 8
B. Instituto Colombiano de Normas Tecnicas and National Commission of Technical Standards	8-11
IV. STATISTICS	12-13
The National Administrative Department of Statistics	12-13
V. INDUSTRIAL PROMOTION AND ADMINISTRATION OF PUBLIC AND SEMI-PUBLIC ENTERPRISES	14-18
A. Ministerio de Fomento (Ministry of Development)	14-15
B. Instituto de Fomento Industrial (Industrial Development Institute)	16-18
VI. AGENCIES FOR FINANCING INDUSTRIAL DEVELOPMENT	19-21
A. Banco de la Republica (Central Bank)	19-20
B. The Caja de Credito Agrario, Industrial y Minero	20-21
C. Banco Popular	21
VII. TECHNICAL AND MANAGEMENT TRAINING	22-23
A. The National Training Service (SENA)	22
B. School of Public Administration	22-23
C. The Universities	23
VIII. ADVISORY EXTENSION SERVICES	24-26
A. The National Productivity Centre (CNP)	24-25
B. The National Productivity Association	25-26
IX. LEGAL AND REGULATORY PROVISIONS	27-28
Bibliography	29



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

Introduction

1. This report is one in a series of over 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 Colombia 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 Development, Testing and Standardization;
 - (d) Statistics;
 - (e) Industrial Promotion and Administration of Public and Semi-Public Enterprises;
 - (f) Agencies for Financing Industrial Development;
 - (g) Technical and Management Training;
 - (h) Extension Services;
 - (i) Legal and Regulatory Services.
4. This report has been prepared with the assistance of Mr. Hernando Franco-Bravo, who conducted the study in Colombia in 1966 as a consultant to the Centre for Industrial Development.

I. INDUSTRIAL DEVELOPMENT POLICIES, AIMS AND OBJECTIVES

5. In Colombia the formulation and orientation of a national industrial development policy is the constitutional responsibility of the national Government. The constitution does provide, however, for a decentralized system of administration whereby the political subdivisions of the country, such as Departments and Municipalities, are empowered to take special measures to stimulate and execute programmes of industrial development in their respective territories.
6. The country's industrial development strategy is outlined in the General Industrial Development Plan for 1960-1967, drawn up by the Planning Department and incorporated into the First General Development Plan for the 1960-1970 decade. The industrial plan, which was prepared primarily to guide the growth in that sector, was carried out with the aid of experts from the United Nations Economic Commission for Latin America in cooperation with Colombian industrialists and was evaluated by missions of the International Bank for Reconstruction and Development and by the Committee of Nine of the Organization of American States.
7. The responsibility for implementing the national industrial development policy rests with the Ministry of Development and its subordinate national organizations. These organizations participate during the various stages of implementation, such as investigation, promotion, technical assistance, financial assistance and the general regulation of industrial enterprises and supporting institutions. At the same time, similar organizations under the Ministries of Agriculture and Labour promote, in the first instance, small industries based on agrarian production and, in the second instance, attempt to prepare the skilled labour necessary to improve productivity in the different economic fields.
8. The various Provinces, in many of which there is already an office of economic planning as well as a Secretary for Development, are empowered to investigate and stimulate (through reductions in local taxes for example) the establishment of manufacturing enterprises in their territories. The Provincial Governments may participate in basic manufacturing, a step which, in order to harmonize local development efforts with the General Development Plan, usually requires the prior approval of the national government and its development entities. Similarly, Municipalities may stimulate industrialization within their areas of jurisdiction by, for example, giving tax benefits to industry or participating as shareholders in enterprises when there is clear evidence of a possible public benefit from such investments.

II. PLANNING AGENCIES

A. The National Economic Council

9. The principal entities concerned with the formulation of industrial policy were created by Law 19 of 1958 but have since undergone a number of structural changes. Such is the case with the National Council for Economic Policy and Planning, originally consisting of four full-time members: two appointed by the President of the Republic and two by the Congress. In addition, there were four ex-officio members: the Ministers of Finance, Development, Agriculture and Public Works respectively.

10. At the present time, the Council consists of the President of the Republic, the Ministers of Finance, Agriculture, and Public Works respectively, the Head of the Planning Department, the Manager of the Central Bank and the Manager of the Federation of Coffee Growers. The other members of the Cabinet may take part in meetings of the Council at the discretion of the President of the Republic, who is also the President of the Council.

11. The Economic Council is functionally linked with the Office of the President of the Republic and with the Planning Department. Essentially, its main function is to study and approve the economic development plans submitted to it by the Planning Department. It also examines the sectoral and regional plans submitted by the various governmental entities. One of the tasks of the Council is to coordinate the different programmes for national development and to advise the Government and the Congress on policies necessary for the realization of the country's development objectives.

B. The Planning Department*

12. The Planning Department, like similar autonomous organisations in the country, is a quasi-ministry. It is concerned with technical functions and does not concern itself with political aspects, which are the concern of substantive ministries.

*Decree 3242 of December 1963 established "the reorganization of the Planning Organisation at the national level", and Decree 3243 of the same month established "the structure of the Administrative Department of Planning and its internal staff organisation".

13. The job of the Planning Department is to analyze economic data gathered in the course of studies and research activities by public or private entities and which are deemed relevant to the formulation of national economic policy. At the same time, the Department prepares the General Development Plans as well as the regional and sectoral development programmes. It also acts as "watch-dog" over the short-run position of the Colombian economy and prepares reports for the President of the Republic on matters of national interest. It lends technical assistance to the Ministries and other administrative departments, to the decentralized or autonomous institutions and to the Municipalities that require it. It studies and coordinates the plans submitted to it by local entities and harmonises them with the overall national plans to be presented to the Council for Economic Policy and Planning for consideration. It determines the scope of the investigations to be carried out in the analysis of the different factors that influence national economic development.

(1) Organisation and Functions of the Planning Department

14. The two units within the Planning Department directly responsible for programming the industrial development of the country are the Private Sector Division and the Specific Investment Projects Section.

15. The Private Sector Division, assisted by the Specific Investment Projects Section, analyzes the problems of the private sector and co-operates with industry in the formulation of investment plans. It recommends incentives and other measures designed to encourage private investment, promotes planning centres in manufacturing enterprises and establishes contact with labour groups to secure their understanding and approval of the national development objectives. It also cooperates with private agencies undertaking economic investigation, studies price regulation policies and recommends policies that will tend to avoid restrictive commercial practices. Finally, it directs the studies of the various industrial sectors.

16. The Division is sub-divided into two sections: the Commerce and Industry Section and the Labour and Productivity Section. The Commerce and Industry Section handles the relations of the whole Planning Department with private industry in matters of investment programmes. It evaluates official requests

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for foreign financing, initiates feasibility studies in co-operation with the Specific Projects Division, promotes programmes of technical assistance for small industry and recommends industrial policies with regard to tax privileges, investment incentives, prices, direct or indirect regulation of monopolies and the development of extractive industries. The Labour and Productivity Section prepares estimates on the size and incomes of the economically active population and formulates policies on employment. It maintains permanent relations with labour unions, promotes programmes of industrial training of workers, prepares and analyses statistics on production and studies the problems of rural industry. It also investigates working conditions in the private sector and formulates wage policies.

17. The Specific Investment Projects Division renders technical assistance to governmental organizations on the preparation of specific projects and evaluates the economic characteristics, and maintains an up-to-date national inventory, of such projects.

18. The Planning Department is assisted in its work by an Advisory Committee consisting of two representatives from industry, two from labour and one each from agriculture, commerce, the universities and financial organizations.

(ii) Accomplishments of the Planning Department

19. The primary accomplishment of the present planning organization* has been the preparation and approval by Congress and Government of the General Plan for Social and Economic Development for 1961-1970. The plan's stated objective was "to make a contribution by directing the national efforts, in the economic and social fields, in the following years toward the attainment of an optimum rate of development compatible with availability of resources and the growing participation of poorer sectors of the population in the benefits of progress".

*Other economic planning organizations have existed prior to the establishment of the present ones although none of them succeeded in drawing up an integrated development plan, with precise targets, similar to the General Economic Development Plan of 1961. The first planning organization was the Economic Committee, set up in 1950, which consisted of prominent representatives of the private sector. The Committee was consulted from time to time on matters of national economic importance. It was subsequently replaced by the Planning Committee, an administrative department under an executive director. The main function of this body was to advise the President of the Republic on matters of economic development.

20. More specifically, the plan aimed at achieving a growth rate of the National Product of 5.6% annually at constant 1959 market prices. The Plan embodies a four-year investment programme which is to be revised annually.

(iii) Specific Problems of the Planning Department

21. Because it does not have executive powers, the Planning Department has been only partially successful in its task of co-ordinating the over-all development programmes with the programmes of the ministries, autonomous agencies, regional agencies, and the private sector. At the same time, due to a lack of sectoral programmes it has often been faced with an absence of specific projects in key areas or with conflicting industrial investment programmes.

22. It was the need for closer co-ordination between the plans of various economic ministries and similar organisations that led in 1963 to the re-organization and enlargement of the Planning Council. Under the new arrangement the heads of all the ministries participate in the preparation of programmes which they will be responsible for executing.

23. Likewise, the need to improve the proficiency of the technical staff of the Planning Department led to the standardisation of the qualifications required of its executives. To improve matters still further, the reorganised Department has frequently sought and obtained the assistance of experts from several international agencies.

24. In order to achieve a reasonable degree of uniformity of criteria, methods and goals and to co-ordinate its work at the different levels, the Department has created and oriented the work of planning groups in the various ministries, decentralized institutes, Provinces, regional corporations and important cities. However, these entities, like the Department itself, have suffered from a lack of sufficiently qualified and experienced personnel. As a result, efficiency has been rather low. The situation is however improving, thanks to the appropriation of increased resources for specialised training in national development planning. At the same time, a better understanding and closer co-operation have developed among the various planning organisations. This should lead to improved and more effective planning in future.

III. INDUSTRIAL RESEARCH AND DEVELOPMENT, TESTING AND STANDARDIZATION

A. Instituto de Investigaciones Tecnológicas (IIT)

25. Created in 1955, originally as part of the Caja Agraria and organized as an independent entity by law in January 1958, the Instituto de Investigaciones Tecnológicas (Technological Research Institute) is an autonomous corporation designed to provide governmental, semi-governmental and non-governmental industrial organizations with various industrial services such as feasibility studies and the adaptation of foreign technology to domestic needs and requirements. Its autonomy is provided under Permit No. 0939 of 1958 of the Ministry of Justice. Besides giving assistance to the public and private sectors of industry, IIT also gives substantial assistance to the agricultural and other economic sectors.
26. The agencies sponsoring IIT are: the Banco de la Republica (Central Bank), the Caja de Credito Agrario (the official financing agency for agriculture, industry and mining) and the Instituto de Fomento Industrial (Industrial Development Institute).
27. The IIT has a Board of Directors and a manager elected by the Board. It is organized into departments with the following respective functions:
- a) Applied chemistry and development of new products;
 - b) Chemical products for agriculture;
 - c) Analysis and quality control;
 - d) Engineering;
 - e) Economics.
28. One of the major objectives of IIT is to facilitate the establishment of new industries. For this purpose, it conducts feasibility studies and undertakes special research projects. Some of its research work is aimed at discovering industrial applications of Colombian raw materials.
29. For the already established industries the Institute provides technological and engineering assistance aimed at improved quality control, lower unit costs, efficient recovery of by-products, better utilization of raw materials and greater productivity. The Institute also provides industry with experts able to solve technical problems and give general consultant aid. It assists corporations with programmes of modernization, automation, inventory control, personnel training and production planning. Other activities include studies aimed at simplifying working methods and planning and controlling maintenance.

It also offers advice on equipment and machinery and on possible optimum production scales.

30. The Institute has a laboratory for conducting chemical analysis for the benefit of both industry and the government. It develops standards, specifications and analytical procedures for the purpose of evaluating domestic or imported products and maintains a technical library for the benefit of those in need of data and information on industrial and/or agricultural problems.

31. In sum, the Technological Research Institute has available both human and capital resources to assist both the private sector and the government on many technical and economic problems of industrial development including market studies, product designing, setting up of plants, technical evaluation of equipment, improvement of processes and products and the solution of packaging problems.

32. With support from the United Nations Development Programme/Special Fund the Institute has developed a technical assistance programme for small and medium-sized industries.

33. The programme is complemented by similar programmes organized respectively by the Banco Popular (a semi-official commercial bank) and the Instituto Colombiano de Administracion (a private management organization).

B. Instituto Colombiano de Normas Tecnicas (Colombian Institute of Standards) and National Commission of Technical Standards.

34. The Colombian Institute of Standards is a private sector organization set up in May 1963, and given official legal status by Resolution No. 2996 of the same year by the Minister of Development. It is the sole consultant to the National Government, as well as the sole co-ordinator, in the field of technical standards. Its primary objectives, according to Decree No. 767 of April 7, 1964, are: to provide appropriate technical standards for the industrial development of the country; to promote improvements in product quality; to provide chemical analysis and testing services and establish specifications; to define functional standards for industrial machinery and equipment; to participate in the evaluation of such machinery and equipment and to attend national and international Standards conferences.

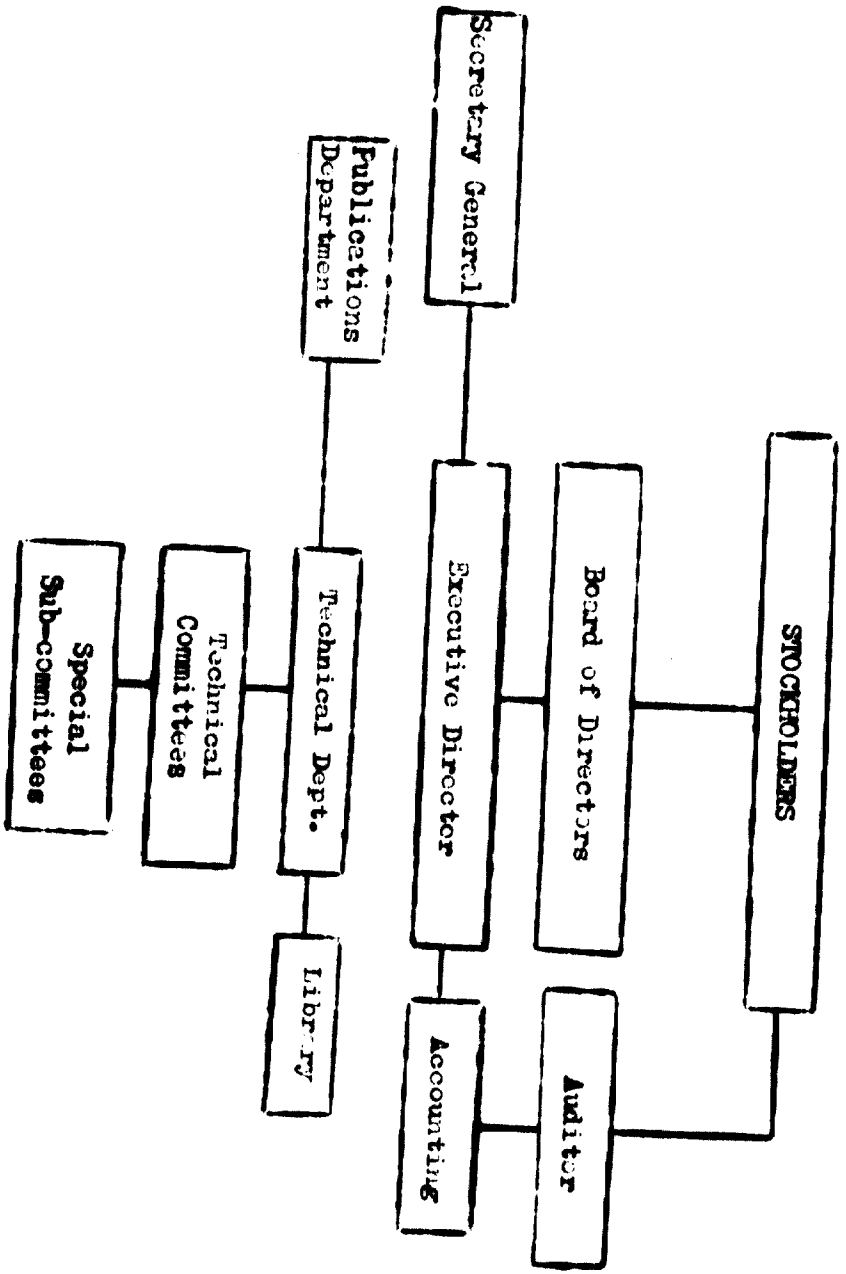
35. Decree No. 767 of 1964, already mentioned above, also created the National Commission of Technical Standards. At present this body consists of representatives of each of the Ministries of Agriculture, Defense, Labour, Public Health, Development, Mines, Education, Communication and Public Works, and a member of the Institute of Standards. The Commission has two main duties: (a) to make recommendations to the Ministry of Development on the adoption of technical standards, and (b) to recommend to that Ministry whether any given standard should be declared optional or obligatory.

36. A standard thus becomes official when the Ministry of Development enacts a special regulation declaring it either an optional or an obligatory standard. Law No. 2399 of Sept. 1965, which established "the application of official technical standards" outlines the mechanism by which the Development Ministry is to ensure compliance with them. The Ministry at its own discretion validates the certificates of quality issued by the Institute of Standards in respect of qualifying products. In addition, governmental and semi-governmental agencies are prohibited from purchasing products requiring technical standards from companies which do not possess the relevant licenses issued by the Development Ministry. In the case of optional standards these agencies can only purchase these products from companies possessing the afore-said certificates.

37. The technical and other staff of the Institute are drawn from national, provincial or municipal governments, decentralized institutes or agencies and from private life. Three of the twelve members of its Board of Directors are appointed by the Government; three others represent the consumer and production sectors and the remaining six are elected by the General Assembly composed of all members of the Institute. The Board directs and administers the programmes of the Institute and also ratifies the standards prepared by its technicians. An Executive Director is responsible for the Institute's administrative and technical matters and is also the liaison between the Institute and outside interests.

38. Most of the Institute's financial support (about 80%) comes from private Colombian enterprise. The rest consists of a substantial contribution from the Industrial Development Institute (government-owned) and income from special services rendered, such as quality control. The Institute is subdivided into technical committees representing production, consumption and

INSTITUTO COLOMBIANO DE NORMAS TECNICAS
(Colombian Institute of Standards)



general interests. These committees are responsible for approving proposals for technical standards submitted to them by specialized sub-committees set up for the purpose. The members of these sub-committees are not on the regular staff of the Institute but outside experts contracted on an ad hoc basis.

39. The Institute's main problem, according to its directors, is a serious shortage of funds. They calculate that its budget should be at least three times the present one. The lack of adequate financial support is held to result in an inadequate number of standards created each year because it is impossible to recruit the required number of permanent professionals (of whom there are at present only five including the director), or enough qualified technicians. It is hoped, however, that more college graduates will be trained through special courses.

40. To date the Institute has adopted 95 technical standards covering different products and processes in the following industrial groups:

- Steel and iron products;
- Fertilizers;
- Construction materials;
- Alcoholic beverages.

In addition, it has adopted provisional or emergency standards for automotive brake fluids and other locally manufactured equipment for brakes and high resistance steel wires for cables.

IV. STATISTICS

The National Administrative Department of Statistics

41. In Colombia, official statistical services date back to pre-independence times in the 1820's. However, the present organization is new and its technical performance is of a high quality. It has centralized the collection, preparation and publication of all of the country's official statistics and censuses.
42. The old National Statistical Office, at one time under the authority of the Comptroller-General and later under that of the President of the Republic, was subsequently organized under Law 2666 of October 14, 1953 into the National Administrative Department of Statistics, because it was felt that "the function of the national control of statistics demands an independent organization".
43. Still another Law, No. 1633 of July 11, 1960, gave the Department a new structure, more in keeping with its new function. Under this, two main branches were created—a technical branch responsible for data collection and an administrative one responsible for such normal administrative functions as budget control, salaries, personnel problems, supplies, information and publication services.
44. The Department also has a planning, co-ordination and evaluation office which assists the heads of the various sections in the preparation of long and short-term programmes in conjunction with the main users of statistics. A legal adviser offers advice on legal problems.
45. The Head of the Department also presides over another organization, the National Council of Statistics, which consists of representatives of the Ministries of Justice, Public Works, Finance, Health, Development, Education and Public Works as well as representatives of the Planning Department, the National University and the Central Bank.
46. The Council has the following functions:
- a) To prepare the government's policies and programmes on statistical matters;
 - b) To advise the National Administrative Department of Statistics on statistical projects and to establish an order of priorities;

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- c) To advise on the suitability of certain official or semi-official organizations as authorized agents for the collection of statistical data;
- d) To recommend statistical research standards to be adopted by the Department of Statistics as well as by other official or semi-official agencies;
- e) To give its views on short and long-term programmes of the Department;
- f) To advise on possible sources of statistical information.

47. The division most directly concerned with industrial development is the Division of Production and Consumption. It prepares monthly salary indexes for manufacturing industry, investigates monthly production of petroleum products, sugar, gold, silver, salt, cement and electric power. In addition, it keeps an up-to-date national register of manufacturing industry, carrying out periodic surveys to determine regionally and by fields of production the number of manufacturing companies, personnel employed, salaries paid, electric power consumed as well as, in a general way, the legal structure of each corporation.

48. This division also keeps statistics of raw material consumption by manufacturing industry as well as raw material levels at the end of each year. According to the Department's reports to the National Congress, its annual budget is grossly inadequate to meet its essential needs.

V. INDUSTRIAL PROMOTION AND ADMINISTRATION OF PUBLIC AND SEMI-PUBLIC ENTERPRISES

A. Ministerio de Fomento (Ministry of Development)

49. The principal function of the Ministry of Development is to ensure that the national development objectives as set forth in the Development Plan are implemented as consistently as possible. To achieve this goal in the industrial sector, the Ministry has organized a Division of Industry and Commerce.

Activities of the Division include industrial economics, technical assistance, industrial research, standardization, and the control and regulation of foreign trade.

50. The functions of the Industrial Economics Section are:

- (a) To propose measures for the development of manufacturing industries;
- (b) To analyze the country's industrial structure as a basis for stimulating dynamic development in this sector;
- (c) To set up regulations affecting the local assembly of foreign components, supervise the fulfillment of contracts entered into by assembling companies with the Ministry and promote the domestic production of local components in accordance with contractual undertakings;
- (d) To co-operate with the Division of Foreign Trade and the Superintendent of Foreign Trade with respect to import substitution;
- (e) To study, in collaboration with interested bodies, investment plans for industry with a view to better use of resources;
- (f) To establish levels of industrial inputs.

51. The functions of the Section for Technical Assistance and Industrial Research are:

- (a) To analyze and evaluate statistics prepared by the other relevant entities with a view to determining the needs and targets of private investment in industry;
- (b) To serve as an information centre for industrialists and other interested parties;
- (c) To publish the results of investigations and studies carried out by the technical divisions of the Ministry.

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52. The functions of the Standards Section are:

- (a) To study the basis for the adoption of standards of quality for both domestic and foreign products;
- (b) To prepare regulations concerning the use of standard weights and measures;
- (c) To study the country's needs for legislation in the areas of standards and weights and measures;
- (d) To carry out directly (or indirectly through the Colombian Institute of Technical Standards) studies and analyses on standards and weights and measures;
- (e) To maintain contacts with similar organizations abroad.

53. The Ministry also has a Division of Industrial Property which consists of two sections dealing with trade marks and patents respectively.

Marks Section deals with the rights and privileges of inventors with respect to industrial inventions, prototypes and designs. Technical studies are prepared and applications for patents evaluated. Extensions or transfers of privileges, and other changes related to patent privileges, are studied and processed.

54. Through these two sections, the Ministry of Development not only deals with industrial property matters but also monitors international technical legislation related to industry as well as the implementation of domestic policy on industrial property.

55. The Ministry of Development, created by Decree No. 1652 of 15 July 1960, superseded the old Ministry of Commerce and Industry which had been in existence since February 1951.

56. The principal problems which this agency faces are similar to those of the other official bodies: lack of funds and of qualified personnel. For budgetary reasons, staff expansions have been tightly controlled, especially in the last ten years, and this has made the Ministry's task of promotion and economic development all the more difficult.

B. Instituto de Fomento Industrial (Industrial Development Institute)

57. The Instituto de Fomento Industrial (IFI) is the official agency created specifically for the promotion of industrial development in the country. It was created by Law No. 1157 of 1940 and re-organized by Law No. 16 of 1963 as a finance corporation.
58. Initially, the Institute concentrated on promoting basic industries which private investors did not find sufficiently attractive. Funds are made available to the Institute by the Government for investment in these industries which once they attain profitable operation are sold to private investors.
59. The principal objectives of the Institute, according to Decree No. 936 of 21 April 1964 establishing regulations pursuant to Law No. 16 of 1963, are: (a) to promote the establishment, expansion or merger of enterprises, based on Colombian raw materials, in the basic industries sector which private capital has not been able to develop satisfactorily; (b) to promote directly or indirectly the sale of domestic products both locally and abroad, and (c) to carry out all other activities stipulated in Law 16 of 1963.
60. The operational programmes of the Institute are guided by these broad objectives. Thus the Institute promotes the establishment of new industries and contributes financially and technically to the reorganisation of existing ones. It also stimulates private investment by purchasing the shares of, or providing working capital for, qualifying industrial enterprises as well as by floating new issues of bonds and debentures. In addition IFI provides industrial loans and guarantees loans provided by other lending institutions. By intervening in the national capital market when necessary, it also helps to channel a portion of national savings into industrial investment.
61. The open market and other financial operations of the IFI include the following: (a) bond issues, secured with IFI assets or guaranteed by the National Government; (b) subscription to obligations issued by third parties; (c) issue of bonds either in the country or abroad and in foreign or national currency; (d) undertaking fiduciary and other contracts; (e) carrying out all other financing and promotional operations authorized by its organic law.

62. IFI is governed by a Board of Directors which consists of the following: the Ministers of Finance and Development respectively, the General Manager of the Banco de la Republica, the General Manager of the Banco Central Hipotecario, (as long as this last maintains its share-holding), and one member appointed directly by the President of the Republic. If and when the Banco Central Hipotecario disposes of its shares, the President will appoint two members to take its place on the Board.

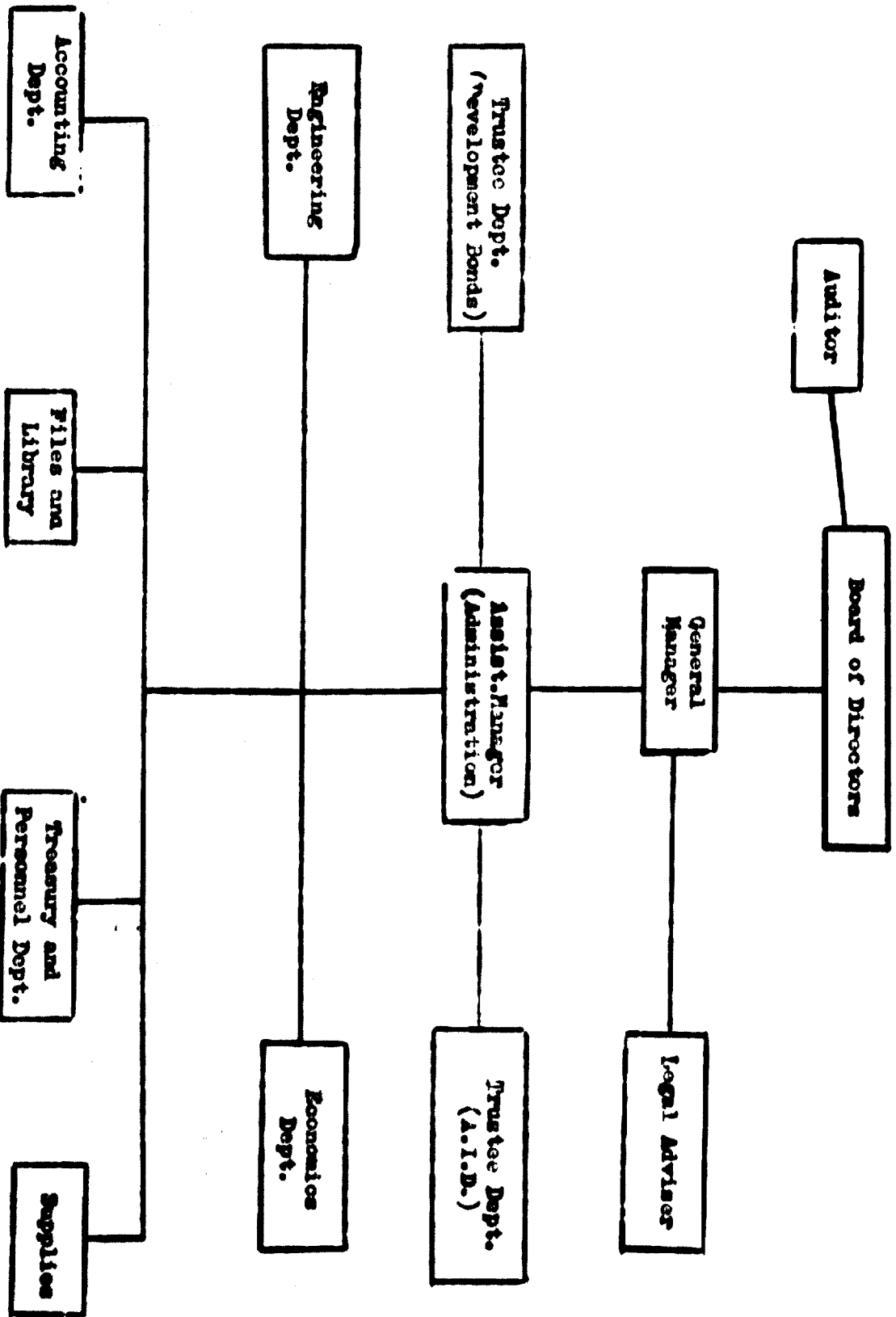
63. It is the President who also appoints substitute directors. A General Manager is responsible for the day-to-day administration of the Institute and serves also as its legal representative. The functions of the Board are:

- (a) To set the Institute's operating policies and approve work programmes submitted to it by the General Manager;
- (b) To approve the internal organization structure of the Institute;
- (c) To appoint and remove senior officials of the Institute and to determine the conditions of service of its employees;
- (d) To examine the accounts of the Institute and any profit distribution proposals which the General Manager may present.

64. The Institute is divided into four main Departments: Legal, Administrative, Economic and Engineering. (See Chart).

65. During the 25 years of its existence, the Institute has assisted the establishment and/or expansion of several basic and other industries, the most notable examples of which include the Acerias Pas del Rio, S.A. (Steel Mills of Pas del Rio), the Industria Colombiana de Llantas, S.A. (Colombian Tiro Co.), the Planta Colombiana de Soda, (Soda Ash Plant) and the Celulosa y Papel de Colombia, S.A. (Colombian Pulp and Paper Co.). The Institute also serves as a holding company for a number of ventures, including firms in the agricultural equipment, cement and coconut-oil industries and has equity interests in many others.

DEPARTAMENTO DE FOMENTO INDUSTRIAL
(Industrial Development Institute)



VI. AGENCIES FOR FINANCING INDUSTRIAL DEVELOPMENT

A. Banco de la Republica (Central Bank)

66. The Banco de la Republica was established by Law No. 25 of 1923 and began operation in July of that year. It is governed by a Board of Directors consisting of the following: the Minister of Finance, the Minister of Development, one member appointed by the President of the Republic, one representative each from the national banks, semi-official banks, farmers and cattlemen's associations, Coffee Growers Federation, the Chamber of Commerce, the National Association of Industry (ANDI) and the National Federation of Commerce (FENALCO). A General Manager appointed by the Board serves as the Bank's chief executive officer.

67. Apart from carrying out normal central banking activities, the Banco de la Republica undertakes a number of activities designed to accelerate realization of the country's development objectives. Notable among these is the creation of an investment fund, The Private Investment Fund (PIF), through which foreign financial assistance is channeled into investment projects. Resolution No. 11 of March 1963 under which the PIF was established provides that resources of the Fund shall be used in the financing of private investment in basic activities and manufacturing industry. These activities are selected on the following priority basis:

- a. Diversification and promotion of exports;
- b. Elimination of bottle-necks in the production of goods and services, particularly the production of export goods;
- c. Import substitution.

68. PIF loans, which are normally made through the commercial banking system, can only be used for financing fixed assets, such as machinery and equipment (of local or foreign manufacture), buildings, installation of machinery and the cost of technical pre-investment studies. Under special circumstances, other types of expenditures may be financed. The intermediary commercial banks, apart from administering PIF loans, educate the private sector on the role of the PIF, assist private investors in project preparation, publicize the investment potential in certain selected industries and supervise the use of PIF loans.

69. The Board of Directors of the Bank is responsible for negotiating foreign credits on behalf of PIF and for guaranteeing such credits. It supervises the use of PIF resources, reports periodically on PIF activities and ensures that both the PIF and the financial intermediaries observe all applicable regulations.

70. To date PIF financing has been extended to enterprises in the following branches of industry: food, tobacco, chemicals, petroleum and coal, textiles, footwear and clothing, paper, wood, printing, rubber, basic metals, non-ferrous metals, metal products (including electrical and non-electrical machinery).

71. The Bank pursues a selective credit policy designed to encourage certain industries that are vital to the country's economic development. It also exercises certain administrative powers delegated to it by the Government with respect to certain industrial operations, such as the production of salt and its by-products, emerald mining and emerald cutting.

B. The Caja de Credito Agrario, Industrial y Minero

72. Established in 1931, the Agricultural, Industrial and Mining Credit Bank is the largest banking institution in the country. As the name suggests, most of the Bank's financing operations are designed to promote the development of agriculture, but it also finances small-scale industries which utilise agricultural raw materials.

73. The Bank's Board of Directors consists of the Minister of Agriculture (President), the Minister of Finance, one representative of the Government, one member of the Farmers Association and one member of the Federation of Coffee Growers.

74. Between 1964 (when its industrial credit plan was put into effect) and 1965 the Bank approved loans for 902 small and medium-sized enterprises, most of them in the food and ferrous metals industries (each of these two accounting for 28% of the approved loans).

75. In 1966 the Bank negotiated a loan from the Inter-American Development Bank with which to finance 5,800 small and medium-sized companies over a four-year period. The money was to be used by these companies for working capital, purchase of raw materials, equipment, machinery, land and buildings.

76. The Bank has also subscribed to the shares of small manufacturing industries which use agricultural raw materials and has, in particular, contributed one-third of the initial capital of the Artesanias de Colombia Ltd., a concern which promotes rural industries and artisan production and which has the backing of US-AID.

C. Banco Popular

77. Founded as a mortgage bank in 1948, the Banco Popular was re-organized in 1959 under Law No. 29 of that year. Originally its principal purpose was to provide credit for small enterprises. Following its re-organization, its main function was enlarged to include the provision of credit for the establishment, expansion and development of small and medium-sized industries. It is partly financed by the Government and its Board of Directors includes 3 representatives of the Government and 2 of private shareholders. In 1961 it signed a contract with the Technological Research Institute whereby a group of experts from the Institute, in co-operation with representatives of various governmental and non-governmental bodies, would undertake a national study on the state of small and medium-scale industry and formulate an appropriate development programme.

78. Other institutions, operating mainly outside the industrial field but providing financing on a small scale to encourage industries using raw materials of particular interest to them, include the Banco Cafetero (the Coffee Bank) and the Banco Ganadero (the Cattle Bank).

VII. TECHNICAL AND MANAGEMENT TRAINING

A. The National Training Service (Servicio Nacional de Aprendizaje)

79. The Servicio Nacional de Aprendizaje (SENA) was created in 1957 (Decree No. 113) for the purpose of providing training for skilled workers primarily in industry but also in commerce and agriculture. The Service is governed by a National Council which consists of the Ministers of Public Works and of Education and representatives of the National Association of Industrialists, the National Federation of Commerce and of agricultural, labour and religious interests.

80. The chief executive officer of SENa is the National Director who is appointed by the Government from a slate of three candidates proposed by the National Council. He is a member of the Council but has no vote. He is also the legal representative of SENa. His other duties include planning and organizing the various activities of SENa, identifying and analyzing the needs of affiliated organizations, conducting surveys and research to determine the needs for skilled labour in the various sectors of the economy and generally carrying out the routine administration of SENa.

81. At present, SENa has 39 centres, 11 of which are concerned with training for industry. This effort is part of the first 4-year plan. During the next 4-year plan, it is envisaged that a total of 51 centres will be constructed.

82. The local centres are organized in the same way as the national body, with local boards of directors consisting of representatives of the various economic and social groups.

83. SENa is partly financed from a levy equal to two per cent of the wage bill of enterprises with a paid-in capital in excess of Ps. 50,000 (US \$3,000 approximately). The rest of its financial support is provided by the Government.

B. School of Public Administration

84. Although primarily designed to provide training for civil servants, the School of Public Administration (Escuela Superior de Administración Pública) has also helped with the training of personnel for industry. It was set up in 1960 under Legislative Decree No. 350 which defines it as a public establishment at university level with jurisdictional, administrative and financial autonomy.

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85. The School consists of five units: the Faculty of Administrative Sciences, the Colombian Institute of International Studies, the General Administration Institute, the Social Administration Institute and the Government Planning Institute. The first-named Institute deals with long-term problems involved in the training of civil servants, while the General Administration Institute provides courses designed to improve the efficiency of civil servants at the middle and higher levels. The latter also provides regular courses for college graduates in management and executive positions both in the public service and in private industry.

86. The Institute of Government Planning, now in the process of being organized, will concentrate on the training of middle and high level personnel for the Planning Department and the planning units to be set up in the various Ministries.

87. Other agencies whose activities affect directly or indirectly the skills of industrial workers are the National Civil Service Commission, the Civil Service Department and the Civil Service Office in the Council of State.

C. The Universities

88. Formal education and training in industrial arts is provided in all of the country's universities, the most important of which is the Industrial University of Santander in Bucaramanga founded in 1947. This University provides specialist training in mechanical engineering, metallurgy, electrical chemical and petroleum engineering as well as in administration and factory management. Other universities providing similar courses of instruction include the University of Valle located in Cali, the National University (Medallin Branch), the Pereira Technical University and the Pedagogical University of Colombia at Dunja, Boyacá.

VIII. ADVISORY EXTENSION SERVICES

A. The National Productivity Centre (CNP)

89. This Council was created in 1960 under Decree No. 1469, which reorganised the Ministry of Works, and was made operational by Decree No. 120 of 1963. According to the latter Decree, the principal function of the CNP is to co-ordinate, develop and improve those activities likely to increase productivity in all areas of the national economy.

90. The policy-making body of the CNP is the National Productivity Council which consists of the Minister of Labour (Chairman), the Ministers of Development and of Education, the Director of the National Training Service (SENA), the Head of the Planning Department, the Secretary of the Public Administration Organization, two representatives of private employees organizations, two representatives of employers organizations and a representative of consumers. The day-to-day administration of the Centre is the responsibility of the Director of the Centre appointed by the Board. His duties include organizing and directing the affairs of the Centre, maintaining liaison with national and international organizations concerned with productivity and carrying out such other duties as may be assigned to him by the Council.

91. The internal organization of the Centre consists of the following:
Administrative Council -- as the executive committee, responsible for setting the budget of the Centre as well as its schedule of charges for services rendered to public and private users; also responsible for authorising the recruitment of any additional temporary personnel required by the Centre for such purposes as organizing training courses, seminars and research activities.

Research Section -- headed by a Director of Research and responsible for all research activities in the field of productivity carried out in selected sectors of the economy or in specific enterprises; also responsible for co-ordinating the research activities of other entities in the field of productivity.

Training Section -- responsible for all training programmes pertaining to productivity and for promotional activities aimed at increasing productivity; also responsible for conducting special courses for management and supervisory personnel on all aspects of enterprise management.

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Economic and Labour Advisory Section -- responsible for conducting studies designed to assist the Government, employers as well as labour in the use of proper techniques to achieve greater productivity; also advises the Ministry of Works on market, financial and wage conditions in the country.

Administrative Section -- serves as the Secretariat of the Centre and provides facilities for organizing conferences, seminars and study groups; also responsible for minor information programmes and for approving minor expenses.

92. Like many of the other institutions, the Centre is hampered in its work by a shortage of qualified manpower; even its executive Head has had to be changed rather frequently. For this reason as well as for budgetary ones, the activities of the Centre have been on a somewhat modest scale. Nevertheless, in 1965 the Centre was able to handle enquiries from some 30 industrial enterprises in such matters as raw materials usage, production processes, product design and personnel administration.

B. The National Productivity Association

93. This is an association of business, labour and Government interests aimed at promoting productivity in all areas of national economic endeavor. It was formed in November 1965 when its Act of Incorporation was signed by representatives of 23 organisations from both the public and private sectors. It acquired juridical status on 23 February 1966 when Justice Ministry Resolution No. 543 came into effect.

94. The governing council of the Association is the General Assembly of Associates, the membership of which consists of the following: Minister of Development (Chairman), the Director of the Colombian Institute of Administration (INCOLDA), representatives of the Ministry of Works and the Planning Department, two representatives of the major labour unions—Union of Colombian Workers (UTC) and the Confederation of Colombian Workers (CTC), one representative each of the Permanent Committee of Producers Associations, the National Association of Publicity Agents, the Colombian Building Industry, the Colombian Institute of Administration, the Colombian Institute of Standards, the Small Industry Association as well as the Director of the National Training Service (SENA).

95. The Association has an Executive Director appointed by the National Committee, a Technical Director, an Administrative Department and a group of consultants.

96. The Executive Director is responsible for preparing the Association's periodic reports which are normally addressed to the Minister of Development who is President of the National Committee. The Director is also responsible for the day-to-day administration of the affairs of the Association and for making its objectives known to the public. As the legal representative of the Association he is empowered to sign contracts with outside organizations, in particular those providing technical assistance in the field of productivity.

97. The Technical Director maintains contact between the National Association on the one hand and its autonomous regional or local centres as well as the Government on the other.

98. The services provided by the Association to its member organizations are financed, at least in part, by the voluntary contributions of those organizations as well as by Government grants and subsidies. In 1966, a year which was declared as "Productivity Year", the Association played a leading co-ordinating role in the campaign for greater productivity both in private industry and in the civil service. The success achieved by the Association is reflected in the fact that in its first year of operation it doubled its membership and by 1966 had organized some 35 seminars, conferences, regional committee meetings and union and producers' meetings; it has also published a number of information bulletins and brochures covering its activities in the field of productivity.

99. Extension services are also provided by a number of other organizations and agencies. These include the Planning Department through its sections on labour and production, the School of Public Administration through its training courses, the Technological Research Institute which provides productivity improvement assistance to manufacturing enterprises, the National Training Service (SENA) through its apprenticeship programme and the Industrial Development Institute through its loan programme for special studies on productivity.

II. LEGAL AND REGULATORY PROVISIONS

100. Government regulation is exercised over such matters as industrial property, industrial standards and imports. One form of import regulation relates to enterprises importing foreign components to be assembled locally.
101. The Division of Industrial Property at the Ministry of Development is responsible for the administration of patents and provides information on this matter to investors on request. The country's principal legislation on industrial property is the Trade Marks and Patents Code of 1923. Recently, in 1965, this Code was supplemented by Decree No. 2619 of 1 October the principal requirement of which is that every manufacturing enterprise, in order to be able to file an income tax return and/or to obtain an industrial loan, should be registered with the Ministry of Development through the Chamber of Commerce.
102. The administration of industrial standardisation is also the responsibility of the Ministry of Development whose Section on Qualities and Standards cooperates with the Colombian Institute of Technical Standards. Under Decree No. 2399 of 9 September 1965 all enterprises manufacturing industrial products which are subject to technical standards are required to have a manufacturing licence. The Section on Qualities and Standards is empowered to exercise control over inventory purchases by official and semi-official organs designed to ensure that purchases of products which are subject to technical standards are made only from enterprises with the necessary licence.
103. Another unit of the Ministry of Development, the Office of Economic Regulation, is responsible for price policy covering a wide range of "essential" industrial products. Enterprises whose products fall within the "essential" category are required to obtain special permission from this Office before they can effect any price changes.
104. Selective import control is exercised by the Office of Foreign Commerce, another unit within the Ministry of Development. The purpose of this is to protect local industry from undue foreign competition.
105. Finally, the Office of Public Companies is responsible for regulating the activities of publicly owned corporations (except the credit institutions which come under the jurisdiction of the Superintendent of Banking). It is the responsibility of this Office to ensure that public corporations fulfil their legal requirements and that the rights of their shareholders are

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protected. It ensures that the accounts of such corporations are presented in accordance with standards prescribed by law and that they are duly audited by qualified public auditors.

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