

COLOMBIAN NATIONAL BUSINESS COUNCIL

recommendations for promoting the sustainability of private investment and business in the zones most affected by the armed conflict, ZOMAC

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“Policy organizations (...) judge success based on whether planned products are delivered through an efficient process; not whether policies solve the problems that warranted intervention in the first place, or whether the policies promoted development outcomes. Is this how citizens would want their public policy organizations to conceptualize success? (Andrews, 2018)”

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1. INTRODUCTION

The National Business Council (which is the Consejo Gremial Nacional, or CGN, in Spanish) brings together Colombia's most important industry and business associations which represent the country's productive apparatus. The CGN is a permanent forum of dialogue that generates opinions and concrete actions in economic policy, competition, quality employment, the fight against poverty and corruption, regional integration, peace agreement implementation, and more, which are essential to our country's economic development and welfare generation.

Following the peace agreement in October 2017, the Colombian government established 344 municipalities as the most affected by the armed conflict through the decree of 1650 /2017. This group of municipalities form what is referred to as the ZOMAC, with 170 municipalities also covered under the PDET initiative. The aforementioned decree regulates tax incentives in these selected regions to promote the creation and sustainability of new businesses. In order to benefit from this special tax program, local businesses must meet a certain set of investment and job creation conditions explained in the Annex 3 of the decree. Earlier that year, the government initiated the PDET (*Planes de Desarrollo con Enfoque Territorial*) initiative, created by the decree 893 /2017 as a legal way to regulate the chapters 1.2 and 6.2.3 established in the *Final Peace Agreement with FARC*. The PDET covers 16 regions and 170 municipalities.

The current administration has focused its efforts in the PDET regions, recognizing these 170 municipalities as priority, and the plans to assist these affected communities are sure to help them immensely. However, there are still 174 other municipalities affected by the armed conflict that are yet to receive attention. In order

for the regions to truly transform and escape from poverty, conflict, informal business, and more, it is imperative that the government efforts cover all 344 municipalities.

In this context, the CGN has decided to prepare this document to generate recommendations for the national government to strengthen the creation and support of businesses in the ZOMAC; the regions declared in Colombia to be the "Zones most Affected by the Armed Conflict."

A primary source of information for the consulting team was the survey administered by the CGN in May and June of 2019 to business owners and authorities in the areas most affected by conflict. The technical data sheet for this survey can be found at the end of the document.

This document combines the perceptions of those surveyed, secondary sources, and the available literature to produce these recommendations. The information was grouped into the different barriers business owners face to creating, operating, and growing their businesses. The categories for analysis were thus defined as:

- The institutional environment and its role in the sustainability of business activity in the ZOMAC.
- Infrastructure Investment to support business activity in the ZOMAC.
- Corruption and confidence in the public sector for the sustainability of business activity in the ZOMAC.
- Conditions for the operation of businesses in the ZOMAC
- Security perceptions and conditions in the ZOMAC.

Among the sources consulted, *The National Development Plan Foundations* (in Spanish:

Documento Bases del Plan) provides a good discussion of the general problems faced by companies across the nation. Such discussion is found mainly in its Pacts I, II, VI, VII, VIII and XI. The National Development Plan creates a unique roadmap for the implementation of the **stabilization policy** which gives explicit priority to the 16 PDET regions that are part of the zones most affected by the armed conflict.

This document is the result of a cooperation agreement between the CIPE and the CGN with the objective of proposing recommendations to promote private investment and support the sustainability of businesses in these affected areas.

The ZOMAC municipalities are heterogeneous, and therefore the recommendations made in this document are of a general nature.

2.

EXECUTIVE SUMMARY- PRIORITIZED RECOMMENDATIONS



This document proposes a series of recommendations based on the survey realized by the CGN and some relevant secondary sources. This survey was conducted between May and June of 2019 with 415 business owners and 81 local authorities. The data provided by this research is the primary source of the recommendations that are focused on the promotion of private investment and support the sustainability of businesses in the ZOMAC.

Although the following are the prioritized recommendations organized by defined analysis categories; all of them should be considered to be part of a holistic, more complex long-term approach:

Institutional Environment

Design **specific lines of action for government programs** that support entrepreneurship and the sustainability of business activities **in line with the reality of the region.** Procedures must be streamlined and requirements simplified for access to these benefits. These programs must be designed and funded with the long-term vision of promoting sustainability of the public/private investments.

Tax regimes must be simplified along with payment procedures. The cost of opening a new business must be lowered to cement their creation in the ZOMAC. Obsolete regulations and duplicate procedures in many of these municipalities should be a priority of the government program “Simple State, Agile Colombia”

The roadmap for international cooperation must include **a clear focus on developing formal business** activity in the regions affected by the armed conflict and empowering private investment as an engine for the municipal economy.

Infrastructure and Connectivity

Provide stronger technical support for mayors to structure projects. This will help

mayors present projects that are technically and financially solid, so that they can obtain resources through the General Royalties System. The technical secretaries of the Collegiate Bodies for Administration and Decision (OCAD in Spanish) that cover the ZOMAC must also accompany the institutions in the sector to structure, prioritize, and receive approval for projects.

Generate better investments in connectivity and Internet access in these zones. This is as important as access to ground transportation, but perhaps increasingly relevant for service industries and the development of human capital. Colombia currently holds position 84 out of 140 in terms of suitable adoption of ICT’s (World Economic Forum, 2018).

Corruption and confidence in the public sector

Standardize terms and conditions to facilitate access by small and medium-size companies to public contracts. Local small and medium-size companies can benefit from public contracts with the right support or as part of larger alliances, becoming more competitive organizations.

Conditions for operation

There must be **clear policies to promote the diversification of local economies in favor of more dynamic business environments.** In 2017 Prof. Ricardo Hausman stated the following relative to the challenges of the Colombian economy: *“Policy in general has not been very bold in the area of promoting diversification. It has been very bold in the area of free trade and opening up the economy, but not very bold in promoting the ability of the national productive apparatus to respond to those challenges.”* (Portafolio, 2017). According to the business owners surveyed in the ZOMAC, 40% of them state that their business is commerce, approximately 40% classify themselves in the service sector, and less than 20% are distributed among manufacturing, construction, agricul-

ture, and others.

It is urgent to reduce the costs associated with formal employment in order to promote sustainability and reduce social risks that could be derived from high unemployment rates. **65% of the companies in the ZOMAC believe that mandatory benefits make it very expensive to pay a formal employee.**

In addition to the high costs, the government must address the presence of Venezuelan migrants in these zones that “are willing to accept [job] conditions that the native population will not accept” (Fedesarrollo, 2018), in order to stop the growing unemployment rates.

Security

Joint efforts with the national government, local authorities, local stakeholders, and international cooperation should be targeted to **create community-based safety programs, improve micro-infrastructure, and increase awareness of security procedures and safe communication channels.** Such initiatives are urgent in the ZOMAC municipalities where perception and victimization are considerably higher than average in Colombia.

3.

OBSERVATIONS AND FINDINGS RELATIVE TO THE INSTITUTIONAL ENVIRONMENT AND ITS ROLE IN THE SUSTAINABILITY OF BUSINESS ACTIVITY IN THE ZOMAC



The purpose of the ZOMAC is to accelerate the growth and development of the regions that have been the most affected by the conflict; a task that is only possible through private investment. In reference to these areas, on October 10, 2017, then Minister of Finance Mauricio Cárdenas stated to the Portafolio daily:

“These are 344 municipalities that will take a faster road to development, facilitating the arrival of different enterprises through attractive tax benefits. What is most important: this is not just for agriculture. They are going to be able to set up businesses in trade, transportation services, construction, real estate activities, tourism, education, healthcare, automobile repair shops, car dealerships, and telecommunications.” (Portafolio, 2017)

The institutional environment should be a strong partner in helping business activity grow in these regions. The ZOMAC require properly designed public policies and the implementation of pertinent and coordinated plans and programs that promote entrepreneurialism and the sustainability of investments regardless of the size of the business.

A valid case is proposed by CIPE regarding the PDET municipalities on how State actions can positively impact local economies. According to CIPE, the presence of the Colombian State is one of the highest forces that could promote economic growth and a healthy strong business environment. Not only have budgetary transactions from the national level to the local authorities contributed to a more dynamic market, but as the State is the main consumer, a quick-win strategy may be found if more local businesses can access public procurement contracts (CIPE, JA&A, 2019).

a. National Government Programs that Support Business Enterprise and Sustainability

Less than 3% of entrepreneurs and business owners in the ZOMAC have benefited

from the efforts and resources government programs have invested across the nation. A sample of 9 national government programs, incentives, and initiatives that promote the development of businesses, support entrepreneurialism, or strengthen the business climate so that the private sector can compete and grow, were examined. These initiatives, despite the investments that have been made in the nation, are unfamiliar to business owners and entrepreneurs in this zone, with an average of 85.8% of them having no knowledge of the programs.

Of those surveyed, 14.2% are familiar with the programs, but of this percentage only 20% have been able to benefit from the programs. In other words, less than 3% of all business owners and entrepreneurs in the ZOMAC have benefited from these programs. It is recommended to review the initiatives of the Department for Social Prosperity, the Ministry of Information and Communications Technology, and PROCOLOMBIA, because more than 93% of the surveyed business owners are unaware of their initiatives.

In addition, 63% of those who have heard of the national government programs do not benefit from them. They consider the paperwork to be burdensome, the process to access the programs confusing, and the benefits unclear. In the same way, 26.5% of the local authorities stated that the positive impact of the programs in their regions is not clear and the programs are difficult to access.

Local authorities are aware of the need to improve the relevance of the programs in their territories; 46.9% of the authorities surveyed believe that the next local administrations should focus their efforts on financial mechanisms that facilitate the creation and sustainability of local businesses. The need is clear and recognized in the National Development Plan Foundations where it states, *“financing for the early stages of ventures will permit the new companies to make investments and innovate products and processes, in such a way that the business fabric will produce goods and services with a*

greater value added and help make the country's productive structure more sophisticated." (Departamento Planeación Nacional, 2019). It would appear, however, that the current initiatives are not completely in line with this proposal, and definitely do not specifically target the zones most affected by the armed conflict.

Although Pact II of the National Development Plan Foundations document states that it is, *"in favor of enterprise, the formalization of businesses, and productivity: a dynamic, inclusive, and sustainable economy that empowers all of our talents"* (Departamento Planeación Nacional, 2019), it does not currently target all the ZOMAC regions. The National Development Plan Foundations recognizes this problem, however, there are still no clear strategies to resolve it that have been translated into law or regulations.

Even though, these government programs, incentives, and initiatives can be very beneficial to businesses in this affected region, in this case, the intended outcome did not occur. In order to ensure equal opportunity access, it is necessary for government officials, local authorities, and those who are heading these governmental aid programs to clearly articulate the steps that need to be taken to benefit from these initiatives. It is also important to clearly articulate and streamline the paperwork process, as even those who have heard of the programs do not participate because it is confusing. If ZOMAC businesses are able to access these initiatives they will be more likely to be sustainable, and these successes will contribute with the economic and social development of the region in the long-term.

The following table presents the initiatives analyzed. Some correspond directly to those mentioned in Pact II, Chapter A *"Environment for growth: formalization, entrepreneurialism, and invigorating business"* in the National Development Plan Foundations document (Departamento Planeación Nacional, 2019). Programs such as INNpuls Colombia were designed

more than 6 years ago and are still running. INNpuls Colombia is an initiative led by the Ministry of Trade that promotes *entrepreneurship, innovation and productivity as the path for business development and Colombia's competitiveness* (INNpuls Colombia, 2019); the national government identified it as one of the key programs in the PND. Even with the great effort and good results this initiative has presented over the years, the impact in the 344 municipalities is almost unknown.

It is important to bear in mind that institutions have different systems for reporting and quantifying efforts and investments made. A direct comparison therefore cannot be made.

Program/ Initiative	Entity / Sector	% Unfamiliarity	Amount (COP millions)	Comments
Fondo Emprender (New Business Fund)	SENA	60.7%	\$130,912	Resources executed by Fondo Emprender for fiscal year 2018 ¹ .
Credit solutions	Banco Agrario	77.8%	(N/R)	
Rediscount credits	BANCOLDEX,	79.3%	(N/R)	
ZOMAC tax incentives	DIAN	88.7%	(N/R)	
INNPULSA Colombia	Ministry of Trade	89.4%	\$117,000	Resources mobilized by INNPULSA in the year 2017 ² .
FONTUR (National Tourism Fund)	Ministry of Trade	93.5%	\$9,212	The institution reports a total budget of \$50,212 million for 2018; of which it allocates \$9,212 for strategies with a regional focus ³ .
PROCOLOMBIA	Ministry of Trade	93.7%	\$93,102	The institution reports this amount as promotion expenses for the year 2017 ⁴ .
Open Tenders	Ministry of Information and Communications Technologies	94.5%	\$2,000	Resources for the Crea Digital program for the year 2019 ⁵ .
Mi Negocio (My Business)	Social Prosperity Department, DPS	94.7%	(N/R)	The Department reports payments in the amount of \$51,386 million pesos for productive inclusion in the year 2018, but it is not broken down by program ⁶ .

1. Source: SENA, Informe de Ejecución de Presupuesto de Gastos de Ley a diciembre 2018 (Report on Budget Execution of Legal Expenditures as of December 2018) <http://www.sena.edu.co/es-co/transparencia/Paginas/presupuesto.aspx>

2. Source: INNPULSA COLOMBIA, Informe de gestión 2017 (Management Report 2017), https://innpulsacolombia.com/sites/all/themes/sitetheme/assets/informe_innpulsa2017.pdf

3. Source: MINCIT (Ministry of Information and Communications Technology), Respuesta de Min Comercio a la Proposición 02, 03 y aditiva de 2018 de la Comisión Sexta de la Cámara de Representantes (2018/08/23) (Answer from the Ministry of Trade to Propositions 2, 3, and the addendum of 2018 by the Sixth House Committee, August 23, 2018), http://www.camara.gov.co/sites/default/files/2018-08/Respuesta%20MinComercio%20-%20Proposici%C3%B3n%2002%2C%2003%20y%20ad%20Presupuesto%20Turismo_3.pdf

4. Source: PROCOLOMBIA, <http://www.procolombia.co/nosotros/transparencia/presupuestos>

5. Source: MINTIC (Ministry of Information and Communications Technology), (2019/06/10) <https://www.mintic.gov.co/portal/604/w3-article-100433.html>

6. Source: DPS (Department of Social Prosperity), Informe de ejecución presupuestal a diciembre de 2018 (Budget Execution Report as of December 2018), <http://www.dps.gov.co/ent/ifc/Paginas/Ejecuci%C3%B3n-Presupuestal.aspx>

Other initiatives led by the International Cooperation are also poorly recognized by the ZOMAC business owners, as 94.7% are unfamiliar with international cooperation efforts. This was especially true in the northeast of the country, where unfamiliarity was 97.5%, and in the south where it reached 96.7%.

According to the final report of the Presidential Agency for International Cooperation (APC), in the year 2018 international cooperation resources for peace-building were recorded in the amount of USD\$130,413,561. Nevertheless, cooperation commitments, as shown in the following table, totaled approximately USD\$275 million for financing the post-conflict (Agencia Presidencial de Cooperación Internacional, 2019).

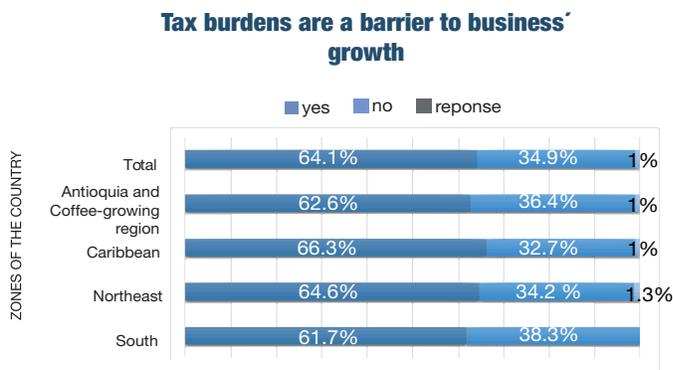
Financing Fund	Object	Amount	Year of completion
United Nations Peacebuilding Fund	Quick response strategy	USD \$85,668,040	2019
United Nations Peacebuilding Fund	High-risk investments in pdet municipalities	USD \$28,786,690	2022
World Bank and Sweden	Social infrastructure	USD \$7,100,000	2019
Fondo Europeo para la Paz	Rural Development and reincorporation	USD \$108,338,000	2020
Abu Dhabi fund for development	Development centers and smes	USD \$45,000,000	Open
	Grand total	USD \$274,892,730	

Source: (Agencia Presidencial de Cooperación Internacional, 2019)

A healthy 67% of the local authorities in these municipalities believe that the productive projects financed by international cooperation have had positive results on their communities.

b. Tax Policy for Business Activity in the ZOMAC

88.7% of the business owners surveyed are unaware of the specific tax incentives for the ZOMAC and only 4% state they have benefited from them. Of those surveyed, 64.1% identify the tax burden as a barrier to the growth and sustainability of their businesses in the regions where they operate.



Bearing in mind that 87% are micro-enterprises that can face tax rates of up to 117.9% of their earnings (Gómez & Steiner, 2015), it is a cause of concern that they are not accessing this benefit. In fact, 23.5% of the local authorities believe this special tax regime has not had a positive impact on the companies in their municipalities.

According to the World Bank, despite the efforts implemented to facilitate tax payments (where Colombia receives a score of 79.8 on a scale of 100), the overall tax rate receives one of the worst scores⁷ with 42.2 /100 points. Colombia is not well positioned when compared with the average for Latin America, which is 65.9/100, and the situation is even more serious when compared with the average for OECD countries, which is 78/100 (Banco Mundial, 2017).

⁷ Doing Business records the taxes and mandatory contributions that a medium-size company (the taxpayer) must report or pay during its second year of activity, as well as the administrative burden of processing, filing and paying them. The indicator includes the number of payments (the frequency of the returns and payments of each tax and the payment method), the time (in hours per year) and the total tax rate entrepreneurs must pay as a percentage of their commercial profit (earnings). It records the time to comply with and obtain VAT refund (or tax on goods and services); the time it takes to do a tax audit of the companies and the time it takes to conclude said audit. (Banco Mundial, 2017)

Although the design of the ZOMAC decree considered the difficult socio-economic situation of the municipalities, the conditions for accessing the benefits do not reflect the dynamics of these regions. In addition to insufficient dissemination of information about the tax incentives, the required levels of investment and job creation do not reflect the realities of the local context.

Nevertheless, the Colombian government has created an innovative mechanism named “Obras por Impuestos” – Decree 1915 /2017- that allows private companies to invest up to the 50% of their tax obligations in development of projects on energy, water, public health, public education and roadway networks, among the ZOMAC. Today, 41 companies have invested more than COP\$247,000 million in 57 municipalities (Agencia para la Renovación del Territorio, s.f.). A similar regulation has recently been developed for the investment of royalties from the mining & energy sector.

c. Regional Development Plans (POT, PBOT, and EOT) in the ZOMAC

45.1% of the business owners in the zones most affected by the armed conflict perceive that POT do not affect them, while 21.9% are unfamiliar with them or do not know what their purpose is.

The importance of Regional Development Plans (POT for the Spanish) to developing a business in Colombia is close related with land-use regulations, even in the ZOMAC where 50.8%⁸ of all properties are urban. POTs were designed as *“a technical and legal instrument for long-term planning and administration; it is the group of actions and policies, both administrative and for physical planning, that orients the development of the municipal territory for the years to*

come and that will regulate the use, occupation, and transformation of the physical urban and rural space. A POT is in essence a social pact of a population in its territory.” (Ministerio de Vivienda , 2004)

Nevertheless, this valuable tool for regional development has not been updated.

In June 2016, then Minister of Housing Elsa Noguera stated, *“close to 90% of the country’s municipalities need to review their Regional Development Plans (...), because the goals established by law 12 years ago for regional planning have not been met.”* (Ministerio de Vivienda, 2016). In June 2018, then Minister of Housing Camilo Sánchez Ortega told Caracol Radio (in reference to updating municipal POTs), that *“83% have not developed the process and, let me repeat, the majority of the mayors have no way to go about it (...)”* (Caracol Radio, 2018)

In ZOMAC regions, 71.6% of the local authorities believe that the Regional Development Plans are insufficient for facilitating and promoting business activity in their municipalities. In addition, 58% of these authorities believe that there are difficulties with land titles that have a negative impact on the private sector. 25.3% of business owners believe the POTs have a positive effect on them while 21.9% do not know or are unfamiliar with what POTs are.

According to the World Bank, Colombia receives a very low score of 32/100 points for best practices in land management⁹ in terms of the number of procedures. *“A good land management system should not only be efficient – in terms of the time needed for and the cost of the transactions – but must also guarantee legal certainty and full identification of the properties”* (Banco Mundial, 2017).

⁸ Source: TERRIDATA, DNP / IGAC, Percentage of urban properties in cadastre 2017.

⁹ The World Bank’s land administration index analyzes 4 basic qualitative aspects of the registration process: reliability of infrastructure, transparency of information, geographic coverage, and land dispute resolution.

Proper administration of land permits individuals and businesses to have certainty as to whether the lands are relevant and adequate for their interests; promoting transparent and solid business deals. According to a World Bank study, *no Colombian city has complete coverage in either the registry or the cadaster (Banco Mundial, 2017).*

According to CIPE in a qualitative study made with 16 business owners, there is a perception that planning tools such as the POMCA can limit the use and formal access to land which affects investment decisions (CIPE, JA&A, 2019) in the PDET and ZOMAC regions.

As of July 2017, 900 municipalities have an outdated POT (Consejo Gremial Nacional, 2018). However, only 33 out of the 833 municipalities that sent in a POT renewal request have moved forward with their renewal procedure (Consejo Gremial Nacional, 2018). The slow process of renewing these POTs is part of what is promoting informal business to occur, leading to negative consequences such as corruption. As POTs determine the value of the land and its profitability, their process of revision and adoption has become an important weapon in the fight against corruption (Consejo Gremial Nacional, 2018). After all, if POTs are renewed quickly and without high taxes, informal business transactions are less likely to happen.

The informality of property, land tenure and access to land are real concerns to possible private investors and financing institutions. Land tenants are reluctant to legalize and update their property because they fear high tax impositions (CIPE, JA&A, 2019), promoting informal business transactions based only on good faith and verbal agreements. However, when transactions are done purely through verbal agreements and “good faith”, the door to corruption is opened.

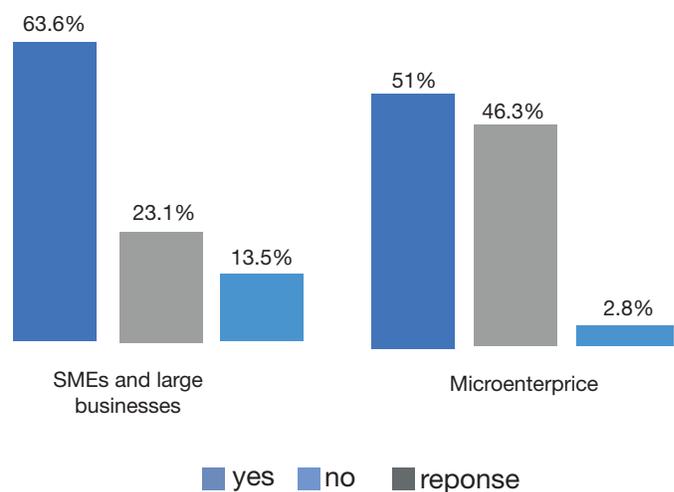
In order to combat the incentives of corruption, it is necessary to have both institutional reform (such as enforcing anti-corruption campaigns),

and economic reform. In terms of economic reform, the focus should be on promoting competition, making all business transactions transparent, and (especially) promoting the POTs (Consejo Gremial Nacional, 2018).

d. Licenses, Requirements for Operation, and Excessive Paperwork as a Barrier to the Sustainability of Business in the ZOMAC

52% of the business owners surveyed perceive that the costs associated with operating requirements, including procedures, licenses, and stamps are extremely high. (This perception is stronger among SMEs and large businesses). At the regional level, 65.3% of business owners on the Caribbean coast municipalities state that there are an excessive number of procedures necessary for obtaining licenses to be able to operate their businesses.

COSTS OF OPERATING REQUIREMENTS ARE TOO HIGH



There is no doubt that procedures and licenses continue to be a barrier. According to the World Bank, between 2013 and 2017 there was a 4.5% increase in the cost of starting a business. *“For starting a business and registering property, there seems to be a connection between the city’s ranking and its size. The smaller the city, the more procedures are required. In Inírida, Leticia, Mitú, Mocoa, Puerto Carreño and San José del Guaviare, where the Chambers of Commerce do not have one-stop shops for business registration (Centros de Atención Empresarial, or CAE), starting a business involves twice the number of procedures, and triple the time it takes in larger cities.”* (Banco Mundial, 2017).

Despite the fact that the World Bank study includes few ZOMAC municipalities, Mocoa, Arauca, Riohacha and San José del Guaviare are identified among the municipalities that present the greatest difficulties for business owners.

This barrier made up of excessive paperwork, licenses, fees and other costs for creating a company is recognized in the National Development Plan under Pact II, where it states, *“A formal enterprise assumes additional costs of between 34% and 46% of its gross earnings with respect to an informal enterprise, with tax and labor costs representing a greater proportion of the total costs. As a result, Colombia has high levels of informality in business and employment. In 2015, 75% of all micro enterprises did not have or did not renew their business registration, while in 2017 on average, 63.2% of all labor was informal.”* (Departamento Planeación Nacional, 2019).

However, as an interinstitutional effort, the government is currently implementing a national program to simplify regulations: “Simple State, Agile Colombia”¹⁰ that is having a positive im-

pact in the reduction of obsolete procedures and regulations across all sectors.

e. Recommendations

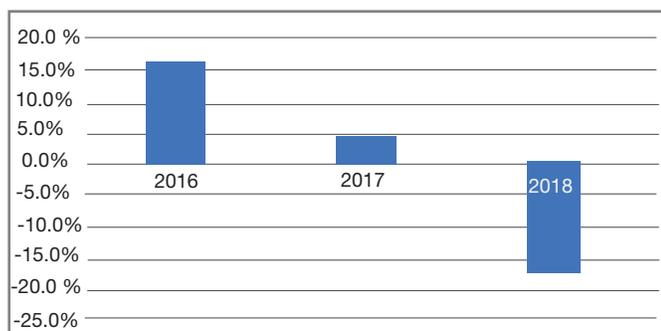
Establish a clear person responsible of the program at the highest level in the Office of the President to coordinate the presence of business promotion programs and initiatives in ZOMAC territories. This authority must guarantee access to all programs and initiatives and coordinate a proper communication strategy so that the programs offered by the government and by international cooperation reach the beneficiaries in an opportune manner. In addition, the discontinuity of the national government initiatives reduces the positive impact and the visibility of such efforts. Any intervention in the territories should be designed with a long-term view.

Promote the creation of micro-enterprises using tailored incentives that develop progressively to strengthen the businesses’ ability to compete and to grow. The incentives must not become another entry barrier or be created with requirements that are difficult to meet in the regional context.

The variation in the creation of new enterprises in the ZOMAC has fallen radically over the last three years. In 2016 business creation grew by 16.4%, while in 2017 it grew only 5% over the previous year. But in 2018 the variation was negative, at -18.5%. (Source: Chambers of Commerce).

¹⁰ www.colombiaagil.gov.co

Annual variation in the growth of enterprises in the ZOMAC



The percentage of all business owners who state that government initiatives are insufficient is 82.7%. The recommendation is to design **specific lines of action for government programs** that support entrepreneurship and the sustainability of business activities, **in line with the reality of the region**. Procedures must be streamlined, and requirements simplified for access to these benefits.

Focus at least 25% of the efforts and resources of government programs toward the effective promotion of business and entrepreneurialism in the ZOMAC. In the proposals in the National Development Plan, most of the mechanisms to strengthen access to financing for enterprise and SMEs (Departamento Planeación Nacional, 2019) continue to be the programs already established under the Ministry of Trade. They include *“effective access by SMEs to national and regional public procurement processes and promotion of best practices of corporate governance”* and there is no clear emphasis on how to approach access problems in these affected zones.” (Departamento Planeación Nacional, 2019).

At the municipal level, **tax regimes must be simplified along with payment procedures. The cost of opening a new business must be lowered to promote its creation in the ZOMAC**. Obsolete regulations and duplicate procedures in many of these municipalities should be of special attention of the government program “Simple State, Agile Colombia”.

Create incentives for “obras por impuestos” mechanisms that will allow taxpayers to allocate part of their income tax payments to infrastructure works in any of the zones most affected by the armed conflict. To do this, the government must activate the bank of projects published by the Agency for Regional Renovation and resolve the conditions of legal certainty that concern business owners relative to this incentive.

The roadmap for international cooperation must include a clear focus on developing formal business activity in this region and empowering private investment as an engine for the municipal economy. Investment from government and international cooperation agencies should be developed under public-private alliances, strengthening the investors’ confidence in the region.

4.

OBSERVATIONS AND FINDINGS REGARDING INVESTMENT IN INFRASTRUCTURE TO SUPPORT BUSINESS ACTIVITY IN THE ZOMAC



Globalization and interconnectivity have changed the way of thinking about and doing business around the world. Specifically, for Colombia, due to the multiple trade agreements signed by the country, this has presented a great challenge in the area of infrastructure for roads and public utilities. For Colombia to become an attractive capital hub, leading to commercial and business development in the ZOMAC, work must be done to develop logistics and service capacities based on a solid infrastructure with competitive utilities that connect the entire nation with this region. Further work should be done on optimizing both time and costs for the transportation of transformed products and raw materials from their points of origin to the final consumers. In addition, there should be coordinated participation by the national government, regional authorities, and the companies that operate in the ZOMAC who not only understand local realities but are also a source of development for the municipalities where they operate.

Despite unique economic, geographic, and cultural dynamics in each municipality, they all share the problems identified by this field study. On average, **one out of every four companies operating in a ZOMAC have their main clients to whom they sell their products located in municipalities other than the municipality in which they operate.** Furthermore, 6.7% of the companies analyzed sell their products outside of the Departments where their operations are based. This is especially true for agricultural businesses and companies that operate in rural areas. This last figure shows there is a need to transport food products to local markets and in certain cases to national markets. Most of that transportation is by ground, giving special importance to the country's road infrastructure, especially secondary and tertiary roads.

Relative to raw materials, **a third of the companies obtain the supplies they require for their activity from regions other than the municipalities where they operate.** SMEs and large enterprises, however, are above that

average (with 50%). On the Caribbean coast, 45.9% of those companies are the ones that bring the most supplies from other municipalities or departments. According to the CGN survey, only 6% of businesses have another site or branch in another municipality, and 12% of those branches are in Bogotá. It may be possible that infrastructure conditions are limiting the connectivity between business activities in the municipalities.

The regions of the country where companies most often sell their products outside of their municipality of operation are Antioquia and the coffee-growing region (Eje Cafetero). This percentage coincides with the percentage of business owners surveyed who stated that the distance between the municipality where their company operates and the municipality where they must do their legal and administrative procedures is a factor that affects their operation (21.9%). For companies that are in rural municipalities and/or operate in the agroindustry sector, that percentage goes up 6 points.

a. Transportation Infrastructure

The perception of 43.6% of the enterprises surveyed is that the inadequate roadway infrastructure for access to their operations continuously affects the stability of businesses. This trend is constant for all regions of the country, regardless of whether the companies are in rural or urban zones, and for all productive sectors. Relative to the perception of local authorities in the ZOMAC, 75.2% of surveyed authorities consider that the inadequate infrastructure has a negative impact on local business development. It should be highlighted.

that the average perception of this factor is comparatively higher for public servants in the northeast of the country, at 90.6%, and comparatively lower for those surveyed in the south of the country, at 53.3%.

The business owner's concern is well-founded, because Colombia continues to lag significantly

behind in transportation infrastructure as compared to other countries in the region. According to *“The Global Competitiveness Report”*, Colombia is ranked at position 83 among 140 countries in infrastructure (WORLD ECONOMIC FORUM, 2018). That same report ranks the country at position 102 for the quality of its roads, 92 for roadway interconnectivity, and 92 for road density. Ecuador is ranked at 59, Chile at 25, and Panama at 66.

The conditions of infrastructure may be limiting the business operations to small areas; 77% of business owners have their clients in one municipality, and 65,1% have their suppliers in the same municipality. This figure has a variation for construction and agribusinesses in which 35% of the businesses have clients in more than one municipality. Difficult access to the regions is also considered by potential investors as a main concern when evaluating investment opportunities in the PDET (CIPE, JA&A, 2019).

According to the Ministry of Transportation, 77.5% of the country’s cargo is transported via ground while 1.9% is transported on rivers, 19.07% on railways, and 0.06% by air (Ministerio de Transporte, 2017). The municipalities have great responsibility for the development of the country’s tertiary roads. Of all the country’s roads, only 8.99% are primary roads, while 21.91% are secondary roads (for which the departments are responsible), and 69.09% are tertiary roads. Of the latter, the municipalities oversee 70.8% of them. In investment the trend is the same, with 70% of investment going toward roadways. Most of this investment, however, goes into primary roads, even though it is the secondary and tertiary roads that have a greater impact on the day-to-day operations of the micro, small, and medium-sized companies in the municipalities as they connect rural producers with the national market.

The proposals established in the National Development Plan Foundations document on road infrastructure and connectivity will surely have a positive impact on these zones. They represent

almost 30% of the municipalities, and some will most likely benefit.

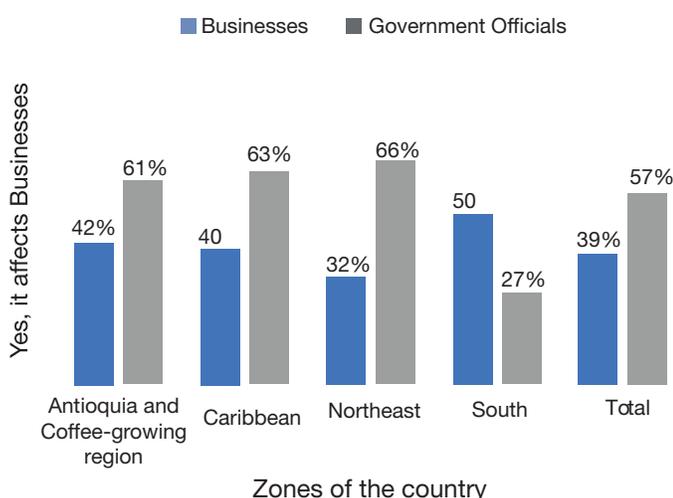
b. Provision of Public Utilities [Water, Power, Telephone, and Natural Gas]

Businesses in the ZOMAC, especially those that are commercial oriented, face a precarious power supply and high costs associated to utilities that have a negative impact on the competitiveness. **Relative to costs, 56% of the business owners surveyed stated that the high cost of public utilities is weakening the stability of their businesses.** And in terms of public utility infrastructure, 40% of those surveyed identified that an inadequate provision of public utilities affects their businesses negatively. This problem is worse in the south of the country and in companies that are in the rural areas of municipalities. According to the official figures from the DANE, because there are few channels for connecting to the national power grid, public utilities are unstable in these areas, especially electricity (Departamento de Planeación Nacional, 2019).

In financing for public utilities, **44.4% of the local authorities in the ZOMAC believe that the lack of this financing is a barrier for the companies in their municipalities.** This negative perception increases to 61.1% of the leaders surveyed in Antioquia and in the coffee-growing departments, who believe this factor to be one of the main problems for the companies in their regions. On top of this, the price per kilowatt is considerably higher in Colombia as compared to other countries in Latin America, which is detrimental to the ability of businesses to compete. Colombia’s rates are higher than the region’s other countries except for Chile. Furthermore, among the 137 economies evaluated by the “Global Competitiveness Report”, Colombia holds position 81 for the quality of electricity supply, below Chile (19), Costa Rica (65), and Mexico (72), among others in the region (World Economic Forum, 2018).

c. Access to Technology and Telecommunications Services

For 56.8% of the regional and local government officials surveyed, the weak supply of technology and telecommunications services represent a problem for the companies and businesses in their respective municipalities. Among business owners, 38.8% of those surveyed agree with this statement. This average goes up for companies that operate in the south of the country, although only 26.7% of the authorities surveyed in the municipalities in the South believe that this factor is a problem.



According to CIPE there is a relevant correlation of 0,545 between the creation of new businesses in the service sector and the access to broadband connectivity (CIPE, JA&A, 2019). After all, when a business connects to the internet, they have the opportunity to more easily seek out clientele, research, modernize their business operations, and compete. At the end of the 4th trimester in 2018, Colombia had 32.7 million connections to the internet. This resulted in an increase of internet connections by 7.8% from 2017 to 2018 (Ministerio de Tecnologías de la Información y las Comunicaciones, 2019). As such, Colombian companies need to be a part of this connectivity in order to grow and compete in the market. However, many business owners in this affected region only have access to basic equipment, and the cost to improve their technology is too high for their oper-

ations which limits the use of ICT and therefore limits the growth and competitiveness of their companies.

The zones affected by conflict are mostly populated by low-income families and according to the Ministry of TICs there was a 3.5% decrease in terms of fixed internet access in low-income households in comparison to the high-income that presented a 9.6% increase of internet access (Ministerio de Tecnologías de la Información y las Comunicaciones, 2019). A clear example of the ICT gap is that 22.75% of the population of Bogotá has a 3G internet subscription, while only 6.52% of those who live in Riohacha have that same subscription (Ministerio de Tecnologías de la Información y las Comunicaciones, 2019). It is imperative to create infrastructure that allows for businesses in these affected zones to connect to the internet in order for them to be competitive, grow, and become more connected with the national and global economy.

These necessary advances in ICT interconnectivity will demand great investments not only in infrastructure but also in their operation, and this cannot be covered only by the local governments. The national government needs to step in and help provide broadband connectivity to these municipalities. There is also a lag in terms of appropriation of ICT. According to the Technological Preparation Index from the Competitiveness Observatory, in the area of ICT skills, Colombia is ranked 68 among 139 countries evaluated (Consejo Privado de Competitividad, 2016).

d. Recommendations

Provide stronger technical support for mayors to structure projects. This is with the purpose of helping mayors present projects that are technically and financially solid, so they may obtain resources through the General Royalties System. The technical secretaries of the Collegiate Bodies for Administration and Decision (OCAD in Spanish) that cover the ZO-

MAC must also accompany the institutions in the sector to structure, prioritize, and receive approval for projects.

Master Plan for Intermodal Transportation.

Although Transit Management Plans (PMT in Spanish) exist, it is important for the government to work with dedication on their implementation to give priority to projects that permit an effective system for circulation and connectivity for ZOMAC municipalities.

The government must work on the interconnectivity of different transportation modes. This will end up reducing the high logistical costs and operating deficiencies in the infrastructure of different transportation modes that the businesses end up assuming, affecting their ability to compete.

Strengthen the use of renewable energy to attain energy sufficiency in the ZOMAC, in addition to improving the availability of public utilities to consumers. According to CIPE there is a positive correlation (0,336) of providing public utilities such as energy in rural areas and the creation of agribusinesses in the PDET municipalities (CIPE, JA&A, 2019). A differential approach to public utilities between rural and urban areas is needed to have a positive impact in business creation and sustainability.

Develop joint agreements between municipal mayors and Community Action Boards for the routine maintenance of utilities infrastructure. Develop special regulations for promoting public-private associations that will improve and develop infrastructure for transportation and utilities.

Make the National Interconnected System (SIN in Spanish) more robust to meet the demand for electric power from the productive sectors in the zones most affected by the armed conflict.

Generate better investments in connectivity and Internet access in the ZOMAC. This is

as important as access to ground transportation and perhaps increasingly relevant for service industries and the development of human capital. Colombia currently holds position 84 out of 140 in terms of suitable adoption of ICT's (World Economic Forum, 2018).

Increase awareness of the use of ICT for businesses, promote training to modernize business operations, and facilitate access to up-to-date technology.

5.

OBSERVATIONS AND FINDINGS RELATIVE TO CORRUPTION AND CONFIDENCE IN THE PUBLIC SECTOR FOR THE SUSTAINABILITY OF BUSINESS ACTIVITY IN THE ZOMAC



According to the World Bank, there is no doubt that corruption is the greatest obstacle to a country's economic and social development. Corruption not only diminishes the State's resources for satisfying the needs of its citizens, it also discourages investment, curbs economic development, perpetuates poverty, and promotes inefficiency, instability, and violence (Consejo Privado de Competitividad, 2016).

The study "*On Corruption in Colombia: Conceptual Framework, Diagnosis, and Policy Proposals*" (developed by Dejusticia from September 2016 to May 2017 at the request of Fedesarrollo), reviews the literature on corruption and related regulations. That review leads to the conclusion that, in Colombia, corruption is produced and reproduced due mainly to two types of conditions: i) socio-political and cultural conditions and ii) institutional conditions (Pont & Ángel Arango, 2017).

For this study, and based on a review of the relevant literature, the following are understood to be corrupt practices: bribery, extortion, appropriation of public goods and goods for private use, and nepotism. Relative to the institutional conditions, the Colombian state has made a significant legislative effort to establish a broad range of laws to regulate the administrative discretion of public officials and to promote accountability. **In Colombia there is a surplus of legislation for fighting and preventing corruption, but the implementation of these regulations and the efficacy of the institutions have not managed, for example, to increase accountability and create effective sanctions** (Pont & Ángel Arango, 2017).

The indicators for corruption in Colombia are not encouraging. For example, in the Corruption Perceptions Index by Transparency International, Colombia holds sixth place among the 18 countries of the region, with a score of 37, when a score of 100 represents the best performance possible. In the World Bank's *Control of Corruption Indicator*, Colombia ranks fifth among 18 countries with a score of [-0.37] on a

scale in which 2.5 is the best score.

Furthermore, the Private Competitiveness Council (in its National Competitiveness Report 2017 – 2018), compares the performance in the Open Government Index (IGA in Spanish) with the Public Institution Transparency Index prepared by *Transparencia por Colombia* for the 2015-2016 period. It then concludes that the issue of concern is that the departments and municipalities where the two indexes coincide are in the regions furthest from the center of the country; some are ZOMAC municipalities. These are the regions that have the least state-building capacities (Consejo Privado de Competitividad, 2017) and that demand greater efforts on the part of both national institutions and the regulatory bodies to disseminate and implement the vast body of law that exists in the country in the area of corruption.

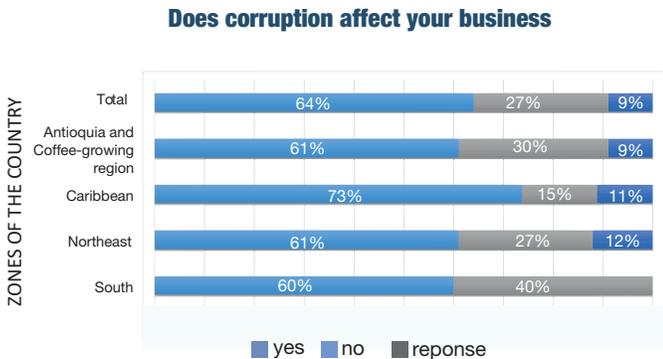
Exploring in greater depth practices such as bribery, *The National Survey on Practices against Bribery in Colombian Enterprises* done by *Transparencia por Colombia* and *Universidad del Externado* (Transparencia por Colombia, 2019) analyzed the level of implementation and development of business practices to prevent bribery. It revealed that 96% of business managers perceive that bribes are offered in the business environment, and 63% of those surveyed believe that the main motivation for offering bribes to public officials is to obtain business deals, followed by a direct or indirect requirement for bribes or benefits on the part of public officials (53%).

According to the study, the bribery modes most often used were payments to expedite procedures (67%) or to close business deals and/or contracts (63%), followed by contributions to political campaigns (51%) (Transparencia por Colombia, 2019). It is interesting that **94% of business owners believe that corruption is an obstacle to peace-building in Colombia** (Transparencia por Colombia, 2019).

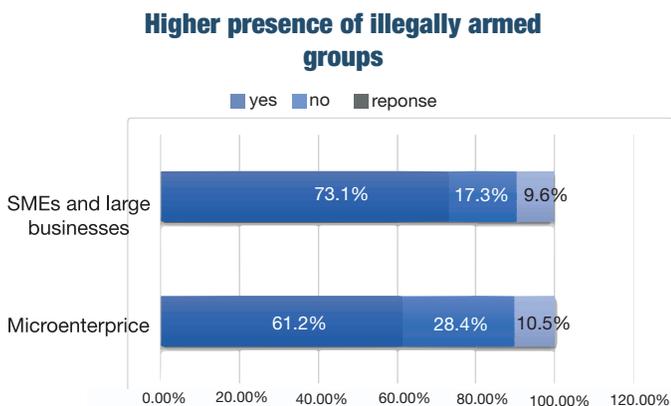
All of the above gives the impression that corruption may be over diagnosed, and that while there is legislation and regulation in Colombia, the advances have not been as expected.

a. Perception of Corruption

For 63.6% of business owners in the ZOMAC, corruption is a factor that has a negative impact on their businesses.



A comparative look at the regions where the companies are located shows this perception is highest among business owners in the Caribbean region (73.5%). In addition, 66.7% of businesses in the rural areas surveyed state that there is a higher presence of illegally armed groups, causing an environment in which institutions become weaker, and the perception of corruption grows stronger (71.4%).



When business owners in the ZOMAC were asked about perceived decreases or increases in corruption in the municipality, 57.8% stated it had increased. In the Caribbean region the perception of an increase in corruption is higher than the overall total (70.4%), followed by the perception in the Northeastern region (62.7%).

The Fifth National Survey on Counter Bribery Practices in Colombian Enterprises, done by Transparencia por Colombia and Universidad del Externado (Transparencia por Colombia, 2019), shows that 37% of business owners surveyed stated that one of the main obstacles for achieving greater transparency in the business environment is public sector corruption. The national perception is then considerably lower when compared with the results mentioned on the CGN survey for the ZOMAC regions which show a higher concern (63,6%).

When business owners in these regions, were asked whether they had received or responded to the request of any insinuation of favors or payments to expedite or conclude the procedure during a request for action or procedure from municipal public institutions, it is interesting that, **despite a perceived increase in corruption, 95.4% stated they had never received any such insinuation.** However, of those surveyed who responded that they had received a request for a payment in exchange for expediting a procedure (4.6%), most of the petitions came from municipal institutions (84.2%). Once again, the Caribbean coast is where the trend is different than the total survey, with 11.2% of all business owners stating they had received insinuations regarding favors or requests for payments.

Like the business owners, most of the authorities (86.4%) stated they had never received from business owners any insinuation regarding favors or payments to expedite a procedure or a request. Despite this, however, it is interesting that they do perceive that business owners and merchants in the municipality or department stimulate corruption by offering bribes

to public servants to expedite their procedures (46.9%), while only a few believe that business owners are the victims of corrupt public officials (16%).

In contrast with the vision of business owners, the authorities in the ZOMAC do not believe that corruption is an aspect that threatens or affects the stability of companies and businesses in their municipality or department (59.3%).

b. Trust in Institutions

While the authorities in the ZOMAC in general gave institutions a good approval rate, business owners' opinions were divided with respect to their image of mayors and municipal councils.

In terms of trust in institutions, among business owners in this zone, the organizations that have the most favorable image are the Chamber of Commerce (65.3%) and the armed forces (63.4%). Meanwhile, opinions regarding the mayor and the municipal council.

In terms of trust in institutions, among business owners in this zone, the organizations that have the most favorable image are the Chamber of Commerce (65.3%) and the armed forces (63.4%). Meanwhile, opinions regarding the mayor and the municipal council are split, with almost equal percentages for approval and disapproval. In Antioquia and the coffee-growing region the Armed Forces had a higher approval rate than in the total sampling (72.7%), and the mayors in these zones also had a higher approval rate (52.5%). The Northeast is the only region in which the municipal councils had a higher approval rate (53.8%).

A look at Latin America shows us that the armed forces are the organization in which people most trust, and Colombia holds fourth place for countries with the greatest trust in this institution. According to the GALLUP survey, the approval on a national level is 75% (Gallup Colombia, May 2019). This perception is similar within the surveyed businesses, as 63,4%

have a positive perception of national army and 54,7% of the local police forces.

With respect to trust in business owners, the Edelman Trust Barometer shows that Colombia is in the group of countries where there is the greatest trust in the private sector (Edelman, 2019).

As recognized in the Pact for Legality, Chapter C of the National Development Plan Foundation 2018-2022, *"Mistrust between citizens and their mistrust of institutions are not disconnected."* (Departamento Nacional de Planeación, 2019). A strong perception of corruption influences support for institutions and their credibility, along with the quality and stability of regional economies. ZOMAC are characterized by their weak institutions produced by long years of conflict and a lack of state presence, on top of a precarious productive and business apparatus in those zones and the association of politics with practices such as bribery and corruption.

In Colombia, two CONPES documents have established a framework for action in which the private sector plays a relevant and main role through actions by companies to raise corporate standards and implement best practices for transparency and self-regulation in the prevention of corruption.

- The first, CONPES 167 of 2013, formulates the National Strategy for Comprehensive Anti-corruption Public Policy. Its diagnosis points, among other factors that affect transparency, is insufficient shared responsibility on the part of the private sector for preventing corruption (Consejo Nacional de Política Económica y Social, 2013).
- The second, the document CONPES 3527 of 2008, outlines the National Policy for Competitiveness and Productivity (Consejo Nacional de Política Económica y Social, 2008).

The Colombian government has also demonstrated a willingness to implement international

standards to prevent and fight corruption such as the efforts carried by the “*Sistema de Administración del Riesgo de Lavado de Activos y Financiación del Terrorismo SARLAFT*”, a system in place since 1999 and that has been evolving as one of the most sophisticated anti money laundering systems in the region.

Additionally, in 2011 the Colombian government signed the anti-corruption bill, *Ley 1474*, into law. This law works to create preventative action through coordinated efforts of institutions and citizens. For example, government officials must be subject to tax audits, businesses must be vigilant to assure that their employees are not committing fraud on their social security, the penalty for accepting bribes has increased, and more; all of which has been a great help in the fight against corruption (Galindo, 2011).

In the Economic Reactivation Report 2018 - 2022 the CGN states that corruption affects competitiveness and growth via several channels: (i) it deteriorates the quality of infrastructure and public utilities; (ii) it reduces willingness to pay taxes; (iii) it generates mistrust in the justice system, which has repercussions on complying with contracts and protecting property rights; (iv) it stimulates excessive bureaucratic procedures and their arbitrary application, particularly affecting small companies and undermining the minimum foundations on which trust in the peaceful coexistence of citizens is built and supported (Consejo Gremial Nacional, 2018).

The National Development Plan Foundations 2018-2019, Pact I, Chapter C, number 2, establishes a series of strategies that provide a public policy approach for strengthening institutions such as the Office of the Vice President, the Secretary of Transparency, Colombia Compra Eficiente (which is the central purchasing agency of Colombia), and the National Planning Department (DNP), through means such as improving monitoring of budget execution and public contracting (Departamento Planeación Nacional, 2019). These strategies, however, do

not seem to be fully underpinned in the articles of the law and do not have targeted actions in the ZOMAC or PDETs.

c. Recommendations

The private sector, which has faced similar situations of corruption, has been joining efforts **with governments and international organizations to adopt practices and establish commitments in the fight against corruption to create a favorable business environment and decrease the risk of corruption in business practices.** Two basic actions are the common denominator of most of these practices:

1) zero tolerance for bribery, and 2) practical programs and guidelines for effective implementation of policies. It is important to mention that these approaches, guidelines, and recommendations can be implemented by large, small, and medium-sized enterprises.

A few successful experiences that can be use a reference are:

- *Business Principles for Countering Bribery by Transparency International:* (Transparency International, n.d.) A tool developed to assist companies with the formulation of effective strategies for countering bribery in all its forms.
- *The Partnering Against Corruption Initiative, Global Principles for Countering Corruption (PACI) by the World Economic Forum* (World Economic Forum, n.d.): Launched in 2004, PACI members have created an anti-corruption platform by establishing a clear, visible, and dynamic working agenda for all industries with support from international organizations and governments around the world. PACI is the main business voice in the area of the fight against corruption and in favor of transparency.
- *Collective Action and the Tenth Principle of the United Nations Global Compact* (United Na-

tions, n.d.): This document promotes a commitment by the private sector, public sector, and civil society to align their strategies and operations with the 10 principles, which include working against corruption and increasing the impact on each company, in order to make honest business practices more common and contribute to the integrity of the business community.

- *Fighting Corruption through Collective Action by the World Bank*: This is an initiative to strengthen government and business systems, promoting transparency and accountability, as well as the implementation of effective mechanisms for reporting fraud and corruption.

Standardize terms and conditions to facilitate access by small and medium-size companies to public contracts. Local small and medium-size companies can benefit from public contracts with the right support, becoming more competitive organizations. It is therefore desirable to strengthen aspects such as standardizing the terms and conditions of bids and improving the capacity of regulatory bodies to anticipate the expression of undesirable or distorted conduct in public contracting. (Consejo Gremial Nacional, 2018). This strategy must be strengthened by extending the use of standard terms and conditions to contracting processes other than public works. According to information from the Comptroller General of the Republic and the Inspector General of the Nation, the use of tailor-made terms is common in acts of corruption in contracts for areas other than infrastructure. (Consejo Privado de Competitividad, 2019).

Establish a strategy for accountability, monitoring, and transparency for post-conflict resources to ensure transparent execution of the resources that sustain the strategic projects of the peace process. Implementing this policy requires 1) a component for rendering accounts to the resource-managing entities in terms of the information contained in management reports, and 2) mechanisms for dissemination of information and for citizen

oversight, as well as a specialized on-line open portal where all the information can be obtained on the budget execution of projects. (Consejo Privado de Competitividad, 2019).

Approach tools for fighting corruption with a differentiated focus, to prioritize their application in sectors with greater corruption risks, especially the ZOMAC. Transparencia por Colombia, the Secretary of Transparency at the Office of the President of the Republic, the Ideas para la Paz Foundation and Corporación Excelencia en la Justicia have developed a Map of Corruption Risks for the Post-conflict era.

Strengthen connectivity in the country and the ability to carry out procedures via the Internet. With the objective of decreasing the administrative discretion public officials can exercise (one of the institutional factors associated with corruption), the procedures and steps necessary for business owners to formalize their business with the government must be further integrated, and Internet coverage must be expanded in remote regions of the country.

6.

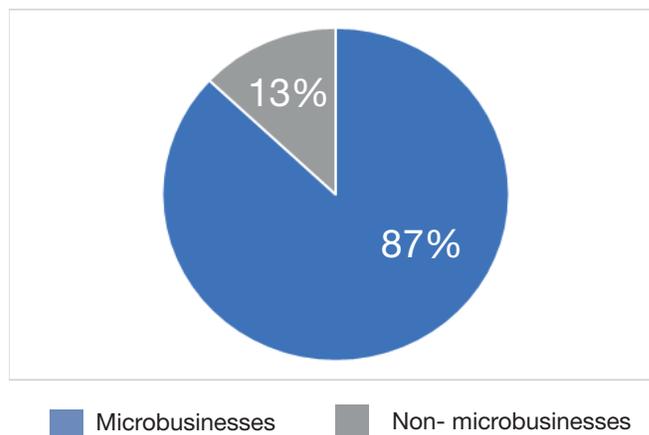
OBSERVATIONS AND FINDINGS RELATIVE TO THE CONDITIONS FOR THE OPERATION OF BUSINESSES IN THE ZOMAC



Relative to the conditions for operating businesses in the ZOMAC, we need to first examine the landscape in which businesses operate according to the type of economic activity, and certain conditions such as the size of the economies in these municipalities and the capabilities of the private sector and the authorities to promote the development of the local economies. In these municipalities, **47% of business owners believe the size of their economies is too small for their business to grow or even be sustained, while 59% of the authorities in those same municipalities believe that insufficient public resources have been assigned for promoting business activities.** This figure increases to 78% in the municipalities of the Colombian Northeast in particular.

The economic activity of the companies in these municipalities are concentrated mainly in the commercial and service sectors, each one with a respective 40%. The proportion of companies in manufacturing, construction, or agriculture represents 18% of all business activity in these municipalities. **In the ZOMAC, 87% of all companies are micro-enterprises, in both urban and rural areas. This condition demands special attention if sustainability and growth are to be generated for these businesses.** The situation is widely recognized by all parties involved, including the national government: *“growth of the economy and increases in productivity in Colombia have stagnated in good part because of the high levels of business informality in the country, especially in the rural sector.”* (Departamento Planeación Nacional, 2019). This is a call for action in rural areas that are historically in need of a stronger State presence as the foundations to create an adequate private investment environment.

ZOMAC’s business distribution by Size (CGN Survey)



The CGN’s survey established a difference in the position of business owners and authorities with respect to operating businesses in ZOMAC municipalities. This represents an opportunity to strengthen coordinated work between the private sector and the authorities in benefit of business. Among the authorities in these municipalities, 68% believe local industries have little involvement in the local economy. This figure goes up to 88% of the authorities on the Colombian Caribbean coast and 72% of the authorities in the northeast of the country.

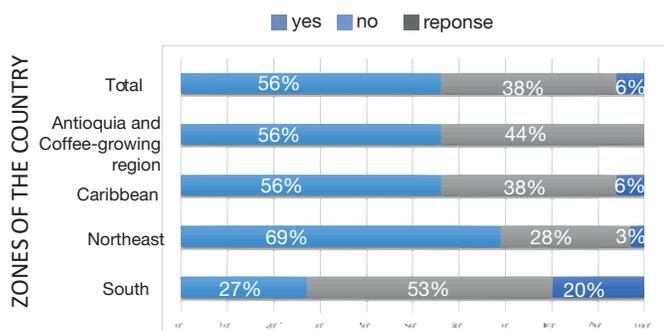
a. Human Capital & Employment

One of the goals of the National Development Plan 2018 – 2022 is to generate formal employment, and the adequate training of the local workforce is necessary to meet business owners’ expectations. According to CIPE, there is a positive 0,333 correlation between the education coverage and the creation of new businesses among the PDET municipalities (CIPE, JA&A, 2019), which may be a key factor in promoting private investment and offer local human talent.

When looking for people to hire, 42% of the companies in the country’s ZOMAC municipalities believe the people available have not had enough schooling. Among authorities, 42% agree that the lack of skills derived from

a lack of education does not facilitate hiring. This figure is accentuated **on the Caribbean coast, where 69% of the authorities believe that the educational level of the workforce is insufficient relative to what is required by business owners.**

Education level is insufficient (according to gov. officials)



These perceptions reflect the urgent need of a modern, pertinent, and accessible schooling system that should be aligned with the business potentials of each region while developing human talent.

The figure for businesses in ZOMAC municipalities that believe it is difficult to find people to hire is 27%. **Lack of job skills in the these municipalities is one of the barriers for doing business and a barrier to companies in terms of being able to modernize and grow.**

Since in many cases academic preparation is not meeting the businesses' requirements, 53% of business owners believe the available workforce does not have enough experience to work in their company's area of action, a perception shared by 42% of the authorities surveyed. This is creating a negative cycle in which the local workforce is trapped with no access to job opportunities because of a lack of qualified education and are therefore not gaining any pertinent experience, since they are unable to access those jobs.

In line with business owners' perception of a lack of skills in job candidates and a lack of

training for human capital in the ZOMAC, the survey results in those regions show that **39% of business owners across the nation had limited access to technological resources. For the authorities in those same municipalities, 57% agree that this is a limitation for the development of these municipalities.**

According to 50% of the business owners in the south of the country, a lack of access to technological and telecommunications services, in addition to a lack of skills and preparation for the job, affects business development. This demonstrates a **failure to recognize technology as an agent for change, for closing gaps, and for promoting equality in the different regions of Colombia.**

Regarding formal employment, informality is one of the biggest challenges in Colombia. In the country's 23 main cities it reaches 46.7%, while in rural areas that figure goes up to 85.8%. The reality of formal employment in the ZOMAC is perceived as follows by businesses and authorities:

- 55% of business owners believe labor is very costly, while at the same time people expect very high salaries. The percentage of this perception is as much as 61% in the south of the country. In reference to hiring an employee formally, **65% of the companies in the ZOMAC believe that mandatory benefits make it very expensive to pay a formal employee.** This perception is the majority perception in the northeast of the country, where 71% of all business owners believe formal employment is expensive. This finding is in line with the CGN observation that identifies that high no-salary related costs are one of the main causes that feed job informality (Consejo Gremial Nacional, 2018).
- 43% of the municipal authorities believe that labor is expensive in general. This figure increases to 56% for the authorities relative to the cost of formally hiring workers.

For all the above, informal employment has become more and more of a reality. Employment is considered informal when the worker receives no health benefits or pension, and when there is no formal contract between employer and employee. Although businesses might think they are saving money by not hiring formal employees, enterprises with formal employment produce 2.5 times more than those with informal employment (Hamann & Mejía, 2011). Still, the national rate of informal labor is at 63%; in municipalities in ZOMAC regions, the rate is much higher (Asofondos, 2018). For example, in Riohacha, there is an informal employment rate of 86% (Galvis, 2012).

One of the particularities of the economic barriers for operating businesses in ZOMAC municipalities is the migration of people from other regions seeking job possibilities in specific municipalities or Departments. A total of 74% of all business owners stated that this situation affects their businesses specifically. This figure increased to 94% for business owners in the country's Northeastern region.

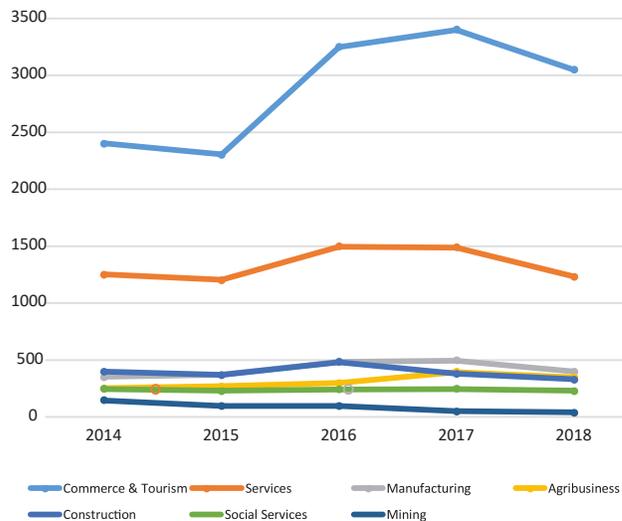
According to the report on Venezuelan migration to Colombia in October 2018, the participation rate of the migrant Venezuelan population was 72%, while for non-migrant Colombians that same percentage was 64%. "This difference in being able to find employment is in line with the greater opportunity cost faced by the migrant population of being unemployed, given the greater urgency of their need to satisfy the basic necessities of life. Their need means these people seek work with a greater intensity and are willing to accept conditions that the native population will not accept." (Fedesarrollo, 2018).

b. Economic Activity and Size

Economic activity in ZOMAC municipalities across the nation is concentrated mainly in commerce (40%), and in the service sector (also 40%). The remaining percentage (18%) is concentrated in the sectors of manufacturing,

construction, agriculture, and other.

According to CIPE, in the report from the Observatory of Private Investment in ZOMAC, the creation of new businesses in this zone is clearly concentrated in commerce and tourism sectors.



Source: CIPE sept, 2018

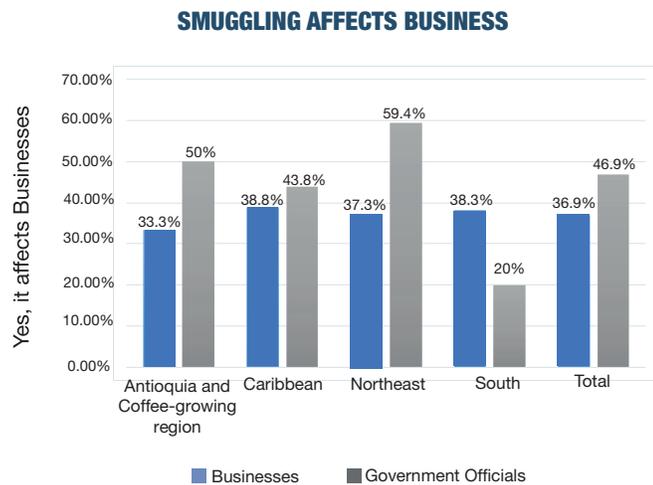
The survey made by CGN shows that 85% percent of the enterprises in ZOMAC municipalities are in urban areas, while the remaining 15% are located in rural areas. These figures are also aligned with the findings in chapter 4 of this document, that shows an even more critical situation for business sustainability in rural areas. It is worth it to note that there has been a concentration of private investment in services, tourism, and commerce, that may be reconfiguring the economic activities and showing a small but growing interest of new rural activities besides agribusinesses.

With respect to the size of the businesses in the zones most affected by the armed conflict, only 21% of all companies have no other employees besides the owners. This figure is higher in the northeast of Colombia, where 30% of all enterprises operate with a sole employee. The largest companies are concentrated in the south of the country and in the coffee-growing region. In the South, 40% of all businesses hire either one or two employees, and 33% hire between three and five people.

As mentioned before a total of 94% of all businesses in the ZOMAC have a single operating site. This situation may be reflecting a reality for agribusinesses that, due to the difficult roadway access, they prefer to establish their operations close to consumer centers to guarantee a minimum level of potential clients.

c. Illicit trade

Some of the ZOMAC municipalities are close to the Colombian borders or have been part of the illicit trade corridors for decades. Nevertheless, 57,6% of business owners consider that smuggling is not impacting their operation; this opinion is even stronger for the commerce sector in which 61,1% think is not a concern. A different perception is given by the local authorities, as 46,9% believe that smuggling is in fact a matter that needs to be addressed to promote business growth. This is particularly important among the Northeast region where 59,4% identified smuggling as a latent problem.



The government has implemented a series of actions and programs aiming to reduce smuggling; the coordinated efforts of DIAN, ICA and POLFA have shown positive results targeted at products such as steel, textiles, bovines and cigarettes (among other) (DIAN, 2018).

d. Recommendations

There must be **clear policies to promote the diversification of local economies in favor of a more dynamic business environment.** In 2017 Prof. Ricardo Hausman stated relative to the challenges of the Colombian economy: *“Policy in general has not been very bold in the area of promoting diversification. It has been very bold in the area of free trade and opening up the economy, but not very bold in promoting the ability of the national productive apparatus to respond to those challenges.”* (Portafolio, 2017). According to the business owners surveyed in the ZOMAC, 40% of them state that their business is commerce, approximately 40% classify themselves in the service sector, and less than 20% are distributed among manufacturing, construction, agriculture, and others.

It is very important for institutions such as the SENA that have connections with business owners in ZOMAC municipalities to make the **academic training they offer more visible as alternative job training.** This will help cope with the scarcity of occupational skills among the human capital in those municipalities.

Prioritize academic, technical, and technological training offered by the national government and give programs greater visibility that target strengthening the job skills of the human capital residing in the zones most affected by the armed conflict.

Foreign and local investment in the economies of these municipalities **must give priority to developing skills that promote the diversification of the local economy** and generate formal jobs in ZOMAC municipalities.

Use international associations and organizations to leverage training for business owners in best practices that have been proven and developed internationally to help them implement practices that will strengthen their business management. There are examples of guidelines for method-

ology and international experiences that have been mentioned in this document and that have been developed with the particularities of small and medium-sized enterprises in mind. Implementation with international organizations that are experts in these areas and entities such as industry associations and chambers of commerce can make the technical knowledge of those bodies available to business owners, so that they can establish the best practices for preventing bribery and for making their businesses sustainable.

Chambers of commerce must strengthen their presence as institutions that help business owners receive training, modernize their activities, and obtain better results.

Public and private agents with no visibility in ZOMAC municipalities must coordinate their efforts in education and training with institutions that have previously worked successfully in those regions.

There is an urgent need to promote rural development programs aiming to decrease migration from rural areas to urban centers, as this would strengthen agribusinesses and modern farming. **If the current conditions persist, there will be no opportunity for the new generations to take over rural activities.**

Efforts should target the strengthening and formalization of businesses in the rural areas to promote economic diversification. These initiatives should include a specific legal framework for rural areas and consider a realistic long-term timeline for its implementation.

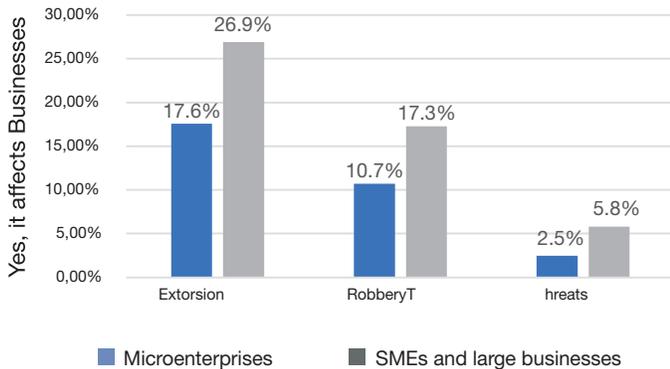
7.

OBSERVATIONS AND FINDINGS REGARDING SECURITY CONDITIONS AND PERCEPTIONS IN THE ZOMAC



34.5% of the business owners surveyed in the ZOMAC stated that they have been the victim of a crime in the past year: 18,8% extortion, 11,6% robbery, 2,9% threats, and 1,2% other crimes.

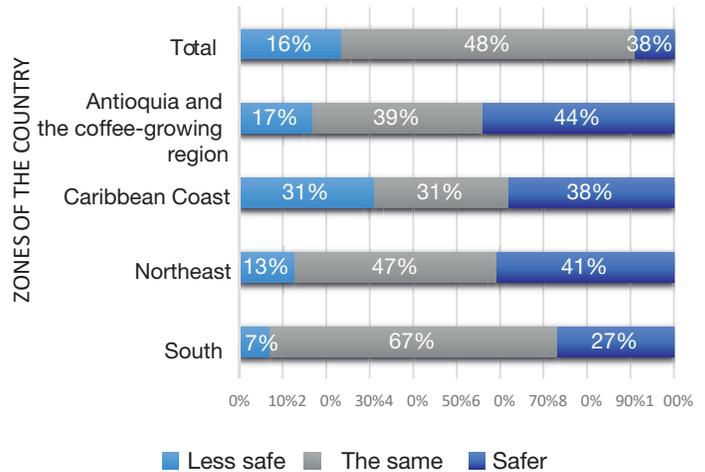
In the past year you have been a victim of...



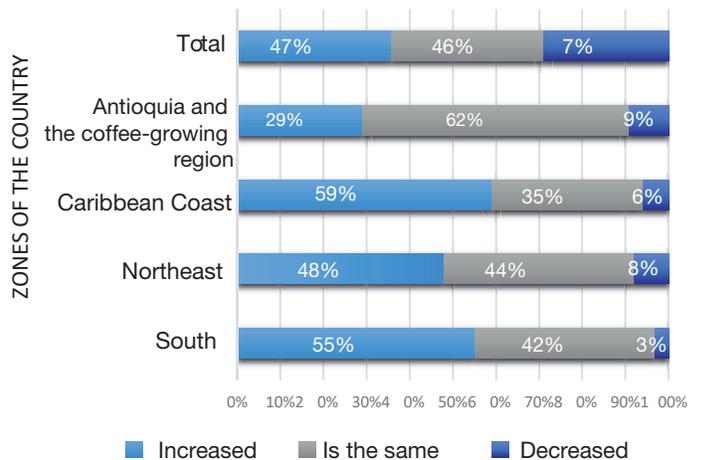
As stated in the National Development Plan Foundations, *“Legality, the basis for enterprise and equality, is the fruit of an essential and unbreakable relationship between security and justice: security to protect citizens and society, and justice to produce peaceful coexistence in the framework of a democratic State.”* (Departamento Planeación Nacional, 2019)

These security conditions affect business development and form a barrier to growth and ability to compete. The percentage of all business owners who identify the presence of criminal bands or armed groups in or nearby their municipalities as one of the main difficulties for doing business was 62.7%. This number goes up to 79.6% on the Caribbean coast.

Q. To Local authorities in ZOMAC. “Comparing with the situation two years ago, do you consider that this municipality today is”:



Q. To business Owners in ZOMAC. “Do you consider that during the past year unsafety in this municipality:”

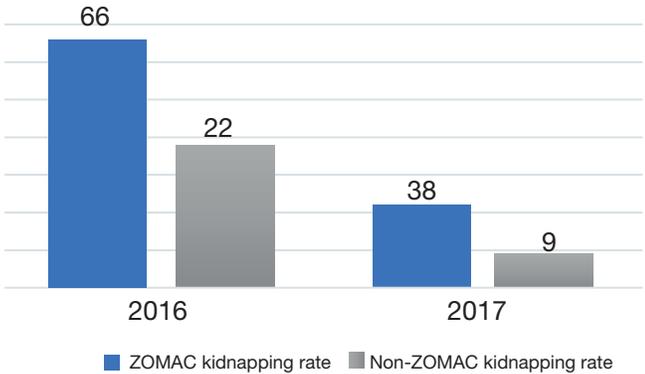


The perception of insecurity has increased over the last year (about 47.2%), and that same figure rises to 59.2% in the Caribbean region. In the ZOMAC, SMEs and large enterprises feel the most affected by deteriorating security conditions. As stated before, this perception may be also related with the presence of illegal armed groups in all the regions.

These figures take on greater importance when complemented by the official figures for vic-

timization. For example, the kidnapping rate in this zone is notably higher than in non-ZOMAC municipalities. The years 2016 and 2017 saw an increase in this difference between ZOMAC and non-ZOMAC municipalities.

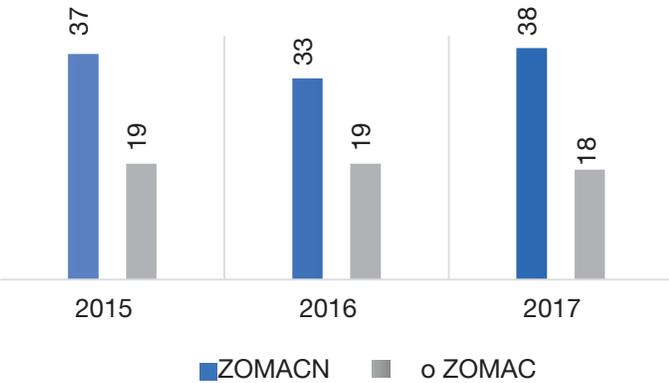
Kidnapping Rate



Source: TERRIDATA / DNP

The same is true for the average homicide rate in the ZOMAC, which is more than double that of non-ZOMAC municipalities and which grew in 2017.

Average homicide rate per 100k inhabitants



Source: TERRIDATA / DNP

The indicators for corruption in Colombia are not encouraging. For example, in the Corruption Perceptions Index by Transparency International, Colombia holds sixth place among the 18 countries of the region, with a score of 37, when a score of 100 represents the best performance possible. In the World Bank’s Control of Corruption Indicator, Colombia ranks fifth among 18 countries with a score of [-0.37] on a scale in which 2.5 is the best score.

Furthermore, the Private Competitiveness Council (in its National Competitiveness Report 2017 – 2018), compares the performance in the Open Government Index (IGA in Spanish) with the Public Institution Transparency Index prepared by Transparencia por Colombia for the 2015-2016 period. It then concludes that the issue of concern is that the departments and municipalities where the two indexes coincide are in the regions furthest from the center of the country; some are ZOMAC municipalities. These are the regions that have the least state-building capacities (Consejo Privado Competitividad, 2017) and that demand greater efforts on the part of both national institutions and the regulatory bodies to disseminate and implement the vast body of law that exists in the country in the area of corruption.

Exploring in greater depth practices such as bribery, the National Survey on Practices against Bribery in Colombian Enterprises done by Transparencia for Colombia and Universidad del Externado (Transparencia por Colombia, 2019) analyzed the level of implementation and development of business practices to prevent bribery. It revealed that 96% of business managers perceive that bribes are offered in the business environment, and 63% of those surveyed believe that the main motivation for offering bribes to public officials is to obtain business deals, followed by a direct or indirect requirement for bribes or benefits on the part of public officials (53%).

At the regional level, the zones most affected by the armed conflict in the northeast have an

average homicide rate 191% higher than the rate in non-ZOMAC municipalities in the same region.

AVERAGE HOMICIDE RATE x 100,000 inhabitants			
	ZOMAC	Non-ZOMAC	VARIATION
Antioquia and the coffee-growing region	45	38	18%
Caribbean Coast	18	13	38%
Northeast	32	11	191%
South	41	26	58%

Source: TERRIDATA / DNP

Although these municipalities were selected because they were the most affected by the conflict and because they have difficult security situations, **it is worth highlighting that the perception of security has not improved and continues to be an obstacle for the development of the local economies affecting the confidence of investors in these zones.**

a. Recommendations

National Government should consider a more active and coordinative role of local authorities in the design and implementation of security planning, as **50% of local authorities believe that there is not an adequate presence of armed forces.**

Joint efforts with national government, local authorities, local stakeholders, and international cooperation should be targeted to create community-based safety programs, improve micro-infrastructure, and increase awareness of security procedures and safe communication channels. Such initiatives are urgent in the ZOMAC municipalities where perception and victimization are considerably higher than the Colombian average.

8.

CONCLUSION



The Colombian government has greatly helped the municipalities in the zones most affected by the armed conflict by identifying them as areas of priority so that they may receive the help they need. Most importantly, the government has created programs to help the businesses (and the people) located within these areas. Additionally, “Obras por Impuestos” allows for private companies to invest up to 50% of their taxes into bettering the public education system, roads, water systems, and more in the ZOMAC. As a result, 57 municipalities in this region are benefitting from this program.

However, not enough businesses in this zone are participating in these programs. In order for all governmental programs and initiatives to be fully implemented and benefitted from, they need to be better articulated to business owners, entrepreneurs, and local authorities. For example, although tax incentives for the ZOMAC exist, 88.7% of business owners that could qualify, are unaware of them. Along with monetary incentives, it is also important for the government to think about long-term initiatives, as those can also greatly benefit the municipalities in this region. That is why, for example, creating infrastructure for broadband connectivity is urgent; because it will allow for businesses now and for years to come to connect to the national and global economy. At the same time, a single government program might not work for all of the municipalities in the various regions of the ZOMAC, as **they are all different socioeconomically, geographically and culturally. As such, the government cannot treat them in a homogeneous manner.**

There is an opportunity here for the Colombian government to pursue a more active relationship with the municipalities of the ZOMAC, their people, their businesses, and their local authorities. Through better articulating their programs, the government will likely see an increase in business engagement which will hopefully help revitalize the economies in these municipalities. Through creating long-lasting, long-term projects such as better roads, broad-

band connectivity and security planning; these municipalities will be able to prosper. There is a great possibility to resolve the issues stated in this paper and to create a better environment and socioeconomic situation for the people of the regions historically affected by the conflict; but private investors need minimum conditions that should be addressed by the national and local governments.

9.

SURVEY



a. ZOMAC Business Owners

Method: Phone interviews, 25 min average

Fieldwork Dates: May 16 - June 7, 2019

Sample Size: 415 interviews

Supervision: 100%

Margin of Error: 6.1%

Confidence level: 95%

Sample Selection:

The sample was drawn from a data base provided by the Chamber of Commerce from ZOMAC departments and municipalities, including only businesses created since 2017.

The ZOMAC municipalities were classified in 5 regions. Municipalities were randomly selected and then businesses within the municipalities were also randomly selected.

Target group: business owners and managers of micro, small, medium and big enterprises established in the ZOMAC municipalities and formally registered in the Chamber of Commerce.

Sample distribution

SAMPLE DISTRIBUTION		
REGION/DEPARTMENT/ MUNICIPALITY	SAMPLE	%
Antioquia + (coffee- grow Region)		
ANTIOQUIA	91	21,9%
AMALFI	1	0,2%
ANORI	1	0,2%
APARTADO	39	9,4%
CAREPA	3	0,7%
CHIGORODO	2	0,5%
CONVENCIÓN	1	0,2%
DABEIBA	1	0,2%
EL BAGRE	3	0,7%
MUTATA	2	0,5%
NECOCLI	2	0,5%
PUERTO BERRIO	7	1,7%
REMEDIOS	3	0,7%
SEGOVIA	6	1,4%
TURBO	11	2,7%
URIBE	1	0,2%
VEGACHI	4	1,0%
YOLOMBO	2	0,5%
YONDO	1	0,2%
ZARAGOZA	1	0,2%
CALDAS	6	1,4%
ANSERMA	3	0,7%
PENSILVANIA	1	0,2%
RIOSUCIO	2	0,5%
QUINDÍO	2	0,5%
GENOVA	1	0,2%
PIJAO	1	0,2%

SAMPLE DISTRIBUTION		
REGION/DEPARTMENT/ MUNICIPALITY	SAMPLE	%
Caribbean Zone	98	23,6%
BOLIVAR	11	2,7%
ARENAL	1	0,2%
CANTAGALLO	3	0,7%
SAN PABLO	3	0,7%
SANTA ROSA DEL SUR	3	0,7%
SIMITI	1	0,2%
CESAR	72	17,3%
AGUACHICA	12	2,9%
AGUSTIN CODAZZI	14	3,4%
BOSCONIA	10	2,4%
CHIRIGUANA	6	1,4%
CURUMANI	1	0,2%
EL COPEY	5	1,2%
LA GLORIA	1	0,2%
LA JAGUA IBIRICO	12	2,9%
LA PAZ	5	1,2%
MANAURE B. CESAR	4	1,0%
PAILITAS	1	0,2%
SAN DIEGO	1	0,2%
CÓRDOBA	8	1,9%
MONTELIBANO	3	0,7%
PUERTO LIBERTADOR	2	0,5%
TIERRALTA	3	0,7%
MAGDALENA	1	0,2%
SAN ANTONIO	1	0,2%
SUCRE	6	1,4%
MORROA	3	0,7%
OVEJASS	1	0,2%
SAN ONOFRE	1	0,2%
TOLUVIEJO	1	0,2%

SAMPLE DISTRIBUTION		
REGION/DEPARTMENT/ MUNICIPALITY	SAMPLE	%
North east	158	38,5%
ARAUCA	20	4,8%
ARAUCA	6	1,4%
ARAUQUITA	4	1,0%
SARAVENA	3	0,7%
TAME	7	1,7%
CASANARE	122	29,4%
AGUAZUL	23	5,5%
EL ZULIA	1	0,2%
HATO COROZAL	1	0,2%
LA SALINA	1	0,2%
MANI	10	2,4%
MONTERREY	10	2,4%
PAZ DE ARIPORO	24	5,8%
PORE	7	1,7%
RECETOR	1	0,2%
SABANALARGA	1	0,2%
TAMARA	1	0,2%
TAURAMENA	12	2,9%
VILLANUEVA	30	7,2%
META	6	1,4%
LA MACARNEA	1	0,2%
MESETAS	2	0,5%
PUERTO GAITAN	2	0,5%
PUERTO RICO	1	0,2%
NORTE DE SANTANDER	4	1,0%
CONVENCIÓN	1	0,2%
EL ZULIA	1	0,2%
SAN CALIXTO	1	0,2%
TIBU	1	0,2%
SANTANDER	6	1,4%
SABANA DE TORRES	6	1,4%

SAMPLE DISTRIBUTION		
REGION/DEPARTMENT/ MUNICIPALITY	SAMPLE	%
South zone	60	14,5%
CASANARE	15	3,6%
AGUAZUL	1	0,2%
MANI	2	0,5%
MONTERREY	4	1,0%
PAZ DE ARIPORO	1	0,2%
PORE	3	0,7%
TAURAMENA	2	0,5%
VILLANUEVA	2	0,5%
TOLIMA	1	0,2%
SABANA DE TORRES	1	0,2%
VALLE DEL CAUCA	44	10,6%
BUENAVENTURA	44	10,6%
Total	415	100,0%

b. ZOMAC local authorities

Method: Phone interviews, 25 min average

Fieldwork Dates: May 25 - June 7, 2019

Sample Size: 81 interviews

Supervision: 100%

Margin of Error: 8%

Confidence level: 95%

Sample Selection:

The sample was drawn from a public official data base of local authorities.

The ZOMAC municipalities were classified in 5 regions. Municipalities were randomly selected.

Target group: Mayors, secretaries of government, secretaries of commerce, secretaries of local development.

Sample distribution

SAMPLE DISTRIBUTION		
REGION/DEPARTMENT/ MUNICIPALITY	SAMPLE	%
Caribbean Coast	16	19,8%
BOLIVAR	3	3,7%
ARENAL	1	1,2%
CANTAGALLO	1	1,2%
SIMITI	1	1,2%
CESAR	9	11,1%
AGUACHICA	1	1,2%
BOSCONIA	2	2,5%
CURUMANI	1	1,2%
EL COPEY	1	1,2%
LA JAGUA IBIRICO	1	1,2%
PAILITAS	1	1,2%
PELAYA	1	1,2%
SAN DIEGO	1	1,2%
CORDOBA	2	2,5%
TIERRAALTA	1	1,2%
VALENCIA	1	1,2%
SUCRE	2	2,5%
CHALAN	1	1,2%
SAN ONOFRE	1	1,2%

SAMPLE DISTRIBUTION		
REGION/DEPARTMENT/ MUNICIPALITY	SAMPLE	%
antioquia & coffe growing axis	18	22,2%
ANTIOQUIA	9	11,1%
AMALFI	1	1,2%
APARTADO	1	1,2%
CAREPA	1	1,2%
CHIGORODO	1	1,2%
EL BAGRE	1	1,2%
REMEDIOS	1	1,2%
SAN PEDRO URABA	1	1,2%
YALI	1	1,2%
ZARAGOZA	1	1,2%
CALDAS	4	4,9%
ANSERMA	1	1,2%
BELALCAZAR	1	1,2%
PENSILVANIA	1	1,2%
SAMANA	1	1,2%
QUINDIO	5	6,2%
GENOVA	1	1,2%
PIJAO	1	1,2%
SALENTO	3	3,7%

SAMPLE DISTRIBUTION		
REGION/DEPARTMENT/ MUNICIPALITY	SAMPLE	%
North east	32	39,5%
ARAUCA	5	6,2%
ARAUCA	1	1,2%
ARAUQUITA	1	1,2%
CRAVO NORTE	1	1,2%
FORTUÑ	1	1,2%
SARAVENA	1	1,2%
CASANARE	8	9,9%
AGUAZUL	2	2,5%
CHAMEZA	1	1,2%
HATO COROZAL	1	1,2%
LA SALINA	1	1,2%
MANI	1	1,2%
PAZ DE ARIPORO	1	1,2%
VILLANUEVA	1	1,2%
META	12	14,8%
CUBARRAL	1	1,2%
EL CASTILLO	1	1,2%
EL DORADO	1	1,2%
FUENTE DE ORO	1	1,2%
LA MACARNEA	1	1,2%
MATIRIPAN	1	1,2%
MESETAS	1	1,2%
PUERTO COLOMBIA	1	1,2%
PUERTO LLERAS	1	1,2%
PUERTO RICO	1	1,2%
SAN MARTIN	1	1,2%
URIBE	1	1,2%
NORTE DE SANTANDER	5	6,2%
EL ZULIA	1	1,2%
LA PLAYA DE BELEN	1	1,2%
SANTIAGO	1	1,2%
TEORAMA	1	1,2%
TIBU	1	1,2%
SANTANDER	2	2,5%
EL TARRA	1	1,2%
SABANA DE TORRES	1	1,2%

SAMPLE DISTRIBUTION		
REGION/DEPARTMENT/ MUNICIPALITY	SAMPLE	%
South zone	15	18,5%
NARIÑO	9	1,2%
PUERRES	1	1,2%
PUTUMAYO	1	7,4%
MOCOA	1	1,2%
PUERTO ASIS	1	1,2%
PUERTO CAICEDO	1	1,2%
PUERTO GUZMAN	1	1,2%
PUERTO LEGUIZAMO	1	1,2%
SAN MIGUEL	1	1,2%
TOLIMA	1	8,6%
CAJAMARCA	4	1,2%
HERVEO	1	1,2%
LERIDA	1	2,5%
RONCESVALLES	1	1,2%
SANTA ISABEL	1	1,2%
VENADILLO	5	1,2%
VALLE DEL CAUCA	1	1,2%
BUENAVENTURA	1	1,2%
Total general	81	100,0%

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