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INTERNATIONAL MONETARY FUND

COLOMBIA

Selected Issues and Statistical Appendix

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Approved by the Western Hemisphere Department

March 20, 2001

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Colombia: Basic Data

I. Social and Demographic Indicators

Area (sq. km)	1,141,748
Population (2000)	
Total (million)	42.3
Annual rate of growth, recent period (percent a year)	1.8
Density (per sq. km.)	29.8
GDP per capita (US$), 2000	1,955
Population characteristics (1997)	
Life expectancy at birth (years)	70.2
Crude birth rate (per thousand)	24.5
Crude death rate (per thousand)	5.8
Under 5 mortality rate (per thousand)	30.0
Income distribution (1995)	
Percent of income received:	
By highest 20 percent of households	60.0
By lowest 20 percent of households	2.0

Nutrition (1988-90)	
Calorie or protein intake (per capita a day)	106
Health (1994)	
Population per physician	1,152
Access to safe water (1995)	
Percent of urban/rural population	
Urban	90.0
Rural	32.0
Education (1996)	
Adult literacy rate	91.0
Gross enrollment rates, in percent	
Primary education	112.5
Secondary education	66.7
Tertiary education	18.6
GDP (2000) (Col$, billion)	172,638.6
(US$, billion)	82.7

II. Economic Indicators, 1997–2001

	1997	1998	1999	Est. 2000	Proj. 2001
	(In percent of GDP)				
Origin of GDP					
Agriculture and mining	17.7	18.0	19.0	18.8	...
Manufacturing and construction	20.1	19.2	16.9	17.7	...
Other	62.2	62.8	64.1	63.5	...
	(Annual percentage changes, unless otherwise indicated)				
National accounts and prices					
Real GDP	3.4	0.5	-4.3	2.8	3.8
GDP deflator	16.8	15.6	12.4	10.2	9.0
Consumer price index (period average)	18.5	18.7	10.9	9.2	8.8
Consumer price index (end of period)	17.7	16.7	9.2	8.8	8.0
Unemployment rate (in percent)	12.0	15.6	18.0	19.7	...
	(Ratios to GDP)				
Gross domestic investment	20.9	18.2	12.3	14.5	15.8
Of which: public investment	9.9	8.4	9.0	7.8	...
Gross national savings	15.4	13.0	12.3	14.7	14.0
External savings	5.5	5.3	0.1	-0.2	1.8
Private consumption	73.7	74.7	75.4	72.7	72.2
Public consumption	11.1	10.4	10.9	10.4	10.4
Public finances					
Central administration					
Total revenues	12.6	11.9	11.9	13.2	14.7
Total expenditures	16.3	17.2	19.4	19.2	18.9
Of which: interest	1.2	1.9	2.1	2.7	3.2
Savings	0.1	-2.0	-3.0	-3.0	-0.8
Overall balance	-3.7	-5.4	-7.4	-6.0	-4.1
Consolidated public sector					
NFPS primary balance	-1.3	-1.3	-2.6	0.8	2.0
NFPS overall balance	-3.9	-4.6	-6.4	-3.6	-2.6
Combined PS overall balance	-3.9	-3.8	-5.5	-3.6	-2.8

Colombia: Basic Data

	1997	1998	1999	Est. 2000	Proj. 2001
(12-month percentage changes, unless otherwise indicated)					
Money and credit					
Liabilities to private sector	24.5	10.3	8.7	2.7	19.2
Of which					
Money	20.6	1.8	27.8	13.4	12.0
Quasi money	25.4	12.3	4.6	-0.2	21.4
Net domestic assets of the financial system	22.9	12.7	5.8	-1.1	19.1
Of which					
Credit to the public sector (net)	-0.3	7.3	3.7	1.0	9.3
Credit to the private sector	20.9	8.9	-5.3	-7.6	9.8
Liabilities to private sector, in percent of GDP	37.4	35.5	35.8	32.4	34.2
Interest rate (90-day time deposits; percent)	24.3	34.1	15.4	12.7	...
(In millions of U.S. dollars, unless otherwise indicated)					
Balance of payments					
Current account	-5,867	-5,205	-61	178	-1,604
Merchandise trade balance	-2,638	-2,450	1,775	2,606	1,463
Exports	12,065	11,480	12,030	13,786	13,507
Imports	14,703	13,930	10,255	11,180	12,043
Services and transfers (net)	-3,229	-2,755	-1,837	-2,428	-3,067
Of which: interest	-1,728	-1,720	-1,842	-2,026	-2,127
Capital and financial account	7,017	4,259	-94	-148	1,929
Foreign direct investment	4,830	2,432	1,115	1,181	1,002
Portfolio investment	-170	540	-1,442	-1,124	667
Other capital (net)	2,358	1,286	233	-205	260
Errors and omissions	-873	-443	-165	676	0
Change in net international reserves	277	-1,390	-320	706	326
Exports (in percent of GDP)	11.3	11.6	13.9	16.7	15.4
Imports (in percent of GDP)	13.8	14.1	11.9	13.5	13.7
Current account (in percent of GDP)	-5.5	-5.3	-0.1	0.2	-1.1
Merchandise exports (in US$, annual percentage change)	10.0	-4.8	4.8	12.7	-2.0
Merchandise imports (in US$, annual percentage change)	12.6	-5.3	-26.4	8.8	7.7
Terms of trade (annual percentage change)	10.7	-6.2	3.4	17.1	-6.7
Real effective exchange rate (12-month percentage change)	11.3	-4.6	-9.6	-7.3	...
International reserve position and external debt (as of December 31)					
Gross official reserves	9,908	8,740	8,103	9,006	10,138
(in months of imports)	6.9	7.9	6.8	7.1	6.8
Net official reserves	9,900	8,559	8,075	8,822	9,148
Net reserves of the financial system	6,071	5,520	6,209	7,222	7,245
Outstanding external debt, in percent of GDP	31.6	36.2	41.8	43.5	41.6
Of which: public	16.1	19.4	23.8	25.9	26.2
Total debt service ratio (in percent of exports of goods and services)	47.1	48.8	51.1	47.4	52.8
Of which: interest	16.9	17.9	17.4	17.2	19.1
Total short-term external debt to reserves 1/	41.5	42.3	97.8	88.9	96.2

IMF data (as of February 28, 2001)	
Membership status	Article XIV
Intervention currency and rate	U.S. dollar at Col$ 2,257.45 per U.S. dollar
Quota	SDR 774 million
Fund holdings of Colombian pesos	SDR 488.2 million
(as percent of quota)	63.1 percent
Outstanding purchases and loans	None
Financial arrangements	
EFF (Approval date: 12/20/99; expiration date: 12/19/2002)	Approved SDR 1,957 million Drawn SDR 0
SDR department	
Net cumulative allocation	SDR 114.27 million
Holdings	SDR 103.32 million

Sources: Colombian authorities; and Fund staff estimates.

1/ Short-term debt is defined by its remaining maturity from 1999 onward.

I. Introduction and Overview[1]

A. Introduction

1. The eight chapters in this selected issues paper provide background information and analysis on recent developments and critical issues for the Colombian economy. This chapter provides a brief overview of the economic downturn in 1998–99 and the incipient recovery of 2000. Chapter II discusses unemployment, which remains at a historical peak despite the resumption of economic growth in 2000. The subsequent chapters take up the stress in the financial system during 1998–99 (Chapter III), the inflation targeting policy adopted by the central bank (Chapter IV), and the core inflation indicators monitored by the central bank (Chapter V). The final three chapters focus on fiscal issues, including tax and customs reform (Chapter VI), the bank debit tax (Chapter VII), and the second generation reform of the pension systems (Chapter VIII).

B. Overview

2. The roots of the economic difficulties faced by Colombia in 1998–99 can be traced to events in the first half of the 1990s, when a combination of increased public spending, trade and financial sector liberalization, and the announcement of major oil discoveries resulted in a sharp expansion of domestic demand. The changes in the public finances that took place in the 1990s reflected to a considerable extent the political commitments laid down in the 1991 constitution, which sought to increase social spending, particularly on health and education, but were not accompanied by compensating increases in government revenue. In addition, the pension reform of 1993 fell short of dealing with the financial problems of the pension system.

3. The weakening of the fiscal position goes a long way toward explaining the macroeconomic performance in the past decade. The opening of the trade system should have produced a real depreciation of the peso, but the increases in public spending and the effect of the expected oil bonanza helped induce a real appreciation (Figure 1).

4. The associated widening of the external current account deficit was readily financed with capital inflows,[2] which took the form of foreign direct investment and heavy borrowing abroad by the private sector (Figure 2). These flows tended to reinforce the real appreciation, of the peso, and contributed to a rapid growth of monetary aggregates and credit, helping to fuel a real estate bubble. The expansion in credit took place in the presence of weak financial

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[1] Prepared by Luis E. Breuer.

[2] Colombia was one of the few emerging market economies in Latin America that did not reschedule its external debt in the 1980s and maintained an investment grade rating for sovereign debt until the last half of 1999, which helped facilitate the large capital inflows.

supervisory practices and regulatory forbearance in the case of the public banks. Meanwhile, the rapidly increasing quasi-fiscal costs of monetary sterilization of the inflows led the authorities to introduce a deposit requirement on external borrowing.[3] Real interest rates were kept low (see Figure 1), which continued to fuel domestic demand, and a construction and real estate boom ensued.

5. The fiscal and external imbalances widened in the last half of the 1990s, which, coupled with the political crisis of the Samper administration (1994–98) and the escalating guerrilla violence, led to increased uncertainty and a weakening of confidence.[4] The situation was aggravated by external shocks, in the form of a sharp terms of trade deterioration and the effects of the turbulence in the international financial markets in 1998,[5] as well as by the uncertainty about the new government's policies in the face of the continuing fiscal deterioration.[6] These events resulted in periodic attacks on the exchange rate in 1998 and 1999, to which the authorities responded by depreciating the exchange rate band on two occasions, and by tightening monetary policy. The peso was finally floated in September 1999, following heavy foreign reserve losses by the central bank.

6. After a notable rise in private debt (both domestic and external) over the course of the 1990s, the sharp increase in real interest rates in 1998 and the depreciation of the peso in 1998 and 1999 led to a marked increase in the debt service burden of the private sector. This event, in conjunction with the weakening of confidence, contributed to a significant contraction in domestic demand. At the same time, the deterioration of market sentiment toward Colombia since 1997 made access to international markets more costly, and the direction of private capital flows was reversed, including through prepayments of external debt. As a result of these developments, real GDP growth slowed to 0.5 percent in 1998 and was negative by 4.3 percent in 1999.

7. The recession helped reduce inflation rapidly (from 16.7 percent in 1998 to 9.2 percent in 1999) and sharply lowered the external current account deficit to near balance in 1999

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[3] For a detailed discussion of these restrictions, see Chapter IV of SM/99/251.

[4] The political crisis emerged in mid-1995 sparked by allegations of improprieties in the 1994 presidential election campaign and was to haunt the Samper administration for the duration of its mandate.

[5] The turbulence followed the Asian crisis in late 1997, and the Russian and Brazilian events in 1998.

[6] The administration of President Pastrana took office in August 1998.

(from 5.3 percent of GDP in 1998). However, the fiscal position deteriorated further, unemployment increased, and the financial system underwent a period of substantial stress.[7]

8. To deal with the worsening economic and financial situation, the Colombian authorities introduced a three-year economic recovery program in late 1999, which is being supported by the Fund through a three-year extended arrangement. The program seeks to restore the conditions for the resumption of economic growth, keep inflation on a downward path, and achieve a sustainable external position. To attain these objectives, the program calls for strong fiscal consolidation, financial sector restructuring, structural reforms, and the maintenance of a flexible exchange rate policy.

9. In 2000, the economy improved and the program targets for economic growth, inflation, and fiscal deficit for the year were broadly achieved: real GDP growth accelerated to 2.8 percent; inflation fell to 8.8 percent; the consolidated public sector deficit decreased to an estimated 3.6 percent of GDP (from 5.5 percent of GDP in 1999); and the external current account was in near balance. The recovery was led by the expansion of exports and strong growth in the manufacturing sector. The reduction of inflation was helped by the low pass-through of the exchange rate depreciation. The fiscal consolidation was facilitated by high oil revenues and lower investment spending, and was achieved despite a deterioration of the financial position of the public pension and health systems and a court-ordered increase in public wages.[8] To prevent a systemic crisis in the financial sector, the government introduced bank restructuring and recapitalization programs managed by Fogafin, the public deposit insurance agency; relief programs for mortgage debtors; stronger regulations and supervisory practices; and norms to facilitate private debt restructuring.

10. The conditions of the financial sector also improved in 2000, as reflected in a reduction in the level of overall nonperforming loans and an increase in the capital adequacy ratio of the banking sector (from 11.0 percent in December 1999 to 13.8 percent in November 2000). However, the portfolio of mortgage institutions deteriorated from the middle of the year, following an improvement in the preceding six months that resulted from debt relief provided to mortgage holders. Four public banks were liquidated or merged; five private banks were recapitalized with loans from Fogafin; and the two private banks taken over by Fogafin in 1999 are being prepared for privatization or liquidation.

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[7] See Chapter II for a discussion of unemployment issues and Chapter III for a description of stress in the financial sector.

[8] In recent years, the constitutional court has handed down decisions on a number of economic issues, which at times have posed challenges to the fiscal consolidation effort, and modified the regulatory regime of housing finance. The attachment to this chapter presents a list of the main decisions that affected these areas.

11. The broad monetary aggregate (M3) grew by only 2.7 percent in 2000 and its composition shifted toward more liquid aggregates, mainly as a result of a sharp increase in the demand for currency in the wake of problems faced by some financial institutions and the effects of the financial transactions tax that was introduced at the end of 1998 (0.2 percent on all withdrawals). In contrast, the private sector's portfolio of domestic financial assets grew by 10 percent due to a large increase in holdings of government securities. Outstanding credit to the private sector was nearly unchanged for the second consecutive year as the economic recovery was financed largely from firms' own resources. Market interest rates were generally stable, but increased somewhat in the last half of the year in response to increased public sector borrowing, mainly brought about by a shortfall in proceeds from the government's program to privatize public enterprises and banks (see below). In October 2000, the central bank adopted inflation targeting as the framework for monetary policy.[9]

12. Colombia's external current account balance improved somewhat in 2000, showing a surplus of 0.2 percent of GDP. Nontraditional exports were stimulated by the large real depreciation of the peso during the previous two years, and the growth of traditional exports reflected mainly higher international oil prices. The capital account remained slightly negative, as the private sector reduced its external debt while the public debt rose. Colombia placed sovereign bonds in international markets for US$1.8 billion during the year, at spreads of 600–700 basis points.

13. The central bank's net international reserves rose by US$707 million in 2000, which exceeded the target established under the government's program by over US$250 million. The exchange markets remained orderly during the year, except during a short period in April/May when political events and increasing difficulties in executing the government's privatization program put pressure on the peso. The peso depreciated by 19 percent against the U.S. dollar during the year, or 11.5 percent in real effective terms.

14. The government's ambitious privatization plans for 2000 fell well short of expectations, mainly as a result of episodes of violence against electricity installations, the withdrawal by the city of Bogotá of the plan to sell its telephone company, and the time required to prepare public banks for divestment or liquidation. Other structural reforms evolved about as envisaged. The plans to reform the system of revenue transfers to territorial governments successfully completed the first of two readings by congress; regulations to implement the provisions of the 1999 financial reform law were issued; and legal reforms to help control territorial government spending (Law 617) and to reorganize lottery and gaming activities were approved.

[9] The financial transactions tax is described in Chapter VII, inflation targeting in Chapter IV, and the core inflation indicators monitored by the central bank in Chapter V.

15. Unemployment reached a historical high of about 20 percent in 2000. Although the economic downturn clearly contributed to this, the increase may also be related to structural factors. The price of labor with respect to capital more than doubled in the 1990s. There has also been an increase in the unemployment rate of the highest income earners of households, which may tend to push other family members into the labor market in an effort to replace the income loss, thus raising the participation rate. In addition, there has been a mismatch between the skills demanded and those offered by the working age population. Unemployment has been concentrated among young people with low education levels, suggesting that additional resources may need to be allocated to education and training. Overall, the evidence suggests that a significant part of the unemployment problem may be related to structural factors.[10]

16. After the recession in late 1998 and 1999, the Colombian economy has begun to recover. Fiscal consolidation in the next few years will benefit from the strong (albeit somewhat distortionary) tax package that was approved in December 2000.[11] It will also require the completion of a series of on-going structural reforms designed to strengthen further the control over public expenditures; a second generation pension reform;[12] improvements in the control of expenditures funded with the territorial transfers (Law 60); and a reform of the health system of the social security institute.

[10] Refer to Chapter II.

[11] See Chapter VI for a summary of the tax reform.

[12] See Chapter VIII for a discussion of pension reform issues.

RULINGS OF THE CONSTITUTIONAL COURT AFFECTING ECONOMIC POLICY[13]

The constitutional court (CC) in Colombia has in recent years handed down a number of decisions that affect the conduct of economic and financial policy. Some examples of these rulings are set out in the following paragraphs.

In 1996, the CC ruled that the employees of the social security institute (ISS) be granted collective bargaining rights along the lines of the employees in public enterprises, despite the fact that Law 100 (1993) established a different status for them. This decision triggered cost increases for the ISS, making the competition with private health care suppliers more difficult.[14]

In a 1996 ruling, the CC decided that all retirees would receive 14 pension payments per year. This decision overruled Law 100 that had established 13 payments per year as a general directive and 14 payments only for those who were not granted annual cost-of-living adjustments before 1998. As a result, the annual amount of pension payments increased by around 7 percent.

In 1999, the CC ruled that the executive branch did not have the power to close public institutions as granted by the congress earlier in the year.

In 1999, changing the previous procedures under which housing credits were indexed to interest rates, the court ruled that such credits could be only indexed to past inflation, and that the capitalization of interest contradicted the constitutional principles on housing.

In 1999, a ruling determined that the mortgage debt reduction program introduced by the government should be extended also to debtors in arrears.

Also in 1999, the CC ruled that mortgage debtors who surrender their properties to the creditors would free of any further obligation.

In a decision taken in late 1999, the CC determined that mortgage interest rates be capped at the lowest lending rate in the market.

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[13] Prepared by Jose Gil-Díaz.

[14] Law 100 established the ISS as a provider of health services in competition with private service providers.

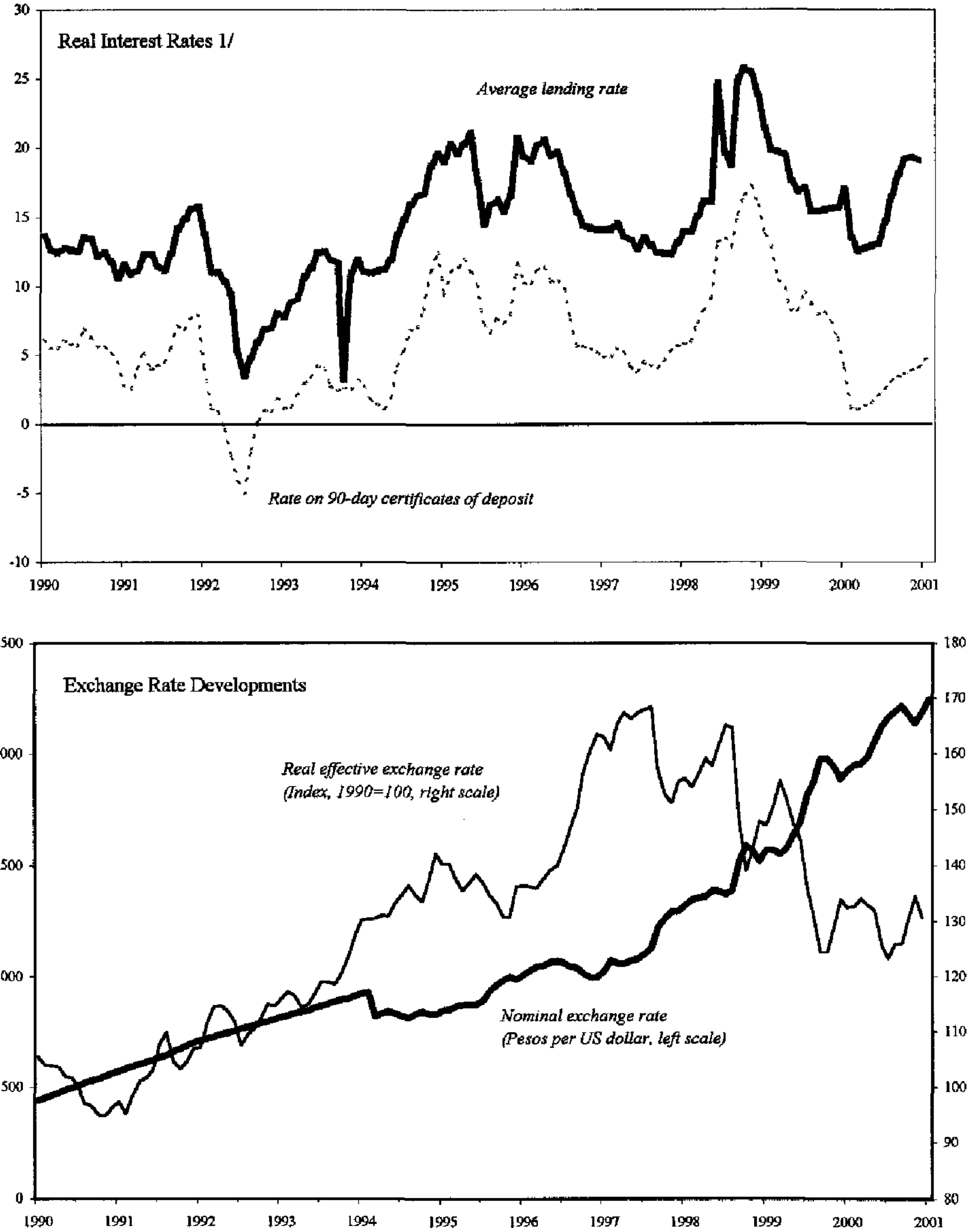
In 2000, the CC ruled Law 344 (1996) unconstitutional as it mandated a slowdown in the central government's transfers to a subsidized health plan for people outside the labor market.[15]

In 2000, the court declared that the approval of the national investment plan had not followed the constitutional procedures, thereby freezing the execution of a number of projects in the areas of agriculture, education, and housing until the procedural issues were resolved.

In late 2000, the CC ruled that public wage increases should, at a minimum, compensate for the inflation of the previous year. This decision reversed the central government's wage freeze policy for 2000; the ruling involved retroactive payments.

[15] Law 344 provided the government some discretionary power with regard to the timing and the amounts transferred to the subsidized health plan.

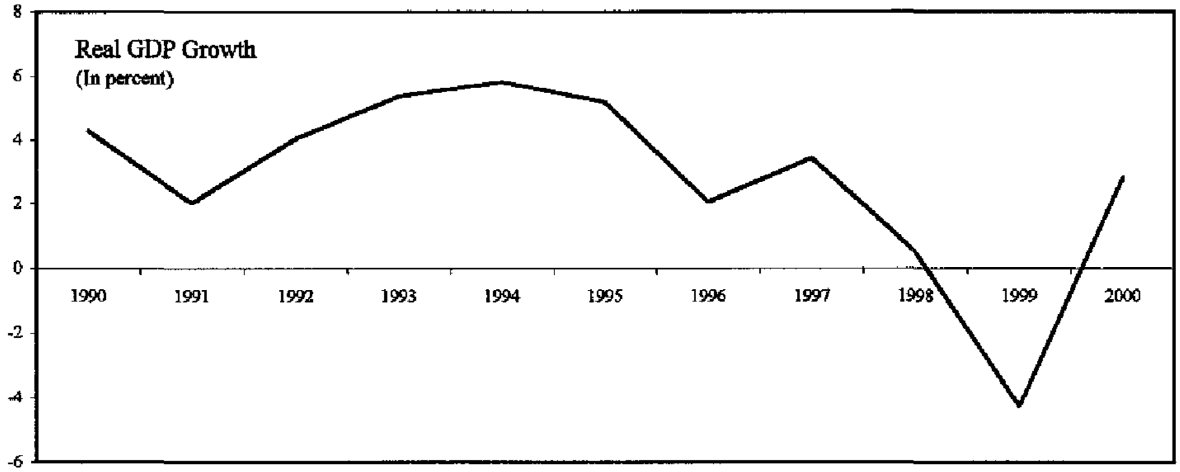
Figure 1. Colombia: Real Interest Rates and Exchange Rate Developments

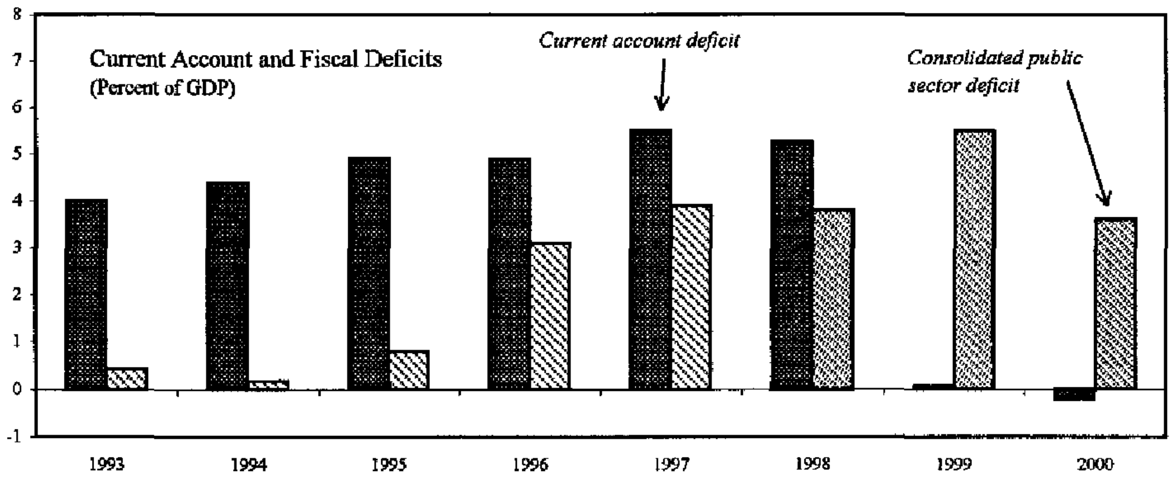


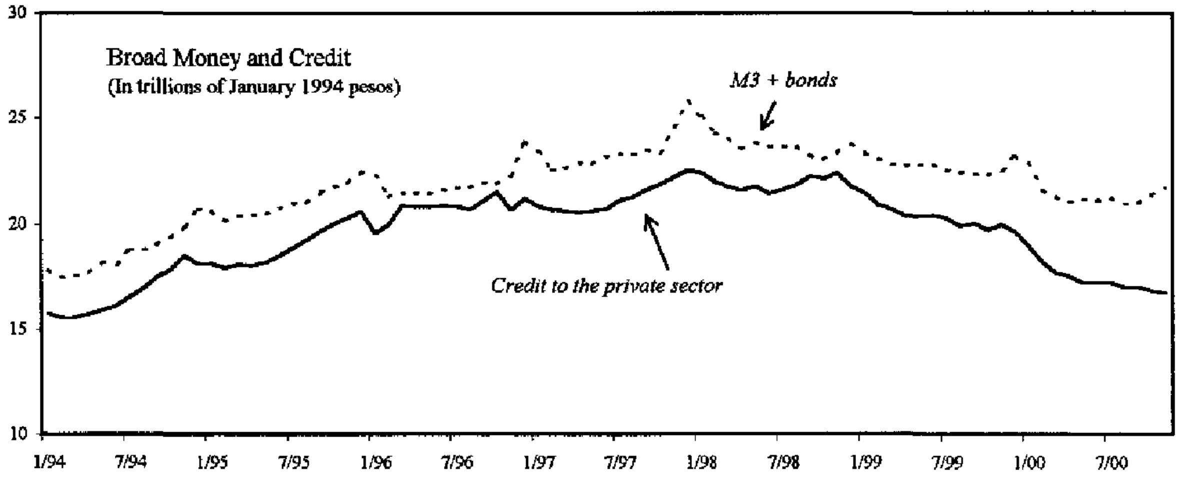
Sources: Banco de la República; and IMF's Information Notice System.

1/ Nominal interest rates deflated by change in CPI over the preceding twelve months.

Figure 2. Colombia: Macroeconomic Trends







Source: Banco de la República.

II. Unemployment in Colombia: The 1990s[16]

A. Background

17. While strong economic growth characterized Colombia in the first half of the 1990s (real GDP growth rates exceeded 5 percent between 1993 and 1995), the late 1990s witnessed a dramatic slowdown in activity. In 1999, the economy experienced the worst recession since the 1930s. On the external side, the country showed significant increases in the current account deficit and the peso appreciated in real terms before a sharp adjustment occurred in 1999/2000. One of the most salient characteristics of the Colombian economy in the 1990s, however, was the behavior of the labor market. The unemployment rate dropped to 7.5 percent in 1994, the lowest on record; in September 2000, it was above 20 percent, the highest ever registered.[17]

18. Although the economic downturn in the late 1990s helps explain the behavior of the unemployment rate, the drop in activity does not offer a complete explanation. First, the economic boom in the early 1990s hardly affected unemployment. While the economy expanded by almost 30 percent during the period 1990–94, unemployment dropped less than 1.5 percentage points. Moreover, with GDP growing 5.2 percent in 1995, unemployment increased by almost 1.6 percentage points.[18] Second, by the time the 1998–99 recession began, unemployment had already increased from 9.8 percent in June 1994 to 15.9 percent in June 1998. Third, unemployment did not fall during the recovery in 2000. In fact, it increased from 18 percent at the end of 1999 to almost 20 percent at the end of 2000. This data suggest that structural problems also might help explain the behavior of unemployment. The objective of this paper is to offer a brief analysis of the labor market in Colombia during the 1990s.

B. Labor Markets Developments During the 1990s

19. The fluctuations in the unemployment rate in Colombia during the 1990s contrasts with the steady upward trend in real wages and, more generally, in real labor costs during the same period (Figure 1(a)). Table 1 presents some indicators of the evolution of these variables, namely, the real wage, an index of unit labor costs, and an index of labor costs. The index of labor costs captures the cost of wages and payroll taxes. The index of unit labor costs adjusts labor costs by the evolution of labor productivity.

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[16] Prepared by Esteban Vesperoni.

[17] This high rate of unemployment should be seen in the context of the general lack of unemployment benefits.

[18] It could be argued that unemployment was already at its natural rate in the early 1990s, so that it could not drop with the economic boom. In any case, the behavior in 1995 cannot be explained by this argument.

20. As Table 1 shows, the real wage has grown during most of the decade. As long as one looks at real wages, labor costs do not react to the downturn in economic activity until the year 2000. Adjusting wages by the evolution of labor productivity or deflating them by the exchange rate does not seem to offer a notably different picture. In spite of the correction in 1999/2000, labor costs have increased during the decade both in terms of foreign and domestic currency. Part of reason for this may be the lack of credibility of the disinflation policy during most of the decade, which tended to keep the economy indexed to past inflation.

21. Table 1 also allows a first assessment of labor market dynamics. The evolution of employment suggests that the economy had reduced job creation by the second half of the 1990s. The rate of employment in 2000 fell by 2.4 percentage points in relation to the average rate during the period 1990–95. The most significant push to unemployment, though, came from the supply side. The total participation rate (the ratio between people who actively look for employment to the working age population) in 2000 was almost 6 percentage points higher than in 1990–95. This is the main reason why the economic recovery in 2000, which actually raised employment,[19] did not lower the unemployment rate.

22. While the figures discussed above suggest some general trends in the labor market, the data in Table 2 provide more detailed characteristics of unemployment in Colombia during the 1990s. Overall, unemployment was concentrated among young people (between 15 and 30 years old) with low levels of education. In other words, it seems that there is a mismatch between the skills demanded and those offered by the working age population. This mismatch and the fact that unemployment is higher for the youngest might suggest that more time and resources should be allocated to education and training.

23. Table 2 also shows that the unemployment rate of people with higher education increased the most in relative terms during the 1990s, from 4.4 percent during 1990–95 to 12 percent in 2000. In fact, the ratio between the unemployment rate of highly educated people and those with no education increased by the end of the decade, particularly in 2000, and it remains to be seen whether this is a new trend or a specific phenomenon of the recent recession. In any event, although unemployment is still concentrated among less educated people, it is increasing among highly educated people.

24. The classification of unemployment by the length of time the unemployed have been searching for a job shows that long-term unemployment increased during the 1990s. The proportion of people who have been unemployed for up to four weeks declined over the period, while people searching for work for more than two years increased to represent more than 65 percent of the unemployed in 2000. While the first category can be identified with the existence of frictions, the second could be related to structural reasons. One possible

[19] The employment rate increased by almost 1 percentage point from 1999 to 2000.

explanation for the latter might be the difficulties of large numbers of people to provide the skills required as the economy experienced significant structural changes in the 1990s.[20]

C. Labor Supply and Demand

25. The third remarkable development during the 1990s is the increase in the unemployment rate in the category denominated "head of family" (HoF), i.e., persons who contribute the largest share of family income and should be in their most productive years. This means that in order to replace the income loss of a HoF, families may need the contribution of more than one of their other members. Unemployment within the HoF group increased, proportionally, more than any other group during the 1990s (Table 2, classification by family status). Figure 1(b) shows that while the unemployment rate among HoF almost tripled during the 1990s, the participation rate of other family members (OFM) increased from 54.1 percent to 64.1 percent between 1990 and 2000.[21] On the assumption that families seek to maintain their income, the employment loss of the main income earner tends to push the unemployment rate upward by raising the participation of other family members in the labor market.

26. Figure 1(c) presents a different rationale for the increase in labor supply during the 1990s. It shows the relationship between real wages and the participation rates of OFM, and might suggest that a reason behind the increase in labor supply is the better income prospects. There are two reasons why this view does not seem plausible. First, the figure shows that the increase in the participation rate accelerates at a time when the performance of real wages declines in 1999–2000. Second, while the aggregate participation rate increased during the 1990s, the participation rate of the HoF fell more than 3 percentage points. A priori, there is no reason to believe that people characterized as HoF perceived the increase in real wages differently than other people.[22]

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[20] The lack of skills mentioned here need not be just related to the unemployment of young people that we mentioned above, but also to middle age people who have previously been employed.

[21] The participation rate of OFM is an average of the participation rates of the following categories: spouse, single son/daughter, and married son/daughter living in the same household.

[22] Instead, the behavior of the participation rate of HoF may be related to people who get "discouraged" and stop looking for a job. This is consistent with the evidence suggesting that long-term unemployment has increased during the decade. It also suggests that, should not these people abandon active job searching, the unemployment rate for HoF would have been even higher.

27. Figure 2 shows the evolution of the unemployment rate and the price of labor in terms of capital during the 1990s. The evidence shows that the relative price of labor has more than doubled since the beginning of the 1990s.[23] This is consistent with the investment boom that took place during the first five years of the decade, which made output more capital intensive. The factor substitution that this entailed softened labor demand in the 1990s. The strong economic expansion that characterized the early 1990s may have masked the disproportionately low growth in the demand for labor, but as economic activity slowed down after 1995, the unemployment rate rose reflecting the changing relative prices.

D. Findings and Policy Issues

28. During the 1990s, unemployment in Colombia moved from a historical low in 1994 to the highest rate on record in 2000. Although the business cycle partially explains this dynamic, the case of Colombia suggests that it also may be related to other causes. One of these is the evolution of the relative price of production factors. The evidence shows that the price of labor services more than doubled in relation to capital over the decade. This relative price change provided incentives to reduce the use of labor relative to capital in an economy that lost much of its growth momentum from the middle of the 1990s and went into a recession toward the end of the decade. A second cause is related to the increase in the unemployment rate of the highest income earners in a family. This tends to force into the labor market one or more other family members in an effort to replace the income loss, and may help explain the extraordinary increase in labor supply that the Colombian economy experienced during the last few years of the decade. A third issue is the mismatch between skills demanded and those offered by the working age population. Unemployment was concentrated among young people with low education levels, suggesting that some people should extend their training period before entering the labor market. Overall, the evidence suggests that a good part of the increase in unemployment may be related to structural reasons. Should that be the case, the recovery from the recent recession may not be sufficient to resolve the unemployment problem.[24]

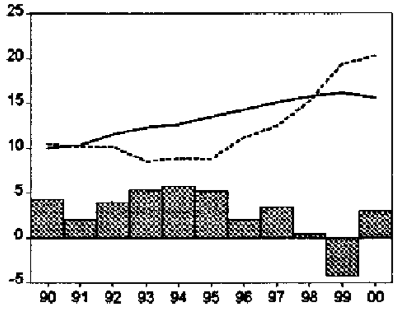
29. The authorities have designed three employment programs to help deal with the slack in the labor market: (i) a program to create employment for lower income groups; (ii) a

[23] This is consistent with the experience of other Latin American countries that have liberalized trade and capital movements and experienced a real exchange rate appreciation during the decade.

[24] For instance, if there is a connection between the increase in unemployment of HoFs and the increase in long-term unemployment, and the HoFs are mainly middle-aged population, changes in production practices (resulting from the new relative price between labor and capital) may be affecting their ability to adapt to new employment conditions. In a case like this, a recovery would not change the situation in the labor market materially.

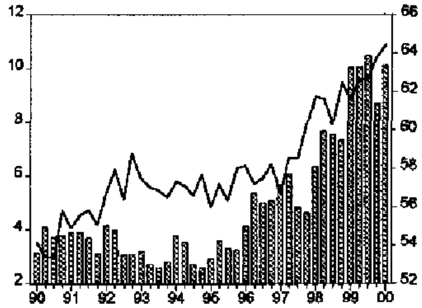
training program for young unemployed (between 18 and 25 years); and (iii) a program of subsidies for families with school-aged children. The first program seeks to increase labor demand within the lower income groups. The other two programs seek to accomplish two goals: first, they aim to reduce participation rates in order to cut down short-term unemployment, and second, they are intended to reduce the mismatch of skills previously mentioned by extending the formal training period. As noted before, one of the key issues in the last decade was the increase in the unemployment rate of individuals classified as HoF. If this is behind much of the increase in the participation rate of other family members as suggested above, a reduction in unemployment of HoFs could reduce the pressure brought about by the increase in labor supply and allow other family members to resume their schooling process. This suggests that it would be important to understand what drives the increase in unemployment of HoFs and put in place mechanisms to bring that group back to work.

Figure 1(a). Colombia:
Unemployment, Labor Costs and Growth



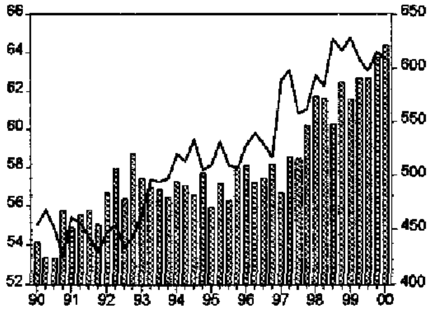
Source: Dirección Nacional de Planeamiento

Figure 1(b). Colombia:
Unemployment of Head of Family and
Participation Rate of Other Family Members



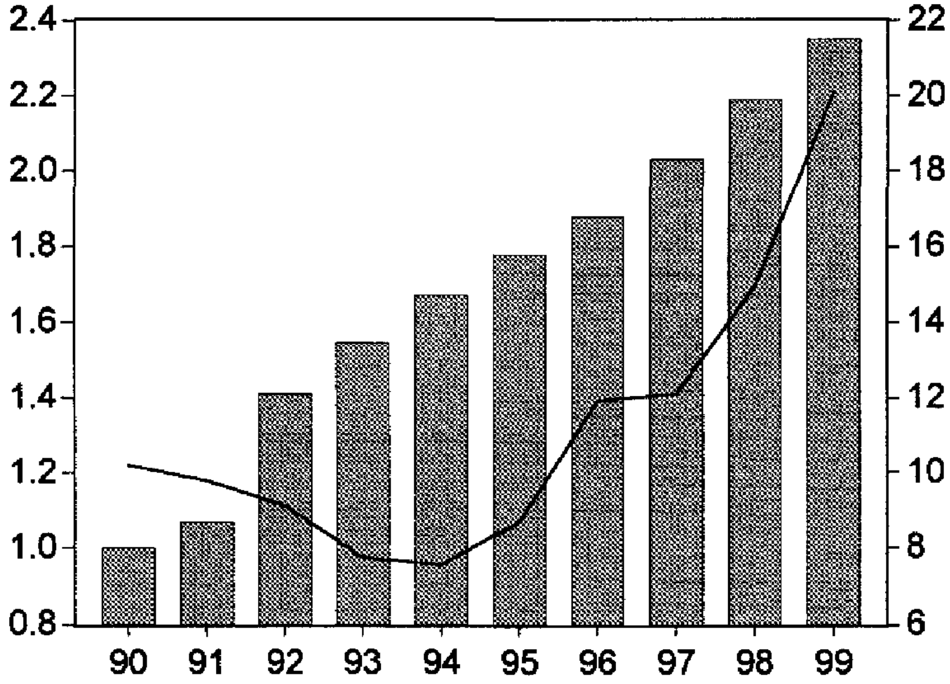
Source: Dirección Nacional de Planeamiento

Figure 1(c). Colombia:
Real Wage and Participation Rate
of Other Family Members



SOURCE: Dirección Nacional de Planeamiento

Figure 2. Colombia: Unemployment and the Labor/ Capital Price Ratio



Sources: Dirección Nacional de Programación; and Dirección Nacional de Planeación.

Labor/Capital Price (left scale)
Unemployemt (right scale)

Table 1. Colombia: Labor Market Developments

(In percent)

	1990/1995	1996/1998	1999	2000
	Rates 1/			
Participation	59.1	60.0	63.3	64.8
Employment	53.9	52.1	50.6	51.5
Unemployment	8.9	13.0	20.1	20.5
	Annual Rates of Growth			
Population	1.8	1.8	1.8	1.8
Labor supply	0.8	0.9	3.8	1.6
Employment	1.1	-1.5	-2.3	1.8
Unemployment	-2.7	20.9	34.0	2.0
Real wages 2/	2.0	5.6	1.2	-3.2
Unit labor costs - ER 3/6/	9.4	1.1	-2.8	-12.9
Index of labor costs - ER 4/6/	13.1	5.4	-5.3	-7.5
Index of labor costs - PPI 5/6/	6.3	5.1	2.9	-3.8

Source: DANE

1/ September figures.
2/ Deflated by the consumer price index. The figure for 2000 corresponds to the growth rate between March 1999 and March 2000.
3/ Unit labor cost captures the cost of producing one unit of product; it is adjusted by labor productivity. The index is deflated by the evolution of the nominal exchange rate.
4/ The index of labor costs captures the cost of wages, social services and pay-roll taxes of permanent and temporary workers. It is deflated by the evolution of the nominal exchange rate.
5/ Deflated by the producer price index.
6/ For 2000, date corresponds to the first semester.

Table 2. Colombia: Unemployment Classification

(In percent)

	Annual Average			
	1990/1995	1996/1998	1999	2000 3/
	Rates 1/			
By family status				
Head of family	3.4	5.8	9.8	10.1
Spouse	11.3	14.1	20.6	21.4
Rest of family	12.1	15.7	22.9	24.3
By education				
No education	7.4	10.3	17.0	14.9
Primary education	7.7	10.9	16.6	17.0
High school	10.7	14.9	21.9	24.6
Superior education	4.4	6.2	10.5	12.0
By age				
15–19	24.8	33.9	44.1	47.0
20–24	16.6	22.0	31.9	33.4
25–29	10.0	13.8	20.4	21.5
30–34	7.1	10.2	16.2	15.8
35–39	5.6	8.5	13.76	15.2
40–44	4.67	7.21	12.65	11.48
45–49	4.1	7.1	11.53	14.6
More than 49	3.8	6.0	10.12	12.16
By searching period 2/				
Up to 4 weeks	29.8	22.7	15.5	12.9
Between 5 and 8 weeks	11.9	11.4	9.5	8.0
Between 9 and 24 weeks	15.6	16.5	16.4	13.4
More than 24 weeks	42.5	45.7	58.6	65.7

Source: DANE.

1/ Average figures.
2/ As a percentage of total unemployment.
3/ March figure.

III. Banking Stress in the late 1990s[25]

30. After decades of steady economic growth and macroeconomic stability (albeit with moderately high inflation), Colombia has experienced slow growth and widening economic imbalances in recent years. This turnaround has had important repercussions on the financial system, which went through a period of considerable stress during 1998 and 1999. While the general conditions of the financial sector have since improved, significant challenges remain, including the privatization of some public banks and closure of others, and the strengthening of the mortgage institutions.[26]

31. As of December 2000, the Colombian financial system had 72 credit institutions with assets amounting to about US$44.5 billion (58 percent of estimated 2000 GDP). Due to a tradition of specialized banking, there were 27 private banks (including specialized mortgage institutions), with 55 percent of total assets, 8 finance corporations whose activities were largely directed to corporate banking (with 6 percent of assets) and 37 mainly small financing and leasing companies (with less than 3 percent of total assets). Public financial institutions, including operating banks, banks that have been closed, and second-tier financial institutions accounted for 36 percent of total assets, while foreign-owned institutions accounted for 15 percent of total assets. Most of the financial intermediation was undertaken through institutions owned by nine private conglomerates (*grupos*), of which three are foreign-owned.

A. Emergence of Stress in the Financial Sector

32. The boom of the early 1990s brought about a rapid expansion of bank credit and asset prices, particularly real estate. Lending was largely based on current repayment capacity, and credit risk analysis was influenced by rapidly increasing real estate prices. Credit expansion was particularly buoyant in the mortgage and consumer sectors, resulting in a significant rise in the household debt burden. Financial supervisory practices during this period were weak and regulatory forbearance was common in the case of the public banks.[27]

33. By mid-1998, economic growth had slowed and credit demand fell, partly reflecting the efforts by the private sector to bring down its debt burden. These developments also were associated with a rapid deterioration in the quality of the financial intermediaries' assets. The ratio of nonperforming loans to total loans (NPL) jumped from about 8 percent in

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[25] Prepared by Luis E. Breuer.

[26] Mortgage institutions (*Corporaciones de Ahorro para la Vivienda* or CAVs) are savings and loans institutions that until recently had a specific regulatory regime. In the July 1999 reform of the banking law, CAVs were given until 2002 to transform themselves into banks.

[27] Public banks often followed political objectives and were allowed to operate despite their acknowledged capital weaknesses.

December 1997 to a peak of 16.1 percent in November 1999. In the case of mortgage loans, the deterioration was even more dramatic, jumping from about 6 percent in December 1997 to 19.8 percent in January 2000.[28] While the financial system itself had a low exposure to exchange rate risk, the exchange rate depreciation of 1998–99 (Figure 1) contributed to the deterioration of its assets due to the large foreign exchange exposure of the corporate sector.

34. The economic downturn and the contraction in financial system liquidity accelerated the fall in property prices that had begun in early 1996, particularly in the intermediate and high end of the real estate market (Figure 2). The adverse effects on the housing sector of the deep decline in real estate prices was exacerbated by the fact that both loans and deposits of mortgage institutions were denominated in UPACs, a unit of account established in 1973 to index mortgage loans. The UPAC was originally linked to inflation, but was shifted to the benchmark 90-day deposit rate in the early 1990s. This change proved to be problematic in 1998 when market interest rates soared well above the rate of inflation (Figure 2) and servicing costs on mortgages increased much faster than the incomes of mortgage holders. To alleviate the immediate debt servicing problems, many loans denominated in UPACs capitalized interest. As a result of the fall in housing prices and the capitalization of interest, the principal of mortgage loans in many cases exceeded the value of the underlying collateral.

35. In response to widespread complaints about creditor abuses, the constitutional court intervened in 1999 by ruling that mortgage debt payments could not be indexed to interest rates, and that interest could not be capitalized. Indexation of mortgage loans was subsequently linked to past inflation. In early 2000, the court established that interest rates on mortgage debt had to be capped by the central bank at the lowest rate in the market. Some Colombian observers have argued that an unintended consequence of these rulings (in conjunction with the multiple debtor relief programs described below), may have been to relax debtor repayment discipline in the mortgage sector.

B. The Policy Response

36. In dealing with the financial sector crisis, the authorities put in place a combination of policies to provide mortgage debt relief; restructure and recapitalize private banks, as needed; strengthen the regulatory framework; divest or liquidate public banks; and grant incentives to facilitate the restructuring of private debt.

37. **Debt relief for mortgage debtors**. Successive debt relief programs were implemented that used public funds to refinance mortgage loans at lower interest rates or reduce the principal of the loans. In November 1998 unemployed homeowners of low income housing received refinancing of their debt at preferential rates. In March 1999, debtors whose

[28] After a significant improvement in the first half of 2000, loan delinquency in the mortgage sector increased again during the second half of the year.

mortgages had interest rates above UPAC plus ten percentage points received new financing at preferential rates.[29] The final package, passed in the context of a comprehensive housing law in December 1999, introduced debt reduction on the principal of the mortgages outstanding at the end of 1999. The new lower principal was estimated retroactively by replacing the UPAC index with one based on past inflation (UVR). To partially offset the loss in the value of their mortgage assets, financial institutions were given long-term treasury obligations that carried below market interest rates.

38. **Public banks**. A number of public banks were intervened and closed in 1999 (Caja Agraria, BCH, and Banco de Estado/Uconal), and a new bank, Banco Agrario, was created from the performing assets of Caja Agraria.[30] Performing assets and the deposit liabilities from the other public banks that were closed were transferred to Bancafe, Granahorrar, and Banco Agrario.[31] Bancafe is in the process of privatization,[32] while various options are being considered for the resolution of Granahorrar. The authorities plan to divest from all public banks (except Banco Agrario) by the end of 2001. An asset management company (CISA), owned by Fogafin, has been entrusted with the responsibility of selling the unproductive assets of the closed public banks.

39. **Private banks**. Two large private institutions were taken over by Fogafin in 1999, as noted above, while smaller banks that failed were closed (Banco Andino, Banco Selfin, and Banco del Pacifico).[33] In addition, a number of smaller cooperatives, insurance companies and trust funds were intervened during 1998 and 1999, and are in the process of liquidation.

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[29] Fogafin, the public deposit insurance agency, administered the first two rounds of debt relief, which were funded with the revenues from the financial transaction tax approved in late 1998 (see Chapter VII) and with proceeds from a US$100 million loan granted in 1999 by CAF.

[30] The purpose of Banco Agrario is to provide credit to small farmers.

[31] Bancafe and Granahorrar were private institutions that were intervened and taken over by Fogafin in 1999.

[32] In preparation, Bancafe has undergone significant downsizing, reducing the number of staff from 7,300 to 4,800 and the number of branches from 390 to 280, between September 1999 and December 2000.

[33] A medium-size bank, Banco Uconal, was also taken over by Fogafin in 1998 and merged with the Banco de Estado. The merged bank is in the process of being liquidated.

40. Medium-sized private institutions received financial support from Fogafin, which amounted to about US$220 million as of February 2001.[34] In May 1999 the government introduced a recapitalization plan under which it extended (through Fogafin) credit lines to the shareholders of the troubled institutions. These lines, which were given in the form of Fogafin bonds (and consequently did not imply cash disbursement for the government), carried a number of conditions: impaired assets were written off according to strict Fogafin criteria; annual performance criteria for each institution were established and monitored by Fogafin; and collateral covering 133 percent of the credit lines had to be submitted. Maturities of the recapitalization loans were from three to seven years, and the interest rate was linked to market deposit rates. While this scheme was generally successful in improving the capital adequacy ratios of the institutions that were supported,[35] it does subject Fogafin to losses should the banks fail but not to the gains that would accrue if the banks' fully recover.

41. **Legal and regulatory reform.** In July 1999, the banking law was amended with the purpose of strengthening prudential norms and the powers of the superintendency of banks (SB). The main provisions included an increase in the minimum capital for all financial institutions; the strengthening of procedures for the timely detection of troubled institutions; and the introduction of prompt corrective actions by the SB. In addition, the SB issued regulations to raise the level of provisioning of bad assets to international standards over a period of three years. These included a general provisioning requirement (equal to one percent of total assets) and changes to the methodology used to deduct collateral from provisioning requirements.[36]

42. **Debt restructuring.** In July 1999 the SB adopted a transitory regime for the classification of loans that facilitated the restructuring of debt with the financial sector under certain conditions. Under this regime, which lasted six months, financial institutions had to forego penalty charges and could establish grace periods of up to one year for the payment of interest and up to three years for the payment of principal. Furthermore, interest rates had to be agreed upon by the financial institution and the customer; and the maturity of the

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[34] These included Banco Union, Superior, Colpatria, Interbanco, Multibanco, and Credito. In addition, a number of small finance and leasing companies and IFI, a public second-tier bank, received support from Fogafin.

[35] Capital adequacy ratios were improved by the write-off of impaired assets and the increase in capital in the form of Fogafin bonds.

[36] The main different between Colombian provisioning rules and international principles are related to the treatment of collateral when provisioning for bad loans. In the Colombian case, the historical value of the collateral is partially deducted from the constitution of provisions. This practice may lead to the underestimation of provisions and overestimation of the capital of financial institutions, particularly CAVs.

restructured loan could not exceed seven years. The total amount of loans restructured was about US$600 million. In addition, congress passed Law 550 on December 1999, creating an alternative debt resolution mechanism that suspended traditional bankruptcy procedures for five years. The new procedures are based on agreements between creditors and debtors under the auspices of the government (through the *Superintendencia de Sociedades*). They also replaced the veto power of shareholders; and permitted the modification of the legal priorities of the various types of liabilities, except for pension and labor related liabilities. Total restructurings under this law amounted to about US$250 million, as of September 2000.

C. The Fiscal Cost

43. The estimated gross fiscal cost of the banking crisis to date is about CP 14.3 billion (8.4 percent of the estimated GDP in 2000) (see Table 1). This cost excludes proceeds from any asset recovery of the public banks, repayment of the loans extended to shareholders of private banks, and the fiscal carrying cost resulting from the financing.[37] Fogafin staff estimates that about half of these costs can be recovered. The bulk of the resources were devoted to public bank resolution (61 percent of the total) where the heaviest losses were concentrated. The other significant expenditure was related to mortgage debt relief (21 percent of total).

44. Much of the cost was financed with the issuance of bonds (61 percent of total). Fogafin bonds that were used to recapitalize public banks are linked to treasury commitments to include their servicing payments in the annual budgets, while those used for private bank capitalization carry no treasury commitment. Bonds issued for mortgage debt relief are Treasury bonds (TES) that carry explicit government guarantees. Fogafin bonds have limited tradeability and, compared with TES, are discounted by the market.

45. While significant resources have been devoted to the problems of the financial sector in Colombia, the cost has not reached the proportions of some other recent banking crisis. In this regard, the latest estimates of the costs of other crises are 56 percent of GDP in Indonesia, 21 percent in Korea, and 19 percent in Mexico.[38]

D. The Housing Sector and Mortgage Institutions

46. The economic recovery contributed to an improvement in the financial sector as a whole in 2000, as manifested in the rise of the capital adequacy ratio (from 11.2 percent in December 1999 to 13.8 percent in December 2000); the fall in nonperforming loans (from

[37] The carrying cost was 0.4 percent of GDP in 2000 and, after increasing to 0.9 percent of GDP in 2001, is projected to stabilize at about 0.5 percent of GDP in 2002–05, and will subsequently fall to the order of 0.2–0.3 percent of GDP until 2010.

[38] SM/00/194, p. 33.

13.5 percent to 11.1 percent); the increase in past due loans covered by provisions (from 34 percent to 49 percent); and the reduction in financial sector losses (from about US$1.3 billion to US$700 million).

47. Mortgage institutions, however, remain weak mainly as a result of the problems in the housing sector and the high rate of loan delinquency.[39] While the drop in real estate prices appears to have bottomed out, prices remain depressed and the quantity of repossessed assets is large. A recent increase in migration from Colombia has contributed to keeping prices low by increasing the supply of properties for sale. The implications for the financial sector are significant: the five private mortgage institutions hold about 30 percent of banking assets, and some are linked to large domestic banks through common ownership. Credit risk faced by the mortgage institutions, arising from the conditions in the housing market, is further compounded by liquidity and interest rate risk, derived from the liquidity mismatch between assets and liabilities and from the cap on lending rates established by the constitutional court (while deposit rates are market determined). The authorities have introduced a partial interest rate guarantee mechanism to protect mortgage institutions against interest rate risk, and are preparing the regulatory framework for the creation of mortgage-backed securities (MBS).[40] In addition, the authorities are assessing the condition of each mortgage institution to determine their capital needs, and are considering various alternatives to induce greater consolidation of the sector as a means of increasing efficiency and diversifying risks in the sector.

E. Conclusion

48. The financial crises in Colombia must be viewed in the context of the economic deterioration in recent years, the existing financial sector vulnerabilities, and the external economic shocks. Supervisory practices also were weak, particularly with regard to the public banks, at a time of rapid credit growth that helped fuel a real estate bubble. The political crisis during the Samper administration (1994–98) and the growing concerns about the sustainability of the domestic and external economic imbalances contributed to ending the boom cycle. The Asian and Russian crises, and the difficulties faced by neighboring Brazil also

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[39] Nonperforming loans for the mortgage sector fell to 11.8 percent in June 2000 (from their peak of 19.8 percent in January 2000), following debt relief in early 2000, but have subsequently returned to their high level. The persistence of high unemployment and the fact that debt relief has not compensated the loss of income flows of unemployed workers may have contributed to the resurgence of loan delinquencies.

[40] While the plan to introduce MBS would take time to become fully operational, these instruments will help reduce liquidity and interest rate mismatches for lenders. However, the problems with past due loans still need to be addressed.

had an impact in 1998 through adverse term of trade developments and tightened access to external financing, and contributed to the pressures against the exchange and interest rates.

49. The resolution strategy adopted by the Colombian authorities has relied mainly on providing debt relief to mortgage holders, resolving the public banks, and financing the capitalization of private banks. When the latter was not feasible (as in the case of Granahorrar and Bancafe), Fogafin took control and ownership of these institutions. While this strategy, as opposed to one that closed insolvent institutions, might reduce fiscal costs in the short run, it remains subject to considerable risks should the economy experience a future downturn.

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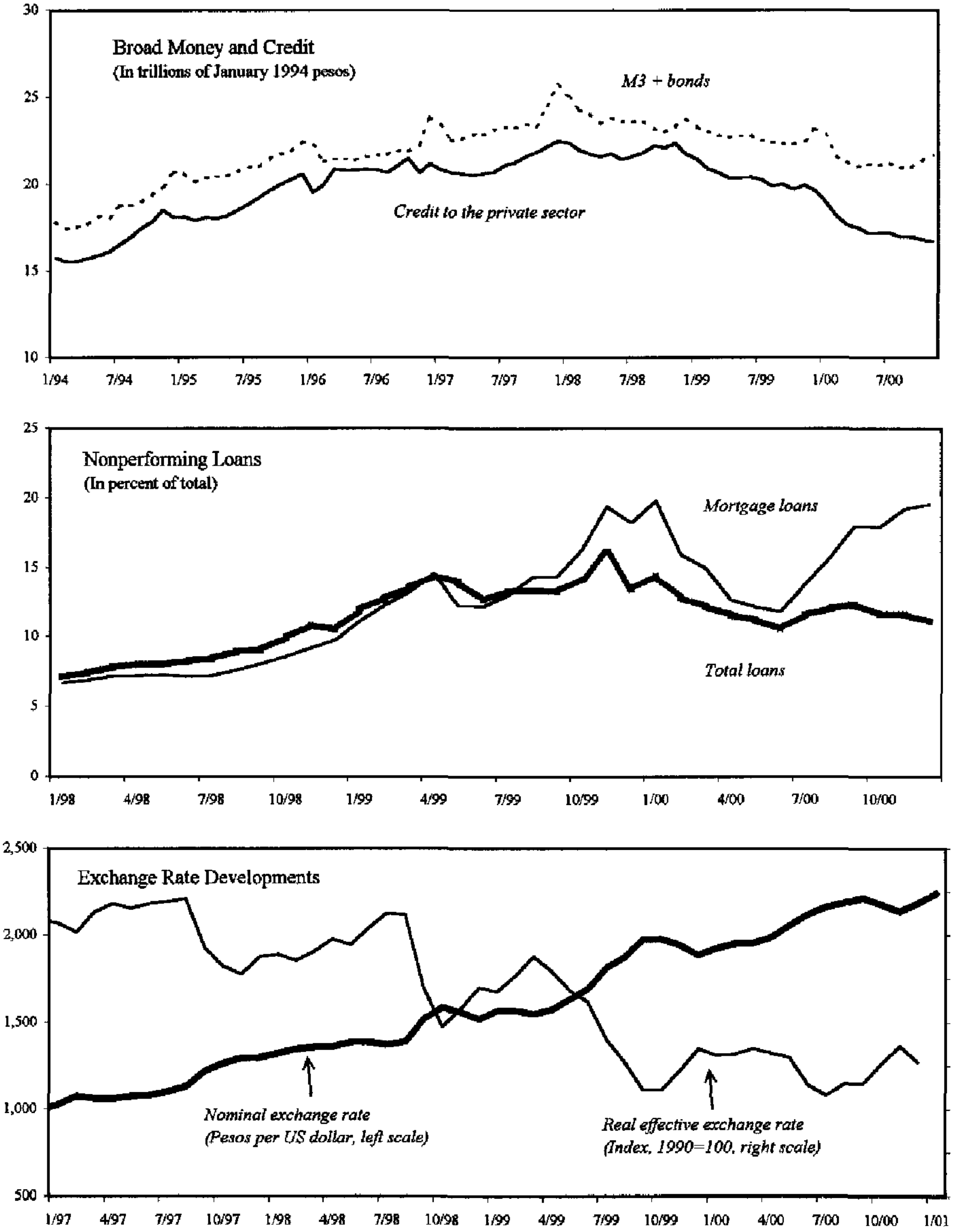
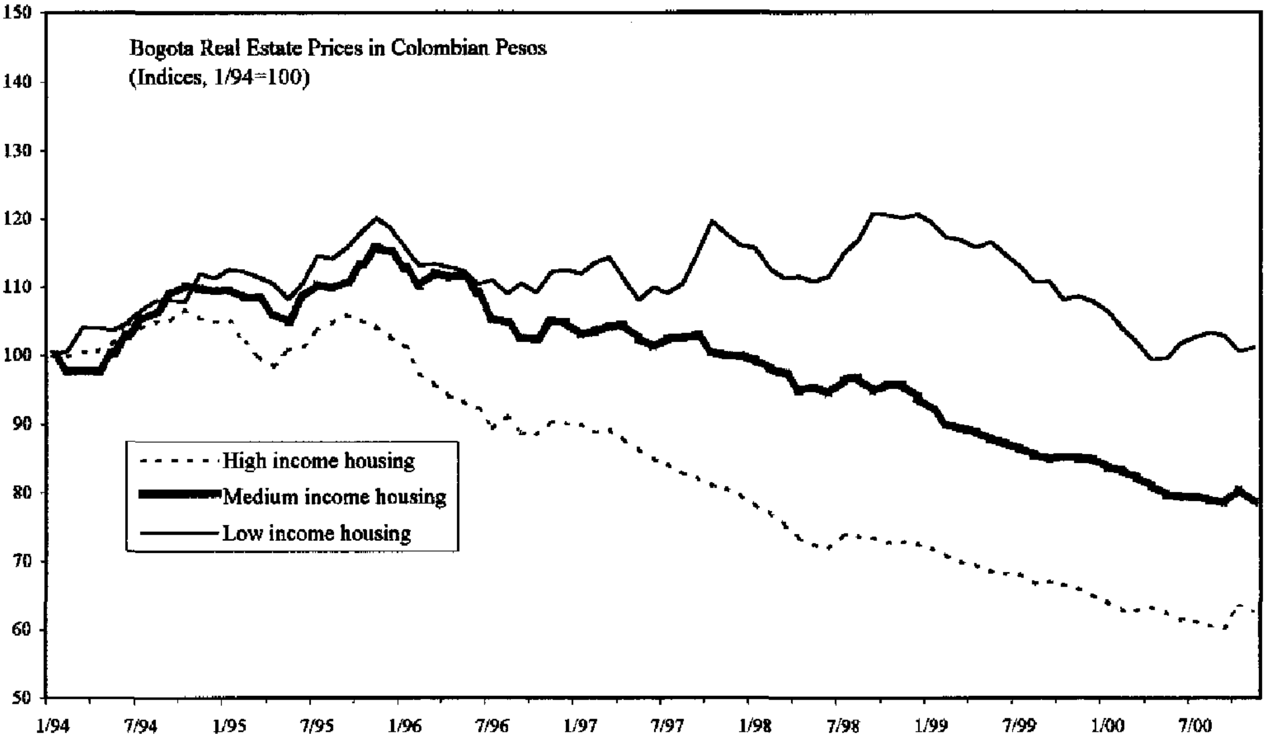
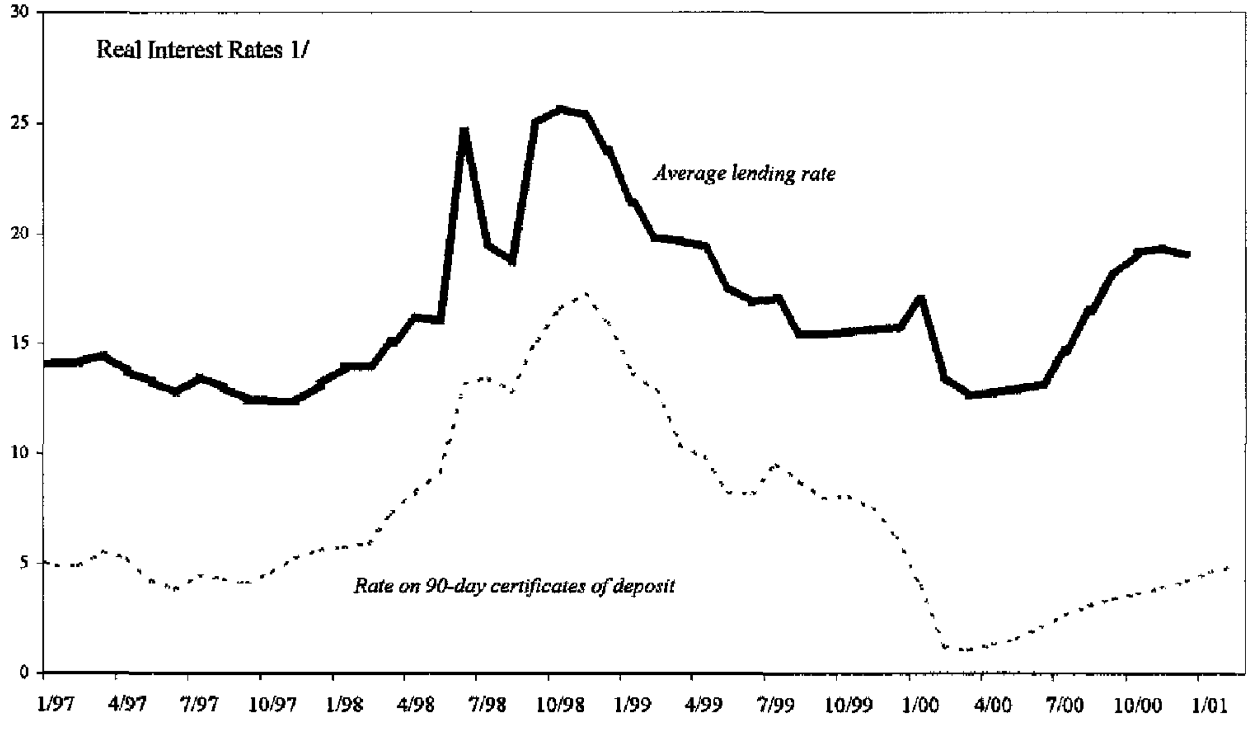
Figure 1. Colombia: Money and Credit, Nonperforming Loans, and Exchange Rate



Sources: Banco de la República; and IMF's Information Notice System.

Figure 2. Colombia: Real Estate Prices and Real Interest Rates





Source: Banco de la República.

1/ Nominal rates deflated by change in CPI over the preceding twelve months.

Table 1. Colombia: Estimated Gross Fiscal Cost of the Financial Crisis

(In billions of Colombian pesos)

	FOGAFIN			Central Administration			Total		
	Cash	Bonds	Total	Cash	Bonds	Total	Cash	Bonds	Total
I. Debt relief to mortgage debtors	**73**	**390**	**463**		**2,500**	**2,500**	**73**	**2,890**	**2,963**
Relief under 11/98 decree		222	222				0	222	222
Relief for debtors in arrears (< 6 months)		108	108				0	108	108
Interes reduction (5/99-12/99)	73	60	133				73	60	133
Debt relief framework law (10/99)				350	2,500	2,850	350	2,500	2,850
II. Assistance to constructors	**146**		**146**				**146**	**0**	**146**
III. Relief to cooperatives						**200**	**200**	**0**	**200**
IV. Relief to mortgage institutions for looses on repossessed assets	**0**	**8**	**8**				**0**	**8**	**8**
V. Public banks 1/	**1,460**	**5,089**	**6,549**			**0**	**4,060**	**5,089**	**9,149**
Banco Granahorrar	307	426	733				307	426	733
Caja Agraria 2/		370	370	2,600		2,600	2,600	370	2,970
Bancafe 3/		1,488	1,488				0	1,488	1,488
BCH 3/	141	1,405	1,546				141	1,405	1,546
Banco del Estado/UCONAL	967	850	1,817				967	850	1,817
IFI - FES	45	550	595				45	550	595
VII. Other banks									
Megabanco	192	286	478				192	286	478
VIII. Recapitalization of private banks 4/		**490**	**490**				**0**	**490**	**490**
IX. Purchase assets 5/	**350**		**350**				**350**	**0**	**350**
X. Relief to Interbanco	**189**		**189**				**189**	**0**	**189**
Total	**2,410**	**6,263**	**8,673**	**3,150**	**2,500**	**5,650**	**5,560**	**8,763**	**14,323**
(in percentage of 2000 GDP)	1.4	3.6	5.1	1.8	1.5	3.3	3.2	5.1	8.4

Sources: FOGAFIN; and IMF staff estimates.

1/ The column "Other" includes recoveries from non-performing assets sales, loan portfolio administered by Granahorrar and privatization of Bancafe and Granahorrar.

2/ Includes US$1,300 of pension liabilities.

3/ Includes recapitalization of CISA - Bancafé US$268 and BCH US$269.

4/ Operations performed to date.

5/ Repurchase agreements between Fogafin and public banks (Bancafé, Granahorrar and FES).

IV. Inflation Targeting in Colombia[41]

A. Introduction

50. In September of 1999 Colombia abandoned its crawling peg exchange rate regime and allowed the peso to float, beginning a period of greater flexibility in monetary policy. Before this, the Banco de la República had operated monetary policy through a system in which base money and the nominal exchange rate were chosen within tolerance bands to achieve the objectives for inflation.[42] While this system could be considered to have some of the elements of inflation targeting (in particular, an inflation objective has been announced annually since 1991), it was not until the end of 2000 that the central bank decided formally to adopt inflation targeting as the framework for its monetary policy (Banco de la República, 2000).

51. Colombia's decision to adopt inflation targeting follows on the successful use of inflation targeting among some industrial countries, and the adoption of most of the elements of the strategy by a small group of emerging market countries.[43] While there are different institutional and operational issues in the conduct of inflation targeting in the various countries, the main elements comprise: (i) the public announcement of medium-term numerical targets for inflation; (ii) an institutional commitment to price stability as the primary goal of monetary policy, to which other goals are subordinated; (iii) an information-inclusive strategy in which many other variables, and not just monetary aggregates or the exchange rate, are used for deciding the stance of monetary policy; (iv) a transparent monetary policy that ascribes a central role to communicating to the public and the markets the plans, objectives and rationale for the decisions of the central bank; and (v) mechanisms that make the central bank accountable for attaining its inflation objectives (Mishkin et al., 2000). In essence, inflation targeting countries use the inflation forecast as an intermediate target for monetary policy, and implement their policy in a transparent and accountable framework (Svensson, 1998).

52. Countries have been moving toward an inflation targeting framework because of the advantages it offers over using the level of monetary aggregates or the exchange rate as a nominal anchor. First, it does not require a stable relationship between monetary aggregates and inflation, a relationship which has become increasingly volatile with innovations in

[41] Prepared by Geoffrey Bannister.

[42] In practice, the path for the monetary base was set as an intermediate target for inflation and the path for the exchange rate was adjusted to eliminate the discrepancy between international inflation and the inflation objective of the government's program (Darío Uribe et al., 1999).

[43] The industrial countries include New Zealand, Canada, Sweden, Finland, The United Kingdom, Australia, and Spain. The emerging market countries include Israel, Czech Republic, Poland, South Africa, Brazil, and Chile.

financial intermediation and has complicated the use of intermediate monetary aggregates to control inflation. Instead of focusing on a monetary aggregate or the exchange rate as an intermediate instrument, inflation targeting allows all relevant information to be used to forecast inflation and to develop policy actions to achieve the target (Mishkin et al., 1997). Second, the inflation target is easily understood by the public, and if implemented in a transparent and consistent fashion, increases the accountability of the monetary authorities and the credibility of monetary policy. Third, unlike targeting the nominal exchange rate, inflation targeting allows the monetary authorities to respond to short-term shocks with some flexibility, while keeping the long-term focus of monetary policy on price stability (IMF, 2000). However, the successful implementation of inflation targeting is quite demanding, requiring a strong fiscal position, a well developed and healthy financial sector, a good knowledge of the monetary transmission mechanisms through which the instruments of monetary policy affect inflation, and the ability to forecast inflation relatively accurately.

53. This chapter describes the steps taken to implement inflation targeting in Colombia and evaluates some of the challenges that remain for the conduct of monetary policy. Section B briefly describes the conduct of monetary policy before inflation targeting was introduced. Section C describes the main features of the implementation of inflation targeting in Colombia. Section D concludes with a brief evaluation and some challenges that remain in the conduct of monetary policy.

B. Monetary Policy Before Inflation Targeting

54. The announcement of inflation objectives began in Colombia in the early 1990s. In 1991, a new constitution established the independence of the Banco de la República and mandated that the design and execution of monetary, exchange rate and credit policies was the exclusive purview of its board of directors. In addition, the Colombian constitution stated that the Banco de la República had the responsibility to "preserve the purchasing power of the currency" (article 373), and in 1992 a new law (Law 32) mandated that the board of directors announce a quantitative inflation objective each year (Darío Uribe et al., 1999). In addition, the legal framework prohibited the central bank from financing public sector activities and placed tight limits on the bank's financing of government deficits.

55. In the early 1990s, the conduct of monetary policy was based on intermediate targets for the monetary aggregates. The board of directors of the Banco de la República announced a yearly band for the growth of the aggregates, which were to remain valid unless there were substantial changes in macroeconomic indicators or severe disturbances in financial markets (Darío Uribe et al., ibid). In addition to the monetary base, from 1994 until 1999 the board of directors also announced a band for the nominal exchange rate with respect to the U.S. dollar, adjusting the rate of crawl of the central parity of the band to approximate the difference

between the domestic inflation target and the inflation forecast of Colombia's main trading partners.[44]

56. Despite the explicit announcement of an inflation objective, a number of analysts have pointed out that the central bank often gave priority to other objectives, principally the targets for output, at the expense of its inflation goals (Gómez et al., 2000). As can be seen in the comparison of inflation outcomes and the stated objectives of policy presented in Figure 1, before 1999 the inflation objectives were rarely achieved. In addition, the announcement of multiple intermediate targets (base money and the nominal exchange rate) led to confusion among market agents about which target represented the constraint for monetary policy. While the monetary authorities maintained that the priority intermediate target was the monetary aggregate, the market increasingly considered the nominal exchange rate to be the effective target. During the late 1990s the monetary authorities devalued the exchange rate band and widened it to provide more flexibility and resolve the conflict between these intermediate targets. However, in the face of strong persistent capital outflows during 1999 the exchange rate band was abandoned, and the peso was allowed to float.

57. One of the results of the persistent and relatively high inflation that prevailed during the 1990s was that it became imbedded in the institutional structure of the economy. Wages, pensions, taxes, mortgage payments and some financial instruments were formally indexed to inflation (Darío Uribe et al., 1999), increasing the cost of lowering inflation and eroding the credibility of the central bank's inflation objectives. It was not until the crisis of 1999, when real GDP fell by 4.3 percent due to a rapid decline in asset prices and large increases in real interest rates, that inflation fell below the target of 15 percent to single digits for the first time since the 1970s. This recession and the decline in inflation may have weakened some of the backward indexation mechanisms in the economy and set the stage for the implementation of inflation targeting.[45]

C. The Implementation of Inflation Targeting

58. In September 2000, as part of its quarterly report on inflation, the Banco de la República published the new guidelines for incorporating inflation targeting into its operations (Banco de la República, 2000). Many of the institutional elements of inflation targeting have been in place for some time, and with this policy statement the central bank took steps toward implementation of the operational aspects of inflation targeting.

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[44] Before 1994 the exchange rate regime was kept to a crawling peg system which had been in place since the late 1960s.

[45] A judgment by the constitutional court in October 2000 mandating that wage increases in the nonfinancial public sector be indexed to past inflation may put these institutional gains in doubt if such indexing spreads to the rest of the public sector and the private sector.

Institutional framework

Central bank legal framework

59. As mentioned above, the legal framework for central bank operation of inflation targeting was put in place in Colombia in 1991 and 1992. Under the constitution and subsequent laws the central bank has complete instrument independence and a mandate to pursue price stability, and financing of the government deficit is limited to cases in which the board of directors of the central bank votes unanimously in favor.

Design of the inflation target

60. The annual rate of CPI inflation (which includes volatile prices of energy and agricultural products) is used as the measure of inflation to be targeted. The central bank has chosen this more volatile price index, rather than some measure of core inflation, because it is widely understood by the public, and because prices, wages and financial contracts have been linked to this "headline" index. The CPI has also been chosen as the target in other emerging market countries that have adopted inflation targeting, where the objective is to reduce inflation and directly influence inflationary expectations. In most industrial countries the target is chosen in terms of core inflation and the objective is to maintain inflation at its current level (IMF 2000).

The target horizon

61. The central bank has been mandated by law to announce a yearly target for inflation since the early 1990s. In its recent statement it announced targets for more than one year in advance for the first time. The target for 2001 is 8 percent while for 2002 it is 6 percent. These targets are consistent with the history of gradualism in Colombia that seeks to limit the costs of reducing inflation. The multiyear target follows from the central bank's recognition that there are long lags between the use of monetary policy instruments and their effect on inflation (typically estimated at six to eight quarters—see below).

Point target or target range

62. The inflation targets have been defined in terms of points rather than ranges, because these are thought to provide a better guide to inflationary expectations and communicate a higher degree of commitment by the monetary authorities to the inflation target (Darío Uribe et al., 1999). Most countries have defined their target in terms of ranges, given the difficulties associated with hitting point targets (IMF 2000).[46]

[46] Use of the headline CPI increases the likelihood of not making the targets directly. Similarly, the use of a point instead of a band increases the likelihood of not achieving the

(continued...)

Accountability and transparency

63. In addition to announcing yearly targets for the inflation rate, the central bank also announces the target ranges for monetary aggregates which it continues to use as indicators of the stance of monetary policy. Each month the central bank also publishes its inflation forecasts and the observed outcomes of inflation in press releases, public pronouncements and monthly inflation reports. The central bank releases a quarterly inflation report which contains information on policy, on all the relevant information the central bank collects to measure inflation, forecasts inflation outcomes and measures inflationary expectations. In addition, twice a year the board of directors of the central bank presents a report to congress on economic developments and its policy position.

Operational issues: conduct of monetary policy

Policy implementation

64. The behavior of monetary aggregates, especially base money, continues to play an important part in the conduct of monetary policy. For this reason the central bank will establish a reference level for the monetary base which it considers to be consistent with the inflation target, the projected growth of real GDP and any change in the velocity of money. Under normal circumstances, strong deviations of the monetary aggregate from its reference level would signal an increased risk of not attaining the inflation target. If base money differs significantly from its reference level for a period of two weeks or more, the board of directors will take policy measures to correct the level of the base money or will explain publicly why no measures have been taken.[47] On a routine basis, the board of directors of the central bank will also evaluate the reference level for base money and can modify it if there are solid technical reasons to do so, always with the aim of achieving its inflation target (Banco de la República, 2000). This was done in July 2000 when base money grew faster than indicated by its band. The authorities considered that a permanent shift in the demand for base money (mostly currency) had taken place, related to the introduction of a financial transaction tax, and thus the upward shift of the base money corridor was not inflationary.

65. Under the floating exchange rate regime, the central bank can intervene in the exchange rate market only in a limited form and under very specific circumstances. First, for the purpose of accumulating reserves it can sell a limited amount of put options for foreign exchange to operators in the market (giving them the right to sell foreign exchange to the

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point target. This will require much more communication of the central bank with the public about why the point target is missed in the case of shocks.

[47] In practice intervention takes place through open market operations that affect the short-term interbank interest rate.

central bank). These options can be exercised if the reference exchange rate on any particular day during the month after the auction is more appreciated than its 20 working-day moving average. Second, for the purposes of curbing volatility in the exchange rate, the central bank can sell put and call options on foreign exchange which can be exercised if the reference exchange rate on any particular day is more than 5 percent above or below its 20 working-day moving average. In practice, the central bank has not intervened in the market to curb volatility since the exchange rate was floated in 1999.

Inflation forecasting

66. Aside from monitoring monetary aggregates and the exchange rate, the board of directors of the central bank examines a broad range of indicators for inflation, including aggregate supply and demand, salaries and wages, employment, capacity utilization, the stance of fiscal policy, the international economic context, and the results of a quarterly survey on inflationary expectations. In addition, the board of directors uses a number of inflation forecasts produced with time series and linear regression models. Two time-series models are used: an autoregressive integrated moving average (ARIMA) model and a smooth transition regression (STR) model. The linear regression models are intended to capture the effects of different determinants of consumer price inflation, including the output gap and devaluation (Phillips curve model), food price shocks (relative price of food model), and growth in the money supply (expected inflation model). These models are used to produce a consensus point forecast for inflation at different time horizons from less than six months to up to two years.

Policy transmission channels

67. There is still some uncertainty in Colombia about the transmission mechanisms from changes in policy variables (particularly the interest rate), to their effect on the real economy and ultimately on inflation. Research is underway at the central bank to clarify the transmission mechanisms and allow a prospective approach to the analysis of inflation, as opposed to the retrospective models mentioned above. In particular, the central bank is working toward the implementation of a model of the transmission mechanism similar to the one used in the Bank of England. This model uses a forward looking approach and includes regular Phillips curve and aggregate demand equations together with a policy rule equation intended to link interest rates to inflation. However, it does not include some transmission mechanisms that might be important in Colombia, such as the effects of changes in fiscal policy or in the external economic environment, as well as the effects of changes in the exchange rate. The model is currently being tested and modified, but is not yet being used in the definition of monetary policy.

68. Existing research has focused on three main transmission channels from interest rates to inflation (Figure 2). The first is the channel that relates changes in interest rates to changes in inflation through changes in aggregate demand. This is the strongest channel in Colombia, as one might expect in an economy that, although open in its policy stance, is still relatively

closed in terms of the ratio of imports to GDP.[48] However, this channel takes effect with long lags, typically of 18 to 24 months, which makes it less useful as a method to control inflation in the shorter term.

69. The second channel relates interest rates to inflation through the direct effect of changes in the nominal exchange rate. An increase in interest rates leads to a nominal appreciation which leads to a decline in the domestic price of imports and hence inflation. This channel takes effect quickly (typically with a lag of two to four months), but it is not very potent because the pass-through from the domestic price of imports to CPI inflation is only partial (about 23 percent). Hence the use of this channel implies considerable volatility in the exchange rate and interest rates. Previous research has estimated that a one percent decline in CPI inflation requires a nominal exchange rate appreciation of about 11 percent (Darío Uribe et al., 1999). In the long-run, the effect of changes in the domestic price of imported inputs on inflation is very small.

70. The third channel relates interest rates to inflation through changes in the real exchange rate. Change in the nominal exchange rate lead to changes in the real exchange rate which affect aggregate demand and inflation. This channel has been estimated to be very weak and to take effect only after very long lags (Darío Uribe et al., 1999).

71. This research provides a useful first step in the investigation of transmission policies for inflation targeting. However, there are inherent uncertainties in the transmission mechanisms due to recent changes in the exchange rate regime, leading to instability in the structural relationships presented in these models. The prospects of changes in these structural relationships implies that research will have to be ongoing to continue to refine the links between policies and outcomes. Experience in other emerging market economies indicates that as inflation declines the structural relationships become more stable and the implementation of inflation targeting is facilitated (IMF, 2000).

D. Conclusion

72. Colombia has most of the institutional structures in place to practice inflation targeting. As outlined above, most of the challenges lie in the implementation, and the central bank is sharpening its knowledge of the transmission mechanisms of monetary policy and improving the framework for forecasting inflation to implement policies that will ensure the achievement of the inflation target. At present, none of the transmission mechanisms identified reveal a robust link between the instruments of monetary policy and the inflation target. This could be a problem of econometric estimation resulting from the fact recent changes in the economy make the identification of clear structural relations difficult. A longer experience

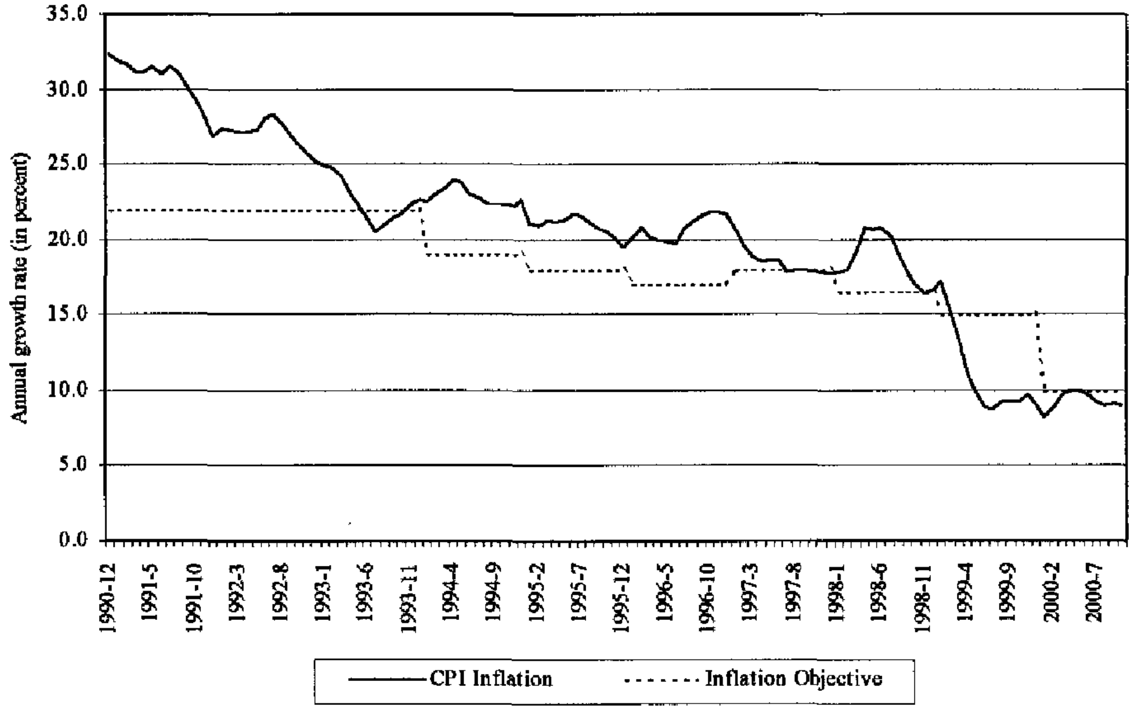
[48] The ratio of imports of goods and services to GDP on average between 1995 and 2000 was about 17 percent, below that of many countries in Latin America.

with inflation targeting may be necessary to determine the best instruments to achieve the inflation targets.

73. Identifying the transmission mechanisms of monetary policy will also be particularly important in determining the response of monetary policy to internal or external shocks that may put the inflation target in question. Prompt action in the face of external shocks and the announcement of the central bank's policies, and the reasons for its actions, will be necessary to maintain the credibility in its inflation target.

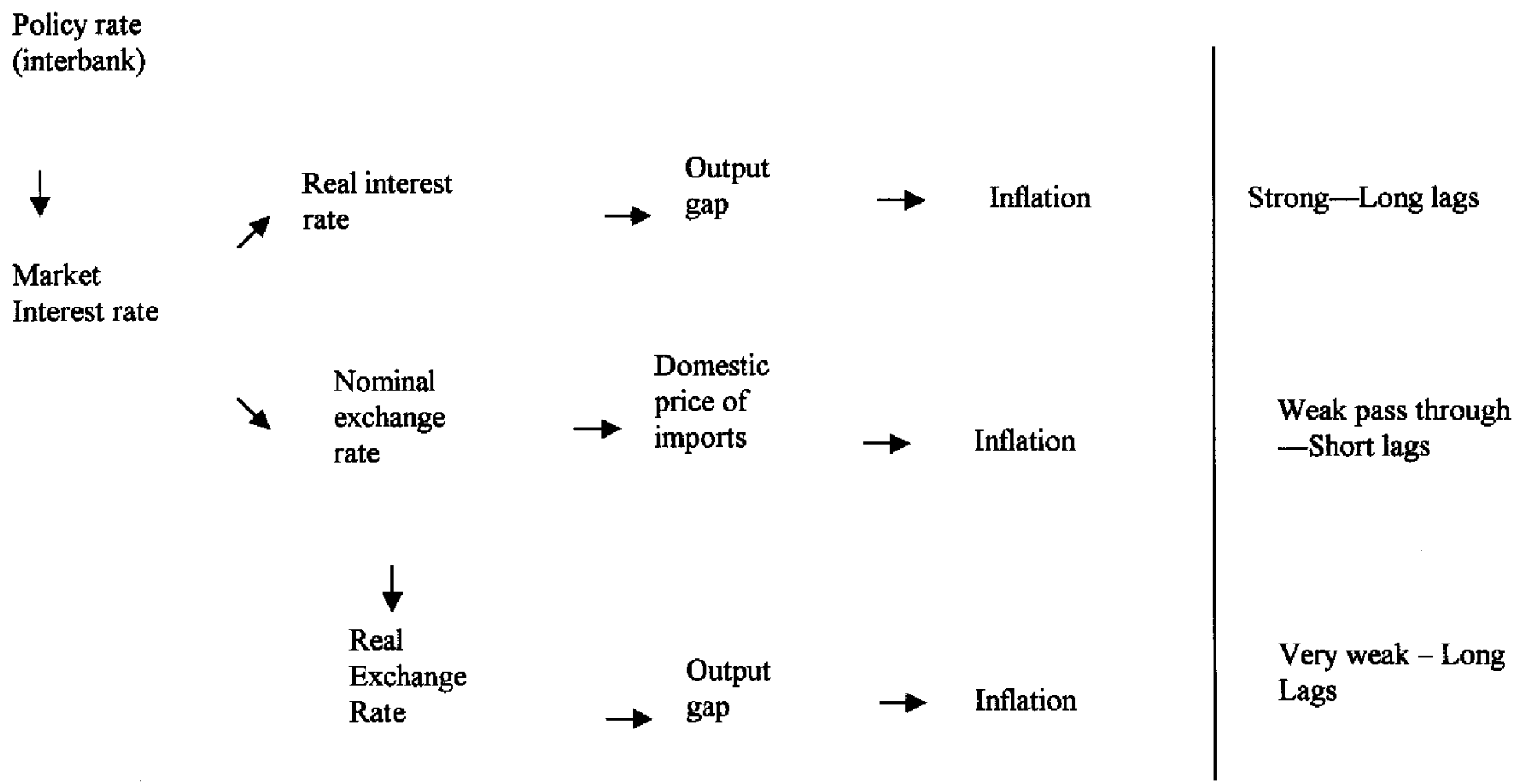
74. The economic environment in which inflation targeting is being implemented may present another challenge. In particular, one of the preconditions for the successful application of inflation targeting in both developed and developing countries is the absence of fiscal dominance and the existence of a healthy financial sector. While the authorities have made important strides in fiscal adjustment recently, these efforts will have to be maintained to ensure a favorable economic environment for the reduction of inflation. In addition, although there has been some recent strengthening of the financial sector, there are still financial institutions that remain weak, and this may pose a challenge in the conduct of fiscal and monetary policy. Finally, the successful implementation of inflation targeting will facilitate the elimination of backward indexation mechanisms or their replacement with forward looking indexation. This will be facilitated by the achievement of the inflation targets which will strengthen further the credibility of the central bank.

Figure 1. Colombia: Actual Inflation and Announced Inflation Objectives, 1990–2000



Sources: Dario Uribe et al. (1999); and Banco de la Republica.

Figure 2. Transmission Mechanisms of Monetary Policy



Sources: Dario Uribe et al. 1999; Gómez et al. 2000.

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V. Core Inflation in Colombia[49]

A. Introduction

75. During the 1990s, several developed economies have shifted their approach to monetary policy from strategies that focused on intermediate monetary targets (like specific monetary aggregates or exchange rates) to inflation targeting.[50] Under this approach, the monetary authority focuses its policies on achieving a pre-selected inflation target. Given that an inflation targeting policy makes inflation—rather than economic activity, employment, or any other criterion—the key objective of central bank policy, it helps countries that do not have a good record of inflation control to strengthen their credibility in this area.[51] While having succeeded in reducing inflation during the 1990s, in 2000 the Colombian authorities expressed their commitment to subordinate the intermediate monetary targets to the inflation goal.

76. In the context of inflation targeting, the choice of the price index that becomes the relevant target for monetary policy is a fundamental one, as central banks aim to affect the part of price variations that is linked to monetary phenomena. Price indices, such as the consumer price index (CPI) may not be a suitable indicator for the purpose of inflation targeting, since it is affected by both demand and supply shocks. Thus, sector specific shocks could temporarily introduce price movements that would make it difficult to isolate the behavior of prices in the long run. Core inflation indicators can play a fundamental role to eliminate short-term price movements.[52] This note aims to analyze the behavior of core inflation indicators in Colombia during the 1990s.

77. Core inflation indicators (CIIs) for Colombia were previously analyzed in Jaramillo et al. (1999). In that work, the authors studied the statistical properties of different core inflation indices for the period from 1988 to 1998. These properties correspond to important characteristics that an index of monetary inflation should have. Specifically, previous works focused on the following issues: (i) volatility; (ii) bias; (iii) forecasting power; and (iv) capacity of monetary aggregates to explain its behavior. This note will: (a) follow the methodology used by Jaramillo et al., and extend the sample of analysis of several CIIs, and (b) add to the analysis three new CIIs, the 12-month moving average inflation rate, the 24-month moving

[49] Prepared by Esteban Vesperoni.

[50] Among them, we find New Zealand, Canada, the United Kingdom, Finland, Sweden, Australia, and Spain.

[51] See, for example, Drazen (2000) and Debelle et. al. (1998).

[52] See, for example, Bryan and Cecchetti (1994, 1996, and 2000) and Jaramillo et al. (1999).

average inflation rate, and the 12-month moving average of the asymmetrically trimmed indicator.[53] We will show that the behavior of the latter indicator could make it an appropriate variable for monetary authorities to monitor.

B. Core Inflation Indicators

78. There are two main kinds of CIIs. A first sort of indices is called "limited-influence indicators." The basic feature of these indicators is that the existing index (typically the CPI) is reweighted by placing zero weights on some components. A second sort of indices takes into account all the components of a relevant price index and uses a statistical filter to obtain the trend of the inflation rate.[54] We analyze the behavior of seven CIIs that can be classified in three groups:

- The first group is given by limited-influence indicators that eliminate from the index a regular bundle of components. These components do not change from period to period. We focus on two indicators of this kind. One is the CPI without food products. The justification for this kind of indices is that price variations in food products tend to be volatile and strongly influenced by supply shocks. A drawback with these sorts of indices is that the selection criteria of the goods to be eliminated may not be appropriate in certain cases.[55] The second index is called the fixed trimmed weights 20 indicator (*Inflación Núcleo 20*). This index is built by dropping a fixed set of components from the CPI. A period is selected and the most volatile components in the index are identified.[56] These are excluded until their cumulated weight in the distribution sums to 20 percent. The computation of this index is very simple. The drawback is that it forces the analyst to review periodically the bundle of goods to be eliminated from the index.

- The second group includes limited-influence indicators that eliminate different bundles of goods in different periods. We use two indices from this class. One is the trimmed mean 10. This indicator is constructed by averaging the central 90 percent of the price change distribution each month. In other words, it drops the components with more extreme monthly price variations up to the point in which these sum up to the 10

[53] Most central banks with explicit inflation targeting policies focus on 12-month trends of inflation, given the simplicity of these indicators.

[54] A statistical filter is a procedure to smooth out the behavior of the series, like moving averages or Hodrick-Prescott filters. These techniques isolate the trend of the series from short-term volatility.

[55] Many food products have very elastic supplies.

[56] The period considered for this index was January 1990–April 1999.

percent of the distribution (5 percent of each tail). The second index is the asymmetrically trimmed mean. This is a variation of the previous index. The distribution is truncated in an asymmetric way in this index.[57] The rationale for the trimmed mean indices is that extreme variations in prices are associated with supply shocks, while demand pressures are better captured by price movements coming from the central part of the density.[58]

- The third group includes indices obtained through statistical filtering of the CPI. We consider three indices within this group. First, we analyze the 12-month and the 24-month lagged moving average of the CPI. As we argued before, the main motivation for analyzing the statistical properties of these indicators comes from the fact that, given their simplicity, most central banks that pursue inflation targeting policies focus on them. Finally, following Bryan and Cecchetti (2000), we also consider a 12-month moving average of the asymmetrically trimmed indicator. Then, after correcting for the extreme observations in the price distribution, we also apply time series smoothing to the index.

79. Figure 1 describes the evolution of the different CIIs, contrasting them with the evolution of the CPI.

C. Evaluation of Core Inflation Indicators

80. In the introduction, we mentioned the essential statistical properties of CIIs. We analyze them in this section, comparing the properties of every CII with those of the consumer price index and other CIIs.

81. Central banks that pursue an inflation targeting policy seek to target the trend in the inflation rate determined by the evolution of monetary aggregates. Excessive noise (or transitory fluctuations) in the inflation rate due to the effects of supply shocks undermines the capacity of the authorities to assess and control the evolution of inflation in the medium and long run. This is because non-monetary shocks of known short duration may not be taken into

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[57] It intends to take into account that the distribution of price changes in Colombia is asymmetric, in the sense that it tends to concentrate values in one of the two tails (skewness is different from zero in these distributions). For a case like this, it can be more accurate to build indicators which are truncated asymmetrically. In this index, the distribution was truncated at the 15 percentile in the left tail and at the 13 percentile in the right tail (see Jaramillo (1998) and Jaramillo and Córdoba (1997)).

[58] Technically, Bryan and Cecchetti (2000) show that this problem is associated with exceptionally leptokurtic distributions, that is, with distributions with "fat tails." In these cases, measuring price changes through weighted means may not be efficient.

account by price setters in long horizons.[59] For this reason, small variability is an important characteristic of suitable CIIs. Following Jaramillo et al. (1999), we calculate the standard deviation of the series in relation to their trend value.[60] The latter is computed by the Hodrick-Prescott filter of the series. Table 1 shows the results. It is remarkable that the fixed trimmed weight indicator is one of the least volatile indices. In fact, it matches the variability of two of the indices constructed through statistical smoothing techniques. These latter indices, given the way they are constructed, will generally have the smallest variability.

82. Another important desirable characteristic of a CII is related to bias. Although the CPI can be very volatile in the short term, the ultimate objective of the central bank is to control its evolution. A target index should not be systematically above or below the value of the CPI, and over long horizons, the mean value of any CII should coincide with the one of the CPI. We analyze the behavior of the CIIs in Table 2. The table presents the mean value of the different price indices for the period January 1990–July 2000. We perform tests of equality of means for each CII and find that the hypothesis of different means is rejected in all cases. Thus, all CIIs considered in this note seem to replicate reasonably well the evolution of the CPI in the long run. We also calculate deviations of the CIIs with respect to the CPI during the whole sample period. We find that the indices that better traced the evolution of the CPI, period by period, are the trimmed mean indices.

83. We will pursue now the analysis of the last two characteristics of the CIIs, related to their forecasting power and their relationship with the monetary aggregates. Before we address them, it is worth keeping in mind that the behavior of the inflation rate in Colombia may have changed during the 1990s. Monthly observations of annual inflation rates during the ten-year period 1988–98 averaged almost 24 percent. The average from the end of that period to the present is less than 11 percent.[61] This fact is especially relevant for the analysis that follows. There is an obvious issue about stability of coefficients (or even functional relationships) when dealing with forecasting or with the relationship of the CIIs with the monetary aggregates. The analysis below should be interpreted as a first assessment of these issues, keeping in mind that a more involved analysis may be necessary for a thorough assessment of these problems.

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[59] Given that the policy instruments of central banks have a considerable lag to affect economic activity, the effects of supply shocks may have vanished by the time monetary policy is effective.

[60] As Jaramillo et al. state, this strategy is due to the fact that price variation series in Colombia are nonstationary and present a clearly declining trend during the 1990s.

[61] While the annual inflation rate in January 1990 was almost 27 percent, the same value by the end of 2000 was 8.75 percent.

84. Next, we set out to examine the ability of the different indices to forecast the evolution of the CPI for two different time horizons, 12 months and 24 months. We aim to assess how accurately lagged values of the different price indices can forecast the behavior of the CPI.[62] Table 3 shows the results and explains in detail the estimation method. The table suggests that, with the exception of the two moving average indices, the CIIs present lower forecast errors than the CPI.[63] In other words, the CPI does a poorer job than the other indices in forecasting itself. Limited influence indicators, such as the CPI without food and the fixed trimmed weights, have the lowest errors in 12-month forecasting. The 12-month moving average of the asymmetrically trimmed mean indicator (ATM12) has lower errors than any other index in 24-month forecasting. Overall, forecasting errors are low and stable with the ATM12 index. This suggests that this index is the best predictor of the CPI.

85. The last characteristic is related to the relationship of the CIIs with the monetary aggregates. We consider two monetary aggregates in this note: (a) monetary base,[64] and (b) M1. Then, we analyze: (i) if there exists a long-term relationship between monetary aggregates and CIIs, (ii) if it is the behavior of monetary aggregates that influence the behavior of prices or the other way around and,[65] (iii) if monetary aggregates can better explain the behavior of the CIIs than the CPI. We find that:

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[62] We run recursive least squares to evaluate this, using initial estimation periods of five years and then performing one-step-forecasts with the rest of the sample.

[63] Forecast errors are the usual criteria to compare predictive power of different variables or model specifications. These are calculated as the root-mean-squared-error (RMSE) of the forecast of inflation. First, a relation between the variable under consideration and the CPI is estimated. Then, forecast periods are chosen (see Table 3) and the estimated relation is used in order to predict the value of the CPI. Then, this predicted value is compared to the actual value of the series to obtain the RMSE. Lower RMSE imply better predictors of the CPI.

[64] Adjusted by changes in reserve requirements.

[65] The possibility of endogenous money, that is, situations in which the evolution of monetary aggregates could be driven, at least partially, by the behavior of prices. This is especially relevant in high inflation economies, where either due to institutional arrangements (like formal backward indexation of contracts) or to expectations (inflation inertia), price setting attains a dynamics of its own. The reaction of monetary aggregates to the price dynamics depends on the behavior of private agents and the central bank. If one focuses on broad monetary aggregates, private agents can create money by changing their portfolio of financial assets or their trading practices (inside money and velocity). Regarding the monetary authorities, the behavior of base money will depend on the objectives of the central bank. If the latter is concerned about economic activity, price dynamics may force the authorities to corroborate price increases (passive money) or face a possible economic downturn for not doing so.

- Cointegration tests[66] suggest that there exists a long-term relationship between all CIIs and two monetary aggregates, monetary base and M1.
- The only CII that seems to be influenced by monetary aggregates without influencing them at the same time is the 12-month moving average index.[67]
- The monetary base (MB) seems to have the highest explanatory power of the behavior of prices. The MB explains better all the CIIs than it does the CPI (see Table 4).
- The behavior of the 24-month moving average index (MA24) and the ATM12 are well traced by the evolution of the MB. The evidence suggests that the MA24 has the most stable relation with the MB.[68]

D. Conclusion

86. This note analyzed the behavior of CIIs in Colombia during the 1990s. We use four different criteria to compare the CIIs with the CPI. These are: bias, volatility, forecasting power, and relation to monetary aggregates. We find that the CIIs trace the evolution of the CPI reasonably well, being at the same time less volatile indices. As for inflation forecasting, the CIIs have lower forecasting errors than the CPI. Exceptions to this are the statistical filters of the CPI, which have higher forecasting errors than the CPI itself. Finally, regarding the capacity of monetary aggregates to explain the behavior of prices, the data suggest that there is a long-term correlation between the behavior of money and the CIIs. Nonetheless, causality tests suggest the possibility of endogenous money. In other words, it seems that the behavior of prices explains the dynamics of the monetary aggregates.

87. By looking at the different criteria more closely, we can contrast the characteristics of the different CIIs. All indices trace fairly well the evolution of the CPI in the long run. By contrast, it is clear that in terms of volatility the statistical filters have the best performance among CIIs.[69] Regarding forecasting power, the data suggest that limited influence indicators outperform statistical filters, but not the ATM12 index. The stability of the low forecasting errors for different forecasting horizons of this index is remarkable. Finally, results concerning

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[66] That is, tests that assess if there is comovement between variables in the long run.

[67] Johansen's criterion of weak exogeneity was used.

[68] To study this, we run cumulated residual tests of parameter stability (Figure 2).

[69] This is hardly surprising, given that the statistical filter works by smoothing out the price series. Notice, though, the good performance of the fixed trimmed weights indicator in this regard (this is consistent with Jaramillo et al. (1999)).

money and prices suggest the existence of a causality problem.[70] Nevertheless, it is clear that the CIIs have stronger correlations with monetary aggregates than the CPI.

88. Overall, it seems that the combination of limited influence techniques and statistical smoothing seems to offer a suitable instrument to target inflation on the part of the monetary authority. The 12-month moving average of the ATM makes a good trace of the CPI in the long run, has small variability, and its forecasting errors are low and remarkably stable when considering different forecasting horizons. It may be of interest to the Colombian authorities to focus on the behavior of this index.

[70] And, hence, the need to address the problem with different econometric techniques.

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Figure 1
Colombia
Core Inflation Indicators and CPI
(Monthly annual inflation rates)

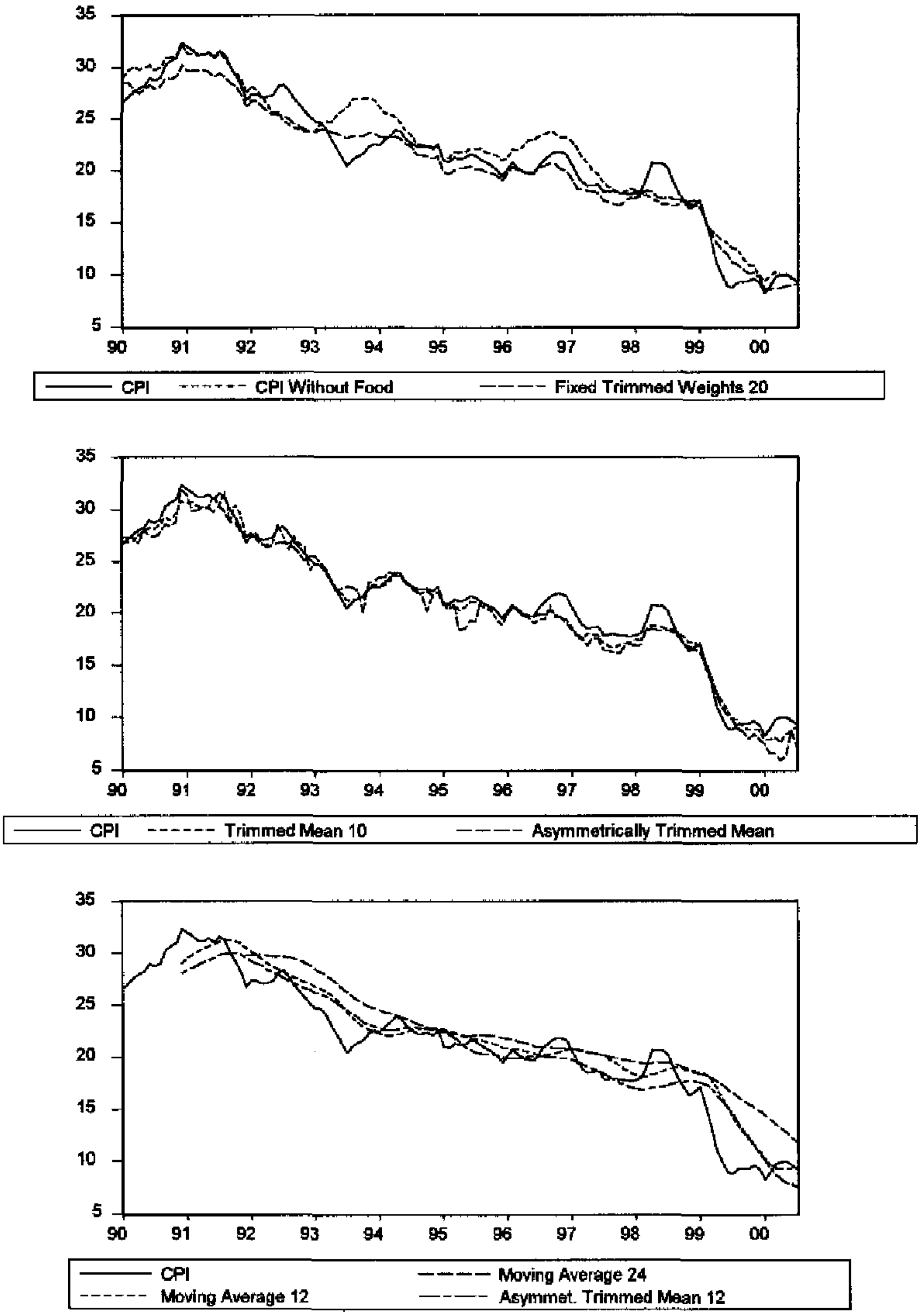
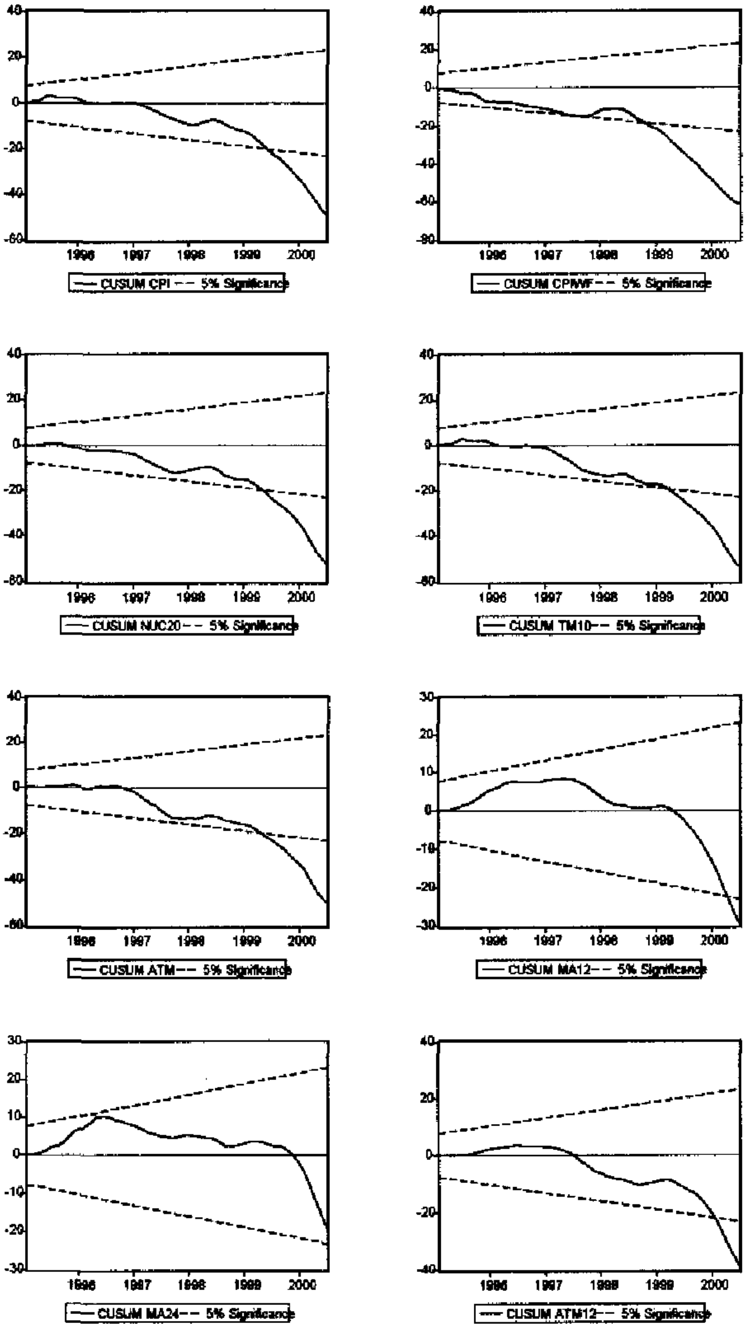


Figure 2
Colombia: Monetary Base and Core Inflation
Parameter Stability Tests 1/



1/ Recursive Least Square Estimation of twenty-four lags of money growth on inflation (estimation dates as defined in Table 3) Cumulated Residual Test of Parameter Stability.

Colombia. Table 1: Variability of Core Inflation Indicators

(January 1990–July 2000)

Indicator	R.M.S.E 1/
CPI	**1.63**
CPI without food	1.29
Fixed trimmed weights 20	0.97
Trimmed mean 10	1.40
Asymmetrically trimmed mean	1.39
Moving average 12	1.00
Moving average 24	0.52
ATM moving average 12	0.94

Source: Banco de la República

1/ Root-mean-squared-error of the relevant core inflation indicator with respect to its trend (given by the Hodrick-Prescott Filter)

Colombia. Table 2: Bias of Core Inflation Indicators

(January 1990–July 2000)

Indicator	Mean 1/	R.M.S.E 2/	Deviation	
			Max	Min
CPI	21.48	0.00	0.00	0.00
CPI without Food	22.30	2.06	3.96	-5.89
Fixed trimmed weights 20	20.88	1.40	3.45	-3.00
Trimmed mean 10	21.00	0.96	2.33	-1.89
Asymmetrically trimmed mean	20.72	1.33	4.08	-2.14
Moving average 12	21.74	2.02	3.32	-6.31
Moving average 24	21.87	3.05	1.33	-8.02
ATM moving average 12	21.04	2.01	4.27	-6.33

Source: Banco de la República

1/ Tests of equality of means were performed for each core inflation indicator; the null hypothesis was never rejected.

2/ Root-mean-squared-error of the relevant core inflation indicator with respect to CPI.

Colombia. Table 3: Forecasting Power of Core Inflation Indicators 1/

(Complete Sample: January 1990–July 2000)

Indicator	12-month Horizon R.M.S.E 2/	24-month Horizon R.M.S.E 2/
CPI	**4.82**	**6.71**
CPI without food (CPIWF)	2.82	6.01
Fixed trimmed weights 20 (NUC20)	3.33	5.45
Trimmed mean 10 (TM10)	4.43	6.42
Asymmetrically trimmed mean (ATM)	4.01	6.11
Moving average 12 (MA12)	5.70	6.62
Moving average 24 (MA24)	6.77	8.00
ATM Moving average 12 (ATM12)	3.56	3.64

Source: Banco de la República

1/ Method of estimation of forecast values is recursive least squares. A period of five years was used for the initial parameter estimation. These are the immediate previous years to the one-step forecast estimation dates reported in footnote 2.

2/ Root-mean-squared-error of forecasts of inflation beginning in the following dates: (i) for CPI, CPIWF, NUC20, TM10 and ATM, the initial forecasting dates are 1996:01-2000:07 for the 12-month horizon and 1997:01-2000:07 for the 24-month horizon, (ii) for MA12 and ATM12 the dates are 1997:01-2000:07 for the 12-month horizon and 1998:01-2000:07 24-month horizon and (iii) for MA24 the dates are 1998:01-2000:07 and 1999:01-2000:07 for the same horizons.

Colombia. Table 4: Core Inflation and Monetary Aggregates

(January 1990–July 2000)

Indicator	Explanatory Power of Monetary Aggregates 1/ Adjusted Base 2/	M1
CPI	**0.67**	**0.41**
CPI without food (CPIWF)	0.80	0.15
Fixed trimmed weights 20 (NUC20)	0.82	0.32
Trimmed Mean 10 (TM10)	0.75	0.41
Asymmetrically trimmed mean (ATM)	0.75	0.38
Moving average 12 (MA12) 3/	0.81	0.41
Moving average 24 (MA24)	0.91	0.32
ATM moving average 12 (ATM12)	0.87	0.34

Source: Banco de la República

1/ Adjusted R^2 from a regression of twenty-four lags of money growth on inflation.
2/ Monetary base adjusted by changes in reserve requirements.
3/ Monetary aggregates were found weakly exogenous to MA12, according to Johansen (1992) criteria.

VI. Issues on Tax and customs Reforms[71]

A. Introduction

89. This paper provides an overview of the tax and customs changes in Colombia in the last decades, with emphasis on the changes introduced in recent years. Colombia has been involved in a continuous and gradual tax and customs reform effort in the 1980s and 1990s. The authorities have sought to achieve multiple objectives in carrying out the reforms, including to encourage saving, investment, capital inflows, and fiscal revenue mobilization; reduce tax distortions and inequalities; and simplify the system. The main conclusion of the chapter is that the tax and customs reforms in Colombia over the 1980–95 period led to improvements in the tax structure, while subsequently there has been some notable back-sliding.

B. Tax Policy Reform

90. The objectives of the tax reforms in the 1980s were to encourage economic activity and to achieve greater neutrality and equity. To achieve this, personal income tax rates were reduced and personal exemptions increased. Regarding the corporate tax, double taxation was eliminated, various incentives were granted, companies were taxed at uniform and lower rates, and attempts were made to correct biases in the debt-equity ratios of companies caused by the tax system. The base of the "income-type" VAT was extended to include several previously exempted services.[72]

91. In 1990 tax changes were introduced in the context of an overall economic restructuring and modernization program, which focused on encouraging savings and deepening capital markets through—among other measures—the repatriation of capital. In addition to reducing the corporate tax rate, the authorities introduced a much lower rate for income from repatriated capital, exempted stock market income from taxation, and reduced by half the withholding tax rate on repatriated income from foreign capital. The VAT rate was unified at 12 percent, and the tax base was expanded further.

92. In 1992–93 tax changes were introduced with the objective of lowering the fiscal deficit. Increases in selected tax rates were accompanied by a further expansion of the tax base, and an income tax surcharge was introduced to fund national security expenditures. Public enterprises, public funds, and financial cooperatives were made subject to taxation, and

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[71] Prepared by Teresa Dabán.

[72] In 1965 Colombia became one of the first Latin American countries to develop a rudimentary consumption tax based on value added, which was an "income-type" VAT. This tax does not allow tax credits on VAT paid on the purchases of capital goods, while the "consumption-type" VAT does.

the withholding tax on profit remittances abroad was reduced. The VAT rate was increased to 14 percent, the base was broadened, and it was changed to a "consumption-type" VAT in order to reduce cascading. In 1995 the general VAT rate was increased to 16 percent.

93. At the end of 1990s the Colombian government introduced a number of revenue measures to help deal with the difficult fiscal outlook that reflected, in part, the weakening of the economy. The measures included elements such as: (i) the introduction of a financial transactions tax in 1998, initially conceived as temporary to help defray the fiscal costs of financial sector restructuring; (ii) the elimination of the taxpayer's gross assets as the base for estimating the minimum presumptive income,[73] and of the inflation adjustment for inventory in the corporate income tax; (iii) the broadening of the base and the reduction of the general VAT rate from 16 percent to 15 percent; (iv) the introduction of a new intermediate VAT rate of 10 percent, with some items permanently and others temporarily subject to this rate; (v) the conversion of the VAT paid on capital goods into a deduction against the income tax; and (vi) the introduction of an "implicit" VAT , whereby VAT-exempt imports that compete with VAT-exempt domestically produced goods (whose producers cannot claim a credit for VAT paid on their inputs) are subject to a compensating "implicit VAT."

94. As a result of the reforms the tax structure has become complex and somewhat distortionary, and the tax base has been eroded through incentives schemes and high and multiple exemptions. For the personal income tax, the exemption level remains high and the current structure of rates is very narrow. Under the corporate income tax, various incentives schemes could be eliminated and the inflation adjustment for inventories reintroduced. For both the personal and corporate income tax, the estimation of the presumptive minimum income should be based on gross assets. Goods and services exempted from the VAT should be brought into the base.

95. In October 2000, in an effort to reduce the budget deficit, the government presented to congress a tax package designed to yield revenue of 1.4 percent of GDP from 2001. After deliberations in congress, a package was approved in December 2000 that will make permanent the tax on financial transactions and raise this levy to 0.3 percent from 0.2 percent.[74] With respect to the income tax, (i) the base was broadened somewhat; (ii) tax withholding rates for professional services was increased from 4 percent to 10 percent; and (iii) the presumptive minimum income was established at 6 percent (raised from 5 percent) of

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[73] Until 1998 a presumptive minimum income was calculated as the higher of 1.5 percent of the taxpayer's gross assets and 5 percent of the taxpayer's net assets. From 1999 net profit was presumed to be not less than 5 percent of the taxpayer's net assets.

[74] Following discussions in congress on the tax package, the financial transactions tax was raised to 0.3 percent to offset the loss of revenues under elements of the proposed package that were not approved, such as a more significant broadening of the tax bases.

the taxpayer's net assets. Regarding the VAT, the general rate was increased from 15 percent to 16 percent, and tobacco, airplane tickets, and satellite TV were added to the base.

C. Customs Tariff Reform

96. Historically, Colombia's trade system has been characterized by high tariff rates extended over a wide range of products, and by an effective level of protection higher than accorded by the tariff structure. In 1984–86 average tariff rates were reduced from 61 percent to 30 percent. However, the reduction in tariffs was partly offset by a 10 percent tariff surcharge introduced on all items; the surcharge was increased to 18 percent in 1987. The tariff reductions were mostly on noncompeting inputs for locally manufactured goods, so that external competition for the domestic industry was not significantly increased.

97. In March 1990 the need for a full-fledged trade liberalization was widely recognized in Colombia, and a more comprehensive liberalization program was begun. The first phase of the program consisted of replacing restrictions with tariffs, while during the second phase the level and dispersion of the tariffs were reduced[75]. These reforms substantially lowered the average effective protection and dispersion, encouraged a more efficient allocation of resources, and reduced the anti-export bias of the trade system by reducing the incentives that made production for the protected domestic market artificially attractive. The reforms coexisted with selective export promotion schemes of varying effectiveness, which the authorities had been implementing since the late 1960s. For example, tax reimbursement certificates (CERTs)—calculated as a flat percent of f.o.b. values—were granted for nontraditional export. CERTs had two components: the tariff rebate of the tax paid on the value of imported inputs, and a subsidy. The reduction of the anti-export bias that occurred as result of the 1990s customs reform argued in favor of eliminating the subsidy component of the CERT scheme, so that it would become purely a duty-drawback scheme.[76]

98. Since joining the WTO in 1995, Colombia's trade policy has been defined by its WTO obligations as well as by its regional and bilateral commercial agreements. At present, the

[75] After the reforms effective protection ranged from 11.2 percent to 48.2 percent, whereas it previously ranged from 12.6 percent to 78.1 percent. Moreover, the dispersion of effective protection was also reduced: the ratio of maximum to minimum effective protection declined from 6.2 to 4.3.

[76] Until early 2000 CERTs were granted at rates of 2.25 percent on a very small portion of manufactured exports (mostly textiles), 4.5–6 percent on all other exports except for bananas, which received a rate of 3 percent. In January 2001 the government issued a decree which establishes the rate on the CERT rebate at 2.5 percent for all exports, except for the 2.25 percent rate on textile exports and the 3 percent on bananas. The Colombian authorities claim that with this decree the subsidy component of the CERT program has been removed.

structure of tariffs remains in accordance with commitments in the Andean Group. The simple average tariff rate is 11.7 percent; the weighted average is around 8 percent and the effective tariff is 7.8 percent. In addition, the VAT is levied on all imports (with a few exemptions) and the "implicit VAT" is levied on imports of products that compete with domestic production that would normally be exempted from the VAT, as noted above. The December 2000 tax package introduced a customs service charge of 1.2 percent applicable to all imports, except to those from countries with reciprocity agreements with Colombia.

D. Tax Administration Reform

99. The tax reforms during the 1980s aimed at facilitating tax administration through the introduction of: (i) presumptive taxation; (ii) tax payments through banks; (iii) the simplification of tax declaration forms; and (iv) the creation of large-taxpayer units. During the first half of the 1990s additional tax administration reforms aimed at increasing taxpayer compliance through: (i) the implementation of audit plans; (ii) the introduction of computerized audit management; (iii) the improvement of the monitoring and recovery of tax arrears; and (iv) the introduction of stiffer sanctions for tax evasion and contraband. Despite the above efforts, officials recognized that there was room for improving the effectiveness of the tax administration's operations by addressing four additional issues. First, the high cost of tax collection through the banking system—because the banks retained the tax collected for an excessive period— and the poor quality of information from tax returns and payments reported by the banks. Second, the accuracy of taxpayer registers and the monitoring of taxpayers' compliance with their filing and payment obligations needed to be strengthened. Third, there existed an extensive payment and collection lag built into the tax system.[77] Fourth, there was significant scope for improving tax auditing through the strengthening of coverage, the use of cross-checking information, and an increase in the number of tax auditors.

100. Moreover, the tax package approved in December 1998 may have complicated tax administration by introducing (i) the "audit benefit" program, a tax amnesty whereby taxpayers who declared an increase in their income tax base for the last few years would not be subject to audits of their income taxes for those years; (ii) the "implicit VAT;" and (iii) a system of presumptive taxation for small and medium taxpayers (simplified regime), which requires the tax administration to calculate and issue tax assessments to all taxpayers in this system.[78] While audit and collection enforcement operations have improved, and the transit

[77] In Colombia VAT is filed and paid every two months (rather than monthly, as customary in many countries) and the annual income tax can be paid in one, two, or five installments (by individuals, businesses, and large taxpayers, respectively).

[78] The system was not implemented because it was declared unconstitutional.

period of taxes through the banking system has been shortened (from 22 days to 14 days), basic tax administration procedures on filing and payments still need to be strengthened.

101. The tax package approved in December 2000 includes several measures that will affect tax administration, such as (i) a special tax amnesty for the four months following the approval of the tax package for undeclared assets (including currencies) held abroad; (ii) a general amnesty for the period 2000–03, whereby taxpayers that declare an increase in their income tax base by an amount that is at least twice the inflation rate will not be audited during the declared year; (iii) an increase from 50 percent to 75 percent in the withholding of small taxpayers' VAT carried out by large taxpayers;[79] (iv) an increase in the minimum annual income required to be subject to the simplified tax regime;[80] and (v) the inclusion of VAT paid on imported capital goods as firms' cost, which is subject to depreciation.

E. Customs Administration Reform

102. The growth in the volume of international trade following the opening of the economy in the early 1990s resulted in a significant increase in the workload of the customs administration. In the first half of the 1990s, the customs administration carried out an ambitious modernization program with the objective of minimizing delays in the processing of imports and exports. The reform of the customs procedures was based on: (i) the introduction of a self assessment system, in which customers assess and pay their customs taxes and duties on their own; (ii) the introduction of a pre-shipment inspection program, which handles some of the merchandise valuation tasks otherwise carried out by customs, (iii) the simplification of the controls over imports; (iv) the transfer to the private sector of many of the tasks that had been performed by customs officials, including privatization of warehouses. However, there were delays in the introduction of the computerized customs system designed to support the new procedures, and weak coordination in the implementation of these reforms.

103. Additional reforms were introduced in 1999 that included the elimination of pre-shipment inspection programs, the reorganization of customs administration, and the issuance of new customs regulations. The creation of a reform follow-up committee and the introduction of computerized project management tools in 2000 significantly improved the coordination of the reform efforts.

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[79] Because small taxpayers do not file VAT payments and receipts, large taxpayers withhold, and transfer to the treasury, a proportion of the VAT collected from their sales to small taxpayers.

[80] This measure will broaden the VAT basis because from now on VAT taxpayers with more than eight employees, paying a lease higher than the equivalent to 30 minimum wages, and paying for public utilities more than the equivalent to 20 minimum wages will be subject to the general regime of the VAT.

F. Conclusion

104. Considerable improvements were made to tax policy and administration in Colombia during the 1980s and the first half of the 1990s. The income tax was simplified, its rates were scaled back, and the VAT was modified and given a consumption-type structure. In addition, customs tariffs were reduced and customs and tax administration underwent fundamental reforms. As with other Latin American countries during the period, these changes progressively increased the tax revenue to GDP ratio in Colombia. Subsequently, the tax structure has become complex and somewhat distortionary, and the frequent changes in the tax code has made tax supervision more difficult. Future reforms could focus on establishing a stable, broad-based, and simple tax system. This could be achieved with the elimination of the many exemptions and exonerations under the VAT and the income tax, and of the many distortions, such as the "VAT implicit" and the financial transactions tax that were recently introduced.

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VII. The Bank Debit Tax[81]

A. Introduction

105. Using exceptional powers under an economic emergency, the Government of Colombia introduced a special levy on financial transactions at the end of 1998. The receipts from this levy, which was originally designed as temporary, were to fund the exceptional costs associated with the mounting difficulties faced by the financial system. During the following two years, however, the levy changed substantially, including its tax base, rates, earmarking provisions, permanence, and the institutions charged with the collection.

B. Evolution of the Bank Debit Tax

106. The economic emergency decree No. 2331 of August 1998 introduced a special levy on the debit of funds from deposits in financial institutions (debit tax). This levy carried a rate of 0.2 percent and was to last until the end of 1999. A second rate of 0.12 percent was applied to interbank transactions. Exemptions included liquidity operations carried out by the central bank (*Banco de la República* or BR) and the public deposit insurance agency (Fogafin), and the transfers of tax receipts collected for the treasury by commercial banks.[82] The resources collected by this levy were earmarked for debt relief to mortgage holders and for the strengthening of financial cooperatives and public and private banks. Collection was entrusted to Fogafin.

107. In March 1999, the Constitutional Court of Colombia extended the 0.2 percent rate to interbank operations (eliminating the preferential 0.12 percent rate), transformed the levy into a tax, and entrusted the collection to the revenue service (DIAN). The court also determined that private banks could not be beneficiaries of the revenues collected by this tax.

108. In July 1999, congress extended the tax through the end of 2000 and earmarked the receipts to finance the reconstruction activities related to the January 1999 earthquake that hit Colombia's main coffee producing region, known as the *Eje Cafetero*. Exemptions on interbank credit operations and transactions with government securities were introduced.

109. In December 2000, congress made the tax permanent and eliminated the restrictions on the use of the proceeds.[83] The rate was increased to 0.3 percent and exemptions were

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[81] Prepared by Luis E. Breuer.

[82] Commercial bank withdrawals of funds held at the BR were subject to the tax, except for those related to the settlement of check clearing operations.

[83] The exception was that two-thirds of receipts of January and February 2001 had to be devoted to the reconstruction of the *Eje Cafetero*.

broadened to include small withdrawals, withdrawals for mortgage payments, and financial transactions of the national, departmental, and municipal governments.

C. International Comparisons[84]

110. In the past decade, a number of Latin American countries have introduced taxes on banking transactions,[85] which were levied mostly on debit operations. These have tended to be temporary in nature and were introduced to help deal with particularly difficult fiscal situations. Nonetheless, the revenue collected by these taxes did not exceed 8 percent of total tax revenue, with the exception of Ecuador where they accounted for over 26 percent of tax revenue in 1999 (Table 1). Most countries have replaced these taxes with alternative revenue sources.

111. While research on the implications of financial taxes is limited and ongoing, a recent study by FAD found that bank debit taxes were successful in raising revenue in the short term but that the market responses to the tax indicate that there have likely been adverse allocational impacts, in particular, significant financial disintermediation.[86]

D. Preliminary Evaluation of the Tax

112. A rigorous evaluation of the bank debit tax in Colombia is difficult at this time due to a number of reasons. First, the tax is still relatively new and therefore the available information is scarce. Moreover, since its creation, the tax has undergone a series of changes that have altered its nature. And finally, the period of this tax coincides with considerable economic and financial turbulence in Colombia that included a banking crisis, a recession, and substantial exchange rate and interest rate volatility.

Tax revenues

113. The debit tax in Colombia was successful in raising revenue in the short run, 0.73 percent of GDP in 1999 and 0.60 percent of GDP in 2000 (Table 2), comprising 7.3 percent and 5.3 percent of total tax revenue collected in those years. The yield as a proportion of GDP decreased in 2000 by over 17 percent, despite the fact that the economy

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[84] This section relies heavily on SM/00/207.

[85] They include Argentina, Brazil, Ecuador, Peru, and Venezuela.

[86] See SM/00/207. MAE and FAD are undertaking a study on the debit taxes in Ecuador, Colombia, and Venezuela.

recovered from the recession of 1999,[87] which seems to suggest that economic agents adapted to avoid the tax.

114. The administration of this tax has been facilitated by the sophisticated information technology infrastructure used by financial institutions. This allows for the speedy transfer to the treasury of the weekly collections.

Interbank market

115. The constitutional court ruling of March 1999 raised the rate of the debit tax to 0.2 percent for interbank transactions. Given that most of these are very short term (from 1 to 14 days), the result was a sharp increase in the effective taxation rate of such operations. The BR has estimated that the increase in the rate implied an annual rate of 62 percent for overnight credit operations.[88]

116. The immediate consequence of this measure was that interbank credit virtually dried up. Average interbank lending both in U.S. dollars and Colombian pesos (Figure 1) dropped by about 90 percent from late February 1999 to early May 1999, but rose again in August 1999 after these operations were exempted from the tax.

117. During this period, the BR emerged as a clearinghouse of interbank credit operations since operations with the BR were exempted from the tax. Thus, banks with liquidity needs would carry out repo operation with the BR, while those with excess liquidity would engage in a reverse repos.[89]

Demand for currency

118. The demand for currency in Colombia has increased substantially in the last two years while the growth of quasi-money has been negative (see Figure 1). It is likely that the debit tax has contributed to a greater preference for cash, as have other factors such as the sharp deceleration of inflation and the problems faced by the banking sector. Research undertaken by the BR for the year 1999 showed that the introduction of the debit tax had an important,

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[87] Real GDP fell by 4.3 percent in 1999 and expanded by 2.8 percent in 2000.

[88] *Notas Editoriales*. Banco de la República, (June 1999).

[89] BR repo operations are short-term loans to commercial banks (1 and 14 days) using government securities as collateral. Reverse repo operations are short-term placements of excess liquidity of commercial banks at the BR.

albeit short-lived, impact on the demand for currency during that year.[90] No studies have been undertaken for 2000, which was also a period of rapid growth of currency.

Payment system

119. The economic slowdown that began in 1998 brought about a reduction in check clearing activity in Colombia. During 1998, the volume of checks cleared in Bogotá and the regional offices of the BR fell with respect to the previous year, and by the end of that year, the values of these checks were lower than in the corresponding period in 1997 (Table 3).

120. This phenomenon intensified in late 1998 and throughout 1999 as a result of the deepening of the recession and the introduction of the debit tax. In the second half of 1999, the value of checks cleared was over 50 percent lower than in the corresponding period of 1998.

121. Interviews with Colombian tax officials have revealed a number of ways in which individuals and firms act to avoid the tax, which involve the substitution of checks for other payment instruments that are not subject to the tax. Credit cards are used by economic agents for both receipts and payments, thereby reducing the tax liability to the single net payment at the end of the billing cycle. Other instruments include vouchers that can be used for payments at supermarkets, restaurants, and selected retail stores.[91] More recently, commercial banks have introduced new services aimed at avoiding the debit tax. These include the collection of debt for small and medium-sized firms and the placement of the funds in the banks' accounts at the central bank. These firms, in turn, make payments to their suppliers that are channeled by means of interbank operations.

E. *Conclusion*

122. The debit tax in Colombia originated at a time of fiscal stress that coincided with and —to an extent—resulted from the banking problems that emerged during 1998. The authorities explained that a main justification for this particular tax was equity. It was argued that everybody with a bank account would be subject to the tax, including participants in the underground economy, and that the poor do not possess bank accounts, and would therefore not be affected. Yet the notion that this is an equitable tax does not always hold: activities that involve the frequent turnover of working capital, such as retail operations, pay a higher effective rate than other sectors. Moreover, the substitution of check or electronic payments for others payment instruments (such as cash, vouchers, etc.) involve high transaction costs.

[90] Banco de la República (February 2000), p. 26.

[91] Wage earners have in some cases been able to choose to receive part of their earnings in the form of these vouchers.

In addition, this tax clearly will not contribute to the extension of banking services to the poor, but might actually work in the opposite direction.

123. Notwithstanding its contribution to government revenue at a time when fiscal consolidation is paramount, this tax carries considerable risk for the Colombian economy. First, financial disintermediation has resulted as alternative payment instruments not subject to the debit tax have been developed that eliminate or reduce the reliance on bank deposits, as described above. There is also evidence that investors are switching to government securities (where transactions are exempted from the tax) and away from deposits and bonds issued by financial institutions,[92] ultimately threatening their ability to extend credit.

124. In addition, the considerable progress achieved by Colombia in the modernization of its payment system during the past decade could be reversed by the tax. During this period, a number of state-of-the-art electronic large and small value payment systems were introduced. These systems, which have contributed to greater efficiency and systemic security of the payment system in Colombia, use the liquidity in banks' accounts at the central bank and in individuals' accounts at commercial banks. The adverse effects of the debit tax on bank deposits could lead to lesser use of these efficient payment systems.

125. Finally, this tax will likely delay the recovery of the financial system, at a time when it is emerging from three years of heavy losses, since it reduces operating income from payment services. The delayed recovery, in turn, might help prevent the reduction of the high interest rate spreads prevalent in the Colombian economy, with the ensuing negative repercussions on the real sector.

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[92] Holdings of government securities by the private (nonfinancial) sector increased from CP 5.7 billion in December 1998 to CP 13.8 billion in September 2000.

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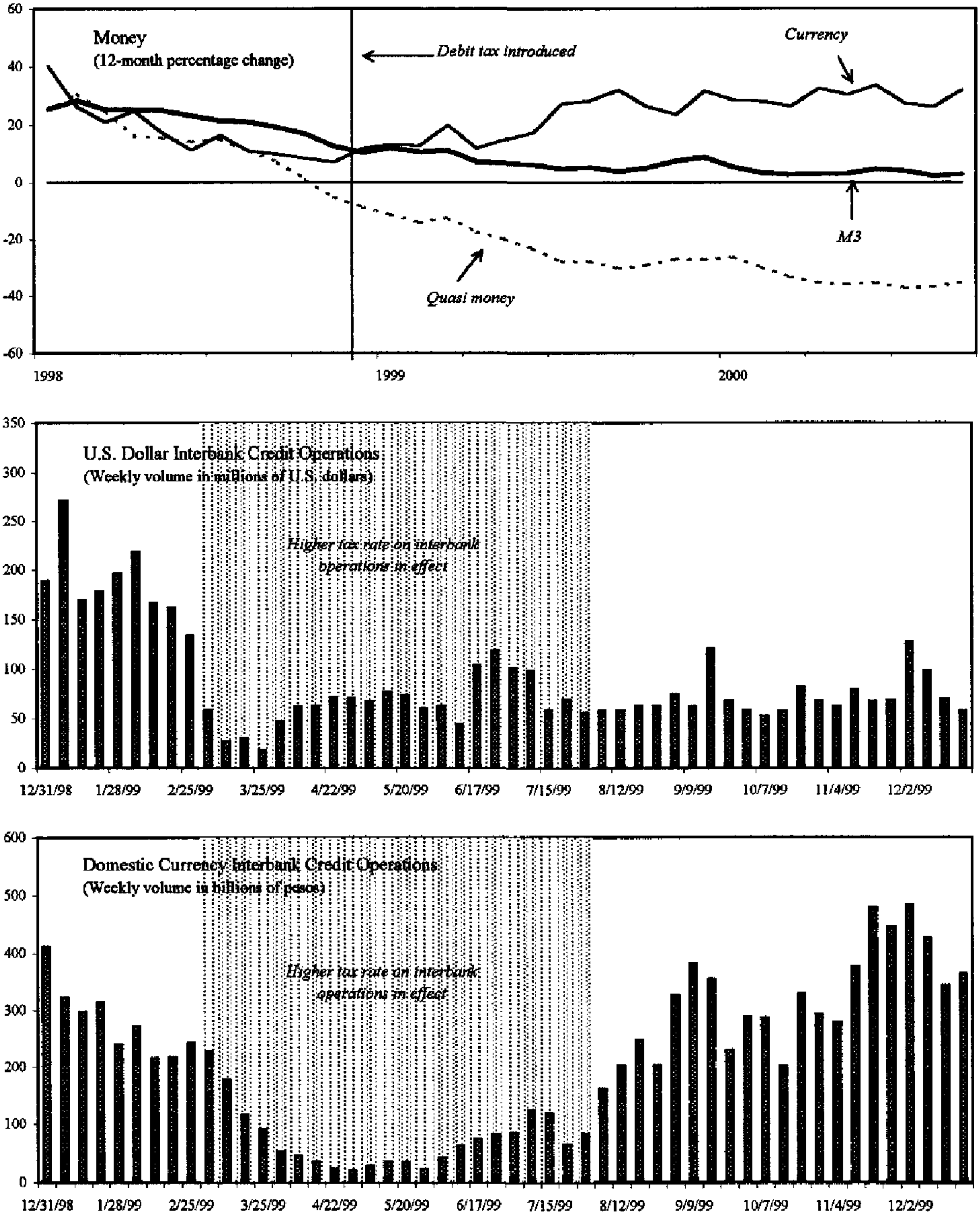
Figure 1. Colombia: Debit Tax, Money Supply, and Interbank Credit



Source: Banco de la República.

Table 1. Comparison of Debit Taxes in Latin America

	Year	Tax Rate	Gross Revenue: In Percent of GDP	Gross Revenue: In Percent of Tax Revenue
Countries where tax is being enforced				
Brazil	1994	0.25	1.06	3.6
	1997	0.20	0.80	2.8
	1998	0.20	0.90	3.0
	1999	0.22	0.79	2.6
Colombia	1999	0.20	0.73	7.3
	2000	0.30	0.60	5.3
Countries where tax was discontinued				
Argentina	1989	0.70	0.66	4.3
	1990	0.30	0.30	2.0
	1991	1.05	0.91	5.4
	1992	0.60	0.29	1.5
Ecuador	1999	1.00	3.50	26.7
Peru	1990	1.41	0.59	6.4
	1991	0.81	0.46	5.0
Venezuela	1994	0.75	1.30	7.7
	1999	0.50	0.60	4.9

Sources: SM/00/207; and DIAN data.

Table 2. Colombia: Revenue from the Debit Tax
(In billions of pesos)

Tax revenue	1999	2000	12-month change Absolute	12-month change Percentage
			(in billions)	(in percentage)
January	26.3	73.9	47.6	180.9
February	96.6	101.6	5.0	5.2
March	82.1	77.1	-5.0	-6.1
April	101.1	71.5	-29.6	-29.3
May	98.7	99.4	0.7	0.7
June	92.4	84.4	-8.0	-8.7
July	118.3	80.0	-38.3	-32.4
August	75.9	95.2	19.3	25.4
September	65.6	79.5	13.9	21.2
October	87.4	98.0	10.6	12.2
November	78.9	77.3	-1.6	-2.1
December	107.3	98.8	-8.5	-7.9
Total	1030.7	1036.7	6.0	0.6
In percent of GDP	0.73	0.60		-17.8

Sources: DIAN and; Superintendency of Banks.

Table 3. Colombia: Check Clearing Activity
(In number of checks and millions of CP)

	No. of Checks		Value of Checks		12-month percentage change			
					No. of Checks		Value of Checks	
	1998	1999	1998	1999	1998	1999	1998	1999
January	14,454	11,057	57,950	28,099	-983.22	-23.50	15.96	-0.52
February	14,667	9,976	57,454	26,918	-5.22	-0.32	21.15	-0.53
March	15,827	11,716	60,732	31,062	5.69	-0.26	30.72	-0.49
April	14,791	10,529	58,888	29,136	-10.98	-0.29	3.08	-0.51
May	15,123	10,583	54,293	30,329	-4.21	-0.30	7.89	-0.44
June	14,858	10,027	63,290	29,706	-5.34	-0.33	28.49	-0.53
July	16,023	10,209	67,434	31,211	-8.95	-0.36	14.09	-0.54
August	13,900	10,224	58,600	30,119	-12.23	-0.26	0.13	-0.49
September	13,916	9,924	63,812	30,624	-16.92	-0.29	0.14	-0.52
October	13,404	9,645	63,057	29,559	-19.86	-0.28	0.07	-0.53
November	13,042	10,056	46,004	30,049	-14.76	-0.23	-0.14	-0.35
December	13,209	10,983	37,880	36,874	-26.86	-0.17	-0.44	-0.03

Source: Banco de la República.

VIII. Reform of Pensions: An Overview[93]

126. The Colombian pay-as-you-go (PAYG) pension system is facing problems. The system is generating cash deficits (defined as the difference between contributions and payments to pensioners), and large and increasing actuarial deficits (defined as the present value of the difference between contributions and pensions). This note provides an overview of the system and presents a list of the most pressing problems.

A. The Pension System Before 1993[94]

127. Before the first pension reform in 1993 (Law 100), pensions were organized on a PAYG basis. Contribution rates were low compared to the large benefits provided and the very generous pensions granted to some groups. The most important schemes were the more than 1000 pension plans for public sector employees, including those in decentralized institutions and public enterprises, and a mandatory scheme for private sector workers under the social security institute (ISS).

128. Benefits varied widely between the different plans. Plans for public workers provided more generous benefits than those available to private employees. The majority of the public sector plans were noncontributory, whereas the contribution rate for private workers was 6.5 percent of wages and salaries. Retirement ages were five years lower in the public sector than under the ISS. The replacement rate (the pension as a percent of a worker's wage during some base period) varied from 75 percent for public workers to 45–90 percent [95] for private workers. For both public and private workers, the calculation of the replacement rate was based on the average salary of the last two years before retirement.

129. By the time of the 1993 reform, pensions for public workers were almost entirely financed by the central and regional governments. Pension payments made by the ISS to private sector workers were slightly below the contributions; consequently, the ISS built financial reserves, which were invested in government securities.[96] These balances were available to finance future benefit payments only in a bookkeeping sense; from the perspective

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[93] Prepared by José Gil-Díaz.

[94] This section is based on the chapter "Pension System Reform," Colombia-Selected Issues and Statistical Appendix, SM/98/251, 1998.

[95] Under ISS, the minimum pension could be obtained after 500 weeks; for each 30 weeks of additional contributions, the replacement rate increased by 3 percent up to a 90 percent maximum.

[96] Until the appearance of cash deficits, in 2000, the ISS had continued investing its reserves in public paper.

of the consolidated operations of the public sector, they did not constitute assets that could be drawn down in the future to fund benefits. Instead, they were claims on the public sector itself, and raising taxes, lowering expenditures (other than pensions), or borrowing would be needed to finance a cash deficit of the pension system.

130. The weakness of the pension plans in 1993 were explained by faster demographic change than expected when the different plans were initiated, imbalances of contributions and benefits, inefficient management practices in many plans, a lack of adequate control, and corruption in some cases. Emerging cash imbalances, actuarial deficits, and inequities made clear the need for a change, which would come with Law 100.

B. The Reform of 1993 (Law 100)

131. Law 100 of 1993 was an important step to broaden the coverage of the pension system, reduce inequities, and provide adequate and sustainable retirement benefits; however, as explain below, Law 100 did not fully address the problems. The reform established a dual regime by maintaining the PAYG regime managed by the ISS and introduced, as an alternative, a regime of defined contributions to capitalization funds managed by private institutions. While the insolvent public pension plans would be liquidated, the other plans for public workers would be fully incorporated into the reform in 2014, the end of the transition period.

132. The ISS and the private funds would compete for affiliates who could move back and forth between the regimes every three years. The reform left untouched some special pension regimes; the most important of these were the regimes for teachers, employees of ECOPETROL (the state oil company), and the security forces (army and police).

133. The contribution rate for the public plans that remained open, the ISS pension regime, and the private plans was fixed initially 8 percent of wages and salaries; it was increased gradually to 13.5 percent by 1996 (25 percent paid by employees and 75 percent paid by employers compared to 33 and 67 percent, respectively, before Law 100). At the same time, the retirement age was increased by two years (to 52 years for women and 57 years for men), the minimum number of contributions was raised by 500 weeks to 1,000 weeks, and the replacement rate was fixed at 65 percent. The base salary used to calculate the pension was the average of the last 10 years.

134. Workers with earnings of more than four times the legal minimum wage would have to contribute an additional 1 percent of their income to a newly created solidarity pension fund. Government transfers to the fund would match these contributions. The resources of the fund would be used to supplement the contributions of some groups such as workers with wages below the minimum required to qualify for a pension, and certain other groups.

135. For the transition period to 2014 the system established that men older than 40 years and women older than 35 years in 1994 had to stay in the former system, consisting of the ISS and the funds for public workers that would remain open during the transition. Other

contributors could move to capitalization funds or remain in the ISS system; most of the public pension plans were to stop accepting new affiliates. Those who changed affiliation would be provided with recognition bonds whose face value would reflect the present value of their entitlements under the old system. The bonds would be redeemed at the time of retirement.[97] During the transition period the retirement age would remain at 55 years for women and 60 years for men; after 2014 the ages would be 57 years for women and 62 years for men.

136. The resources of the private capitalization funds are invested in equities, bonds, and money market instruments. Law 100 established maximum investment limits per instrument and issuer, expressed as a percent of the total investment of the fund. At the time of their retirement, participants in these funds would use the accumulated funds in their individual accounts to purchase an annuity from an insurance company or combine the annuity with withdrawals.

C. Issues to be Addressed in a New Reform

137. As designed, the reform enacted in 1993 did not resolve the problems of the PAYG regime, and some of the principles set down in the reform have not been fully applied. Hence, the actuarial deficit has increased and cash imbalances have emerged in the ISS despite the increase in the contribution rate. The main reason of this is the reduction in the number of contributors, which has been more pronounced than expected at the time of the approval of Law 100, mainly as younger people have chosen the private plans. In addition, the government budget has covered the gap between payments of pensions and contributions for the public plans.

138. The system has also confronted other problems. The option for participants to move back and forth between the ISS and private institutions impose additional costs on the PAYG regime. The changes involve administrative costs, and workers will switch to the ISS if the pension they receive there is higher than what they would receive from private funds.

139. Under Law 100, the regimes that were insolvent in 1993 were to be closed. However, many insolvent schemes were kept open and there are a number of irregularities in granting benefits under some of these schemes. There is no institution in Colombia that audits compliance with the provisions of the original plans and certify the benefits.

140. The reform enacted in 1993 left a number of public plans outside the general system. The pension systems for teachers, oil workers, and security forces are explicitly excluded. As

[97] The calculation of the value the bonds has become very complex since the records of many workers were inadequately filled and filed. Taking into consideration these difficulties, the bonds have been calculated as the amount that would have been accumulated to finance an annuity similar to a pension in the old system.

regards pensions for workers of the public oil company (ECOPETROL), a portion of the oil-price windfall of 1999 and 2000 was allocated in public sector entities to fund the pension liabilities of the company. In addition, collective bargaining agreements in public sector entities may provide for more generous benefits than established by Law100.

141. Colombian private pension funds are required to guarantee a minimum rate of return to their affiliates, defined as a combination of the performance of a reference portfolio of investments and the average returns obtained by the industry. At present, this benchmark leaves no room for investing in long-term instruments and taking reasonable risks to maximize profitability. This restriction prevents these funds from playing an active role in the development of a domestic medium-term securities market.

142. Against the background presented above and the constraint imposed by the need to secure fiscal sustainability of Colombia's public finances over the medium and longer term, the following paragraphs present a summary of the main issues facing the authorities in designing the next pension reform, which will be presented to congress this year.

- To avoid large tax increases in the future, the next reform will need to generate a significant reduction in the actuarial deficit of the PAYG system. Therefore, changes in the main pension parameters are needed, including in the retirement ages, the minimum contribution periods, contribution rates, and/or the replacement rates. Also, the possibility open to workers of moving between the PAYG regime and private funds may need to be restricted. At the same time, the option of raising the contribution rates has to be assessed in light of the present payroll taxes and other charges on salaries, which are very high.[98] If the system is not overhauled, the cash deficit of the PAYG system (the ISS and the public plans) could grow to 5 percent of GDP in 2010.

- Regardless of the changes in the main pension parameters, during the transition period of the forthcoming reforms, the prospective cash deficits of the ISS and the public plans that have remained open are a matter of concern. Therefore, one important objective of the next reform would be to define a short transition period, and if changes in the main pension parameters should prove insufficient, additional receipts would need to be allocated to the system; for example, a reallocation of some of the payroll taxes might serve to enhance the finances of the ISS and the public plans to help reduce the financial gap.

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[98] Payroll taxes in Colombia (as percent of the payroll) are: (i) pension contributions, 13.5 percent; (ii) health insurance, 12.0 percent; (iii) severance fund contributions, 8.3 percent; (iv) accident insurance, 2.5 percent; (v) training, 2.0 percent; and (vi) familiar and other allowances, 7.0 percent. Total: 45.3 percent (36.2 percent paid by the employer and 9.1 percent paid by the worker).

- For financial and equity reasons, the public sector regimes excluded from Law 100, should be included in the general system. At the same time, balanced by the right of collective bargaining, some limits on labor contracts for public sector workers granting benefits over those defined by the general regime would need to be established.

- Because of the irregularities in granting benefits and problems regarding personal records of affiliates, a public agency might be created to enforce compliance with the rules of the system and certify benefits.

- For efficiency and financial reasons, new regulations to let private funds diversify their portfolio are needed.

Table 1. Colombia: National Accounts at Current Prices

	1995	1996	1997	1998	Prel. 1999	Prel. 2000
	(In billions of Colombian pesos)					
Consumption	**68,084**	**84,088**	**103,439**	**123,845**	**135,417**	**144,499**
Private sector	60,223	73,758	89,883	108,646	118,390	126,329
General government	7,861	10,330	13,556	15,199	17,027	18,169
Gross domestic investment	**21,784**	**22,309**	**25,466**	**25,774**	**18,762**	**24,991**
Fixed capital formation	18,911	21,700	24,592	24,925	21,437	24,991
Private sector	12,079	13,149	12,913	13,624	8,228	12,043
Public sector	6,832	8,551	11,679	11,301	13,209	12,948
Stockbuilding	2,873	608	874	849	-2,675	0
Domestic demand	**89,868**	**106,397**	**128,905**	**149,619**	**154,179**	**169,490**
Foreign balance	**-5,429**	**-5,685**	**-7,198**	**-8,292**	**-2,101**	**3,149**
Exports of goods and nonfactor services	12,272	15,308	18,063	21,331	27,500	35,021
Imports of goods and nonfactor services	17,701	20,993	25,261	29,623	29,601	31,872
GDP at market prices	**84,439**	**100,711**	**121,708**	**141,327**	**152,078**	**172,639**
	(Percentage change)					
Consumption	**25.4**	**23.5**	**23.0**	19.7	**9.3**	**6.7**
Private sector	35.3	22.5	21.9	20.9	9.0	6.7
General government	-19.6	31.4	31.2	12.1	12.0	6.7
Gross domestic investment	**26.3**	**2.4**	**14.2**	**1.2**	**-27.2**	**33.2**
Fixed capital formation	20.2	14.7	13.3	1.4	-14.0	16.6
Public sector	7.3	8.9	-1.8	5.5	-39.6	46.4
Private sector	52.8	25.2	36.6	-3.2	16.9	-2.0
Stockbuilding 1/	2.0	-2.7	0.3	0.0	-2.5	1.8
Domestic demand	**25.6**	**18.4**	**21.2**	**16.1**	**3.0**	**9.9**
Foreign balance	**35.8**	**4.7**	**26.6**	**15.2**	**-74.7**	**-249.9**
Exports of goods and nonfactor services	21.2	24.7	18.0	18.1	28.9	27.3
Imports of goods and nonfactor services	25.3	18.6	20.3	17.3	-0.1	7.7
GDP at market prices	**25.0**	**19.3**	**20.8**	**16.1**	**7.6**	**13.5**

Sources: Colombian authorities, and staff estimates.

1/ Changes in percent of preceding year's GDP.

Table 2. Colombia: National Accounts at Constant Prices

	1995	1996	1997	1998	Prel. 1999	Proj. 2000
		(In billions of Colombian pesos)				
Consumption	**57,417**	**60,416**	**63,605**	**64,157**	**62,237**	**61,728**
Private sector	50,787	52,994	55,269	56,284	54,411	54,024
General government	6,629	7,422	8,336	7,874	7,826	7,704
Gross domestic investment	**18,293**	**16,094**	**15,990**	**14,767**	**10,035**	**11,452**
Fixed capital formation	15,870	15,648	15,333	13,739	10,469	11,452
Private sector	10,150	9,325	7,925	7,414	3,977	5,661
Public sector	5,719	6,324	7,409	6,325	6,492	5,791
Stockbuilding	2,423	446	657	1,028	-434	0
Domestic demand	**75,710**	**76,510**	**79,595**	**78,924**	**72,271**	**73,180**
Foreign balance	**-4,664**	**-4,003**	**-4,601**	**-3,573**	**-150**	**1,104**
Exports of goods and nonfactor services	10,489	11,497	11,859	12,749	13,469	12,842
Imports of goods and nonfactor services	15,153	15,500	16,460	16,322	13,620	11,738
GDP at market prices	**71,046**	**72,507**	**74,994**	**75,351**	**72,121**	**74,284**
		(Percentage change)				
Consumption	**5.8**	**5.2**	**5.3**	**0.9**	**-3.0**	**-0.8**
Private sector	14.1	4.3	4.3	1.8	-3.3	-0.7
General government	-32.2	12.0	12.3	-5.5	-0.6	-1.6
Gross domestic investment	**6.1**	**-12.0**	**-0.6**	**-7.6**	**-32.0**	**14.1**
Fixed capital formation	0.9	-1.4	-2.0	-10.4	-23.8	9.4
Public sector	-9.8	-8.1	-15.0	-6.4	-46.4	42.3
Private sector	27.9	10.6	17.2	-14.6	2.6	-10.8
Stockbuilding 1/	1.3	-2.8	0.3	0.5	-1.9	0.6
Domestic demand	**5.8**	**1.1**	**4.0**	**-0.8**	**-8.4**	**1.3**
Foreign balance	**16.6**	**-14.2**	**14.9**	**-22.3**	**-95.8**	**-833.8**
Exports of goods and nonfactor services	3.6	9.6	3.2	7.5	5.6	-4.7
Imports of goods and nonfactor services	7.3	2.3	6.2	-0.8	-16.6	-13.8
GDP at market prices	**5.2**	**2.1**	**3.4**	**0.5**	**-4.3**	**3.0**

Sources: Colombian authorities, and staff estimates.

1/ Changes in percent of preceding year's GDP.

Table 3. Colombia: Aggregate Supply and Demand at Constant Prices

	1995	1996	1997	1998	Prel. 1999	Prel. 2000
	(Annual percentage change at constant 1994 prices)					
Aggregate supply	**5.6**	**2.1**	**3.9**	**0.2**	**-6.5**	**0.3**
GDP	5.2	2.1	3.4	0.5	-4.3	2.8
Imports of goods and nonfactor services	7.3	2.3	6.2	-0.8	-16.6	-13.8
Aggregate demand	**5.6**	**2.1**	**3.9**	**0.2**	**-6.5**	**0.3**
Consumption expenditure	5.8	5.2	5.3	0.9	-3.0	-0.8
Private sector	14.1	4.3	4.3	1.8	-3.3	-0.7
General government	-32.2	12.0	12.3	-5.5	-0.6	-1.6
Gross domestic investment	6.1	-12.0	-0.6	-7.6	-32.0	14.1
Fixed capital formation	0.9	-1.4	-2.0	-10.4	-23.8	9.4
Private sector	-9.8	-8.1	-15.0	-6.4	-46.4	42.3
Nonfinancial public sector	27.9	10.6	17.2	-14.6	2.6	-10.8
Stockbuilding 1/	1.3	-2.8	0.3	0.5	-1.9	0.6
Exports of goods and nonfactor services	3.6	9.6	3.2	7.5	5.6	-4.7
	(In percent of GDP)					
Aggregate supply	**121.3**	**121.4**	**121.9**	**121.7**	**118.9**	**115.8**
GDP	100.0	100.0	100.0	100.0	100.0	100.0
Imports of goods and nonfactor services	21.3	21.4	21.9	21.7	18.9	15.8
Aggregate demand	**121.3**	**121.4**	**121.9**	**121.7**	**118.9**	**115.8**
Consumption expenditure	80.8	83.3	84.8	85.1	86.3	83.1
Private sector	71.5	73.1	73.7	74.7	75.4	72.7
General government	9.3	10.2	11.1	10.4	10.9	10.4
Gross domestic investment	25.7	22.2	21.3	19.6	13.9	15.4
Fixed capital formation	22.3	21.6	20.4	18.2	14.5	15.4
Private sector	14.3	12.9	10.6	9.8	5.5	7.6
Nonfinancial public sector	8.1	8.7	9.9	8.4	9.0	7.8
Stockbuilding	3.4	0.6	0.9	1.4	-0.6	0.0
Exports of goods and nonfactor services	14.8	15.9	15.8	16.9	18.7	17.3

Sources: Colombian authorities; and Fund staff estimates.

1/ Changes in percent of preceding year's GDP.

Table 4. Colombia: Saving and Investment

(In percent of GDP)

	1995	1996	1997	1998	Prel. 1999	Prel. 2000
Gross national saving	**20.8**	**17.3**	**15.4**	**13.0**	**12.3**	**14.7**
Private sector	13.5	11.0	9.7	8.1	9.5	10.8
Public sector	7.4	6.3	5.8	4.9	2.7	3.9
Gross domestic investment	**25.8**	**22.2**	**20.9**	**18.2**	**12.3**	**14.5**
Private sector	17.7	13.7	11.3	10.2	3.7	7.0
Public sector capital expenditure	8.1	8.5	9.6	8.0	8.7	7.5
External current account balance	**-5.0**	**-4.9**	**-5.5**	**-5.3**	**-0.1**	**0.2**
Financing 1/						
Capital account (net)	4.9	6.4	6.6	4.3	-0.1	-0.2
Change in net international reserves (increase +)	0.0	1.8	0.3	-1.4	-0.4	0.9

Sources: Colombian authorities; and Fund staff estimates.

1/ Includes errors and omissions.

Table 5. Colombia: Value of Agricultural Crops 1/

(Percentage changes; at constant 1975 prices)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	Prel. 2000	1991-2000
Total	**2.9**	**0.4**	**-4.5**	**-3.4**	**4.2**	**-6.9**	**-0.6**	**-0.9**	**-1.0**	**9.2**	**-1.5**
Coffee	14.9	-0.5	-15.3	-11.8	13.8	-18.3	-4.3	19.4	-22.5	9.1	-23.3
Cotton	31.9	-26.0	-41.2	-19.3	0.4	26.0	-40.8	-11.2	15.1	-19.1	-71.3
Bananas	22.3	7.1	11.0	2.0	-18.0	-7.1	8.4	-5.8	16.7	-11.2	19.6
Sugar cane	1.9	6.3	6.0	6.3	2.9	15.0	5.9	-10.0	14.1	3.6	62.5
Blond tobacco	7.6	683.9	-89.1	-46.9	-3.3	49.8	-1.5	2.3	11.3	27.4	1.1
Black tobacco	2.2	-17.1	30.4	-10.1	-3.4	8.2	-31.4	44.3	-23.3	0.9	-20.5
Corn	5.0	-17.1	7.0	2.8	-12.2	-5.2	1.1	-22.8	27.2	10.8	-12.3
Rice	-17.9	-0.2	-8.4	4.2	7.7	-6.9	10.2	3.7	15.4	7.9	11.7
Potatoes	-3.8	-3.8	25.4	2.7	-1.6	-3.1	-3.0	-6.2	9.0	-8.0	3.6
Wheat	-10.4	-19.9	28.0	9.2	-29.5	-12.8	-22.3	-22.2	2.4	7.7	-58.9
Barley	2.0	-45.3	29.5	-20.5	-22.1	-11.8	-52.1	-36.2	0.0	19.7	-85.5
Yucca	-15.2	0.3	15.1	-5.6	0.4	12.1	-17.0	-4.7	10.2	10.8	0.6
Brown sugar	0.0	7.6	5.2	0.2	1.2	-0.2	3.0	1.6	0.2	5.7	27.0
Plantains	1.3	4.8	-2.3	-4.7	17.5	-5.6	0.8	-9.5	-2.4	7.4	4.9
Cocoa	3.5	-5.6	4.8	-11.9	11.9	-12.4	1.4	0.7	1.6	2.4	-6.1
Soybean	-16.6	-50.4	17.9	-3.4	-13.2	-38.8	55.4	-20.3	-45.2	-14.1	-85.4
Sorghum	-5.0	1.8	-15.8	2.5	-14.7	-19.7	-25.9	-40.6	1.5	-23.0	-80.3
Vegetables	-1.0	-10.2	6.9	2.3	2.3	2.0	4.4	-14.7	4.3	55.0	46.1

Sources: Ministry of Agriculture.

1/ Calculated on the basis of changes in the volume of output as estimated by the Ministry of Agriculture.

Table 6. Colombia: Coffee Stocks, Production, Exports, and Prices

	1991	1992	1993	1994	1995	1996	1997	1998	Jan.-Sep. 1999	Jan.-Sep. 2000
(In thousands of 60-kg bags)										
Opening registered stocks	**6,769**	**9,235**	**7,647**	**6,298**	**4,821**	**7,350**	**6,350**	**4,623**	**4,650**	**2,289**
Derived production	**16,179**	**16,088**	**13,637**	**12,031**	**13,698**	**11,191**	**10,704**	**12,784**	**6,599**	**6,999**
Domestic consumption 1/	1,117	1,114	1,387	1,733	1,391	1,583	1,498	1,481	1,041	1,094
Exportable production	15,062	14,974	12,250	10,298	12,307	9,608	9,206	11,303	5,558	5,905
Registered exports	12,596	16,562	13,599	11,775	9,778	10,608	10,933	11,240	7,048	6,089
To ICO members	11,670	15,503	12,088	9,137	7,026	7,203	7,105	7,272	4,247	3,468
To nonmembers	926	1,059	1,511	2,638	2,752	3,405	3,829	3,968	2,801	2,621
Change in registered stocks	2,466	-1,588	-1,349	-1,477	2,529	-1,000	-1,727	63	-1,490	-184
(In Colombian pesos per 125 kg load)										
Domestic purchase price of Coffee Federation	93,599	90,618	94,121	155,863	201,315	208,009	340,430	320,658	341,129	376,394
(In U.S. cents per pound)										
International coffee price 2/	89.8	68.0	75.8	157.3	156.9	131.1	167.4	142.4	114.1	109.0
Domestic purchase price of Coffee Federation 3/	69.3	62.1	55.9	88.0	102.6	95.3	141.6	105.1	93.9	84.1
Memorandum item:										
Average exchange rate (Colombian pesos per U.S. dollar)	629.7	680.4	786.3	826.5	912.5	1,036.7	1,140.5	1,426	1,787	2,062

Sources: International Coffee Organization (ICO); National Federation of Coffee Growers; and Fund staff estimates.

1/ Registered domestic sales of semiprocesed coffee by the Coffee Federation.

2/ As measured by the indicator price for Colombian mild Arabica coffee.

3/ A 125-kg load is equal to 214.34 pounds of green coffee.

Table 7. Colombia: Coffee Output and Exports by Calendar and Coffee Years

(In thousands of 60-kg bags)

	Registered Production	Registered Exports		
		Coffee Federation	Private Exporters	Total
1994 - Year ended September	11,421	4,589	8,101	12,690
October - December	4,698	951	1,925	2,876
Year ended December	12,031	4,240	7,535	11,775
1995 - Year ended September	12,964	3,420	5,924	9,344
October - December	5,431	1,049	2,290	3,339
Year ended December	13,697	3,518	6,260	9,778
1996 - Year ended September	12,938	6,491	4,313	10,804
October - December	3,683	1,094	2,071	3,165
Year ended December	11,190	4,237	6,384	10,621
1997 - Year ended September	10,779	4,053	7,148	11,201
October - December	3,608	961	1,936	2,898
Year ended December	10,704	3,921	7,013	10,933
1998 - Year ended September	12,122	3,715	7,198	10,913
October - December	4,269	848	2,393	3,241
Year ended December	12,784	3,609	7,651	11,260
1999 - Year ended September	10,868	2,965	7,327	10,292
October - December	2,513	1,071	1,876	2,947
Year ended December	9,112	3,188	6,807	9,995
2000 - Year ended September	9,512	3,275	5,776	9,051

Source: National Federation of Coffee Growers.

Table 8. Colombia: Volume of Manufacturing Production 1/

(Annual percentage change)

	1995	1996	1997	1998	1999	2000 2/
Total industrial production	**2.2**	**-2.0**	**1.9**	**-1.7**	**-13.5**	**11.5**
Food products	2.7	3.9	-0.2	1.7	-6.7	-0.3
Beverages	8.7	-8.1	2.5	-2.0	-13.0	-1.2
Tobacco	-15.6	14.6	-5.0	1.6	3.6	14.7
Textiles	5.2	2.6	-1.1	-3.2	-10.0	21.9
Footwear and clothing	-1.8	5.4	12.4	44.7	-11.1	20.8
Leather goods	-15.8	-24.0	13.9	0.0	-9.8	32.3
Shoes	-9.3	-19.1	-3.2	0.3	-35.2	20.5
Wood industry	-12.1	-28.2	-5.2	-10.1	-18.1	2.6
Wood furniture	3.5	-50.3	13.1	-7.9	-28.9	4.1
Paper and paper products	8.5	-10.0	0.0	7.9	-3.9	23.1
Printing and related products	-7.9	-4.0	3.9	2.0	-22.9	7.5
Chemicals industry	8.8	-8.4	-2.9	-6.5	-9.8	18.8
Other chemicals	2.4	-6.6	5.8	-1.1	-20.0	6.4
Petroleum derivatives	1.6	20.3	-2.3	-3.8	11.5	4.3
Other petroleum and coal derivatives	5.2	-7.3	1.0	-8.8	-12.3	0.9
Rubber goods	-15.5	-13.4	-14.0	-13.1	-16.8	10.6
Plastic goods	-3.2	0.3	4.8	0.7	-10.4	10.0
Mud and porcelain goods	-0.4	-0.6	15.5	-4.1	-16.1	28.1
Glass and glass products	3.2	-8.3	11.1	-12.8	-25.3	29.7
Nonmetallic minerals	1.0	-11.2	-6.5	-8.4	-29.1	15.1
Iron and steel industries	1.7	-4.1	15.3	-9.5	-1.3	45.9
Noniron industries	4.3	-11.7	1.4	-2.4	-24.4	15.0
Metallic products, excluding machinery	6.8	-2.3	7.0	-7.7	-15.6	-8.6
Machinery, excluding electric machinery	0.9	-19.4	3.4	-9.8	-28.1	16.3
Electric machinery	-7.7	-4.4	15.1	-11.9	-21.6	12.0
Transport equipment	1.0	-9.1	7.9	-8.7	-45.9	37.5
Scientific professional equipment	33.2	17.6	2.4	1.1	-10.8	15.1

Source: National Department of Statistics (DANE).

1/ Excluding the coffee husking process.
2/ First three quarters.

Table 9. Colombia: Mining Production

	1995	1996	1997	1998	1999	Jan.-Aug. 1999	Jan.-Aug. 2000
	(In units as specified)						
Petroleum (millions of barrels) 1/	213.5	229.5	238.0	275.5	297.7	175.6	151.5
Gold (thousands of troy ounces)	194.7	48.9	17.4	7.3	12.8	4.9	3.8
Platinum (thousands of troy ounces)	26.7	6.1	7.5	3.5	4.1	1.6	3.1
Silver (thousands of troy ounces)	21.5	5.9	2.0	0.9	1.4	0.5	0.4
Iron ore (thousands of tons)	571.6	605.7	754.8	525.8	959.3	382.9	406.6
Coal (millions of tons) 2/	13.5	14.3	15.5	15.5	29.5	12.0	12.6
Salt (thousands of tons) 3/	281.4	560.3	374.6	495.7	779.8	318.4	268.4
	(Percentage change)						
Petroleum (millions of barrels)	28.9	7.5	3.7	15.7	8.1	...	-13.7
Gold (thousands of troy ounces)	-71.2	-74.9	-64.6	-57.7	73.9	...	-22.7
Platinum (thousands of troy ounces)	-26.6	-77.2	23.9	-53.2	15.4	...	97.7
Silver (thousands of troy ounces)	-88.5	-72.7	-65.2	-54.3	54.0	...	-22.8
Iron ore (thousands of tons)	3.5	6.0	24.6	-30.3	82.4	...	6.2
Coal (millions of tons)	-	5.3	8.6	0.2	90.3	...	5.2
Salt (thousands of tons)	107.1	99.1	-33.1	32.3	57.3	...	-15.7

Sources:Banco de la República.

1/ Oil information: January-July 1999 and 2000.

2/ Production from El Cerrejón-Zona Norte. From June 1996 onwards, it includes: Producción Rom, Planta de Lavado and Intercar.

3/ Sea water salt and mineral salt.

Table 10. Colombia: National Production and Consumption of Petroleum Products

	1995	1996	1997	1998	1999	Jan. - Sep. 1999	2000
	(In thousands of barrels per day)						
Total production							
ECOPETROL	**584.9**	**626.3**	**652.2**	**754.3**	**815.5**	**807.9**	**642.2**
Partnerships	112.6	115.7	119.3	115.8	102.9	99.2	126.6
Concessions	460.1	495.4	517.5	622.1	694.9	691.1	496.9
	12.2	15.2	15.4	16.5	17.6	17.6	18.6
Total refinery output							
	249.2	**269.2**	**265.5**	**262.6**	**273.0**	**271.0**	**299.2**
Total consumption 3/							
White products 1/	**309.0**	**321.5**	**350.0**	**358.1**	**314.0**	**314.3**	**321.9**
Of which	217.6	226.3	232.4	231.1	210.4	212.7	210.4
Gasoline							
Black products and	128.6	128.9	131.0	129.5	115.2	118.5	106.7
natural gas 2/							
	91.4	95.2	117.7	127.0	103.7	101.6	111.4
	(Percentage change)						
Total production							
ECOPETROL	**28.8**	**7.1**	**4.1**	**15.7**	**8.1**	**...**	-20.5
Partnerships	17.9	2.7	3.2	-3.0	-11.1	...	27.6
Concessions	40.2	7.7	4.5	20.2	11.7	...	-28.1
	-59.9	24.9	1.3	7.1	6.9	...	5.8
Total refinery output							
	1.1	**8.0**	**-1.4**	**-1.1**	**4.0**	**...**	**10.4**
Total consumption 3/							
White products 1/	**5.7**	4.1	**8.9**	**2.3**	**-12.3**	**...**	2.4
Of which	4.8	4.0	2.7	-0.5	-9.0	...	-1.1
Gasoline							
Black products and	4.4	0.2	1.7	-1.1	-11.1	...	-9.9
natural gas 2/							
	8.0	4.1	23.7	7.9	-18.4	...	9.7

Source: ECOPETROL.

1/ White products include regular and premium gasoline, industrial benzene, kerosene, jet fuel, and propane.

2/ Black products comprise crude oil as fuel and diesel fuel oil; and natural gas expressed in equivalent fuel-oil barrels.

3/ The figure for Total Consumption in every year corresponds to August.

Table 11. Colombia: Structure of Regular Gasoline Prices

(End of period)

	1995	1996	1997	1998	1999	Prel. 2000
	(In Colombian pesos per gallon)					
Prices to public	**773.0**	**933.6**	**1,175.0**	**1,434.0**	**2,282.4**	**2,996.0**
Prices at refinery 1/	345.0	392.4	659.8	772.3	1,027.9	1,390.3
Taxes	303.4	392.8	294.0	400.8	873.6	1,151.9
Highway tax	168.9	330.0	189.4	277.2	385.5	497.5
Sales tax	68.4	62.8	105.6	123.6	154.2	208.5
Department tax	1.6	0.0	0.0	0.0	333.9	445.9
Other	64.5	0.0	0.0	0.0	0.0	0.0
Transportation charges	70.0	83.0	97.9	113.6	159.1	175.0
Distribution	54.7	65.5	100.5	120.6	205.0	258.7
	(Annual percentage change)					
Prices to public	**12.4**	**20.8**	**25.9**	**22.0**	**59.2**	**31.3**
Prices at refinery	173.5	13.7	68.2	17.0	33.1	35.3
Taxes	15.6	29.5	-25.1	36.3	118.0	31.9
Transportation charges	-71.3	18.6	18.0	16.0	40.0	10.0
Distribution	-1.2	19.7	53.4	20.0	70.0	26.2
	(In U.S. cents per gallon)					
Prices to public	78.3	92.9	90.8	93.0	121.8	134.4
Prices at refinery	34.9	39.0	51.0	50.1	54.9	62.4
Memorandum items:						
Exchange rate (Colombian peso per U.S. dollar)	987.7	1,005.3	1,293.6	1,542.1	1,873.8	2,229.2
Ratio of prices to public and at refinery (changes)	0.1	1.5	0.4	1.3	1.8	0.9

Source: Ministry of Mines and Energy.

1/ Since January 1999, the refinery price includes a department tax, which was reintroduced after it was eliminated in 1995.

Table 12. Colombia: Indicators of Construction Activity

(Average percentage change, unless otherwise indicated)

	1995	1996	1997	1998	1999	Jan. 1999-Jul. 2000
Total approved construction licenses (area) 1/	-10.5	-29.3	11.9	-23.1	2.2	10.2
Approved licenses for housing construction (area) 1/	-15.0	-34.4	25.9	-22.1	-3.9	6.0
Construction costs (at current prices) 2/						
Steel	18.9	0.4	18.1	12.1	4.4	18.6
Cement	13.4	39.8	19.0	15.0	32.8	24.1
Brick	16.7	8.7	13.9	11.3	7.6	-5.6
Cement production (volume)	0.2	-6.9	3.3	-4.7	-19.9	-15.6
Steel production (volume)	14.9	1.3	15.6	-19.6	-5.5	8.3

Sources: Banco de la República and National Department of Statistics (DANE).

1/ From 1999 onwards, it includes nine metropolitan areas.
2/ Index of producer prices, Banco de la República.

Table 13. Colombia: Quarterly Survey of Unemployment and Participation Rates

(In percent)

	Total 1/	Barranquilla	Bogota	Cali	Medellin
		I. Unemployment Rates			
1994	8.9	9.9	6.3	9.1	11.6
1995	8.8	10.5	7.0	9.8	10.5
1996	11.2	11.7	9.3	14.1	12.6
1997	12.4	11.7	10.1	17.3	14.5
1998	15.2	12.0	14.0	19.5	16.2
1999	19.4	16.0	18.3	21.3	21.8
2000	20.2	18.1	20.2	21.4	21.0
1994					
March	10.2	11.3	8.1	10.8	13.2
June	9.9	11.8	7.7	10.3	11.9
September	7.6	10.1	4.9	11.3	8.6
December	8.0	8.8	7.2	6.9	8.4
1995					
March	8.1	9.8	6.5	9.1	9.2
June	9.0	8.3	7.8	11.2	9.8
September	8.7	11.2	6.3	10.1	10.9
December	9.5	10.1	7.6	10.8	11.9
1996					
March	10.2	10.9	8.2	13.1	11.6
June	11.4	12.5	9.5	14.4	12.0
September	11.9	12.1	10.3	14.9	13.3
December	11.3	11.2	9.1	14.0	13.5
1997					
March	12.3	12.8	8.5	17.2	16.3
June	13.3	11.4	11.4	18.4	15.3
September	12.1	12.1	9.9	17.0	13.8
December	12.0	10.6	10.6	16.6	12.4
1998	15.2				
March	14.4	13.0	12.7	17.9	16.3
June	15.9	13.0	14.8	19.7	16.7
September	15.0	11.6	13.3	20.6	15.8
December	15.6	10.4	15.3	19.6	15.8
1999					
March	19.5	16.7	18.0	21.2	23.1
June	19.9	16.3	19.1	21.5	21.7
September	20.1	16.5	19.3	21.9	22.4
December	18.0	14.3	16.9	20.5	20.1
2000					
March	20.3	18.7	19.6	21.6	22.2
June	20.4	18.0	20.7	21.3	20.8
September	20.5	20.3	20.2	21.5	21.2
December 2/	19.7	15.2	20.3	21.0	20.0

Table 13. Colombia: Quarterly Survey of Unemployment and Participation Rates

(In percent)

	Total 1/	Barranquilla	Bogota	Cali	Medellin
		II. Participation Rates			
1994	60.0	54.0	61.9	60.2	57.8
1995	59.9	54.2	62.6	58.9	56.9
1996	59.7	54.1	61.6	58.6	57.4
1997	59.9	54.9	60.5	62.3	58.4
1998	62.2	56.2	63.3	64.9	60.0
1999	63.1	57.2	64.3	66.9	60.3
2000	64.3	59.0	65.5	67.7	61.0
1994					
March	60.5	54.3	62.1	60.4	59.6
June	59.8	54.0	61.4	59.9	57.9
September	59.0	53.1	60.6	60.8	56.9
December	60.6	54.5	63.5	59.8	56.8
1995					
March	59.2	55.3	61.3	59.6	55.9
June	59.4	50.7	62.7	58.7	57.1
September	59.4	53.6	62.0	58.8	56.1
December	61.4	57.3	64.3	58.4	58.4
1996					
March	60.6	55.1	63.4	59.9	57.5
June	59.1	54.2	60.6	58.5	56.8
September	59.1	52.6	61.3	57.5	56.9
December	59.8	54.5	61.1	58.3	58.4
1997					
March	58.3	54.7	57.8	59.4	58.7
June	59.9	55.4	60.0	63.2	58.4
September	59.9	53.8	61.5	62.6	57.4
December	61.5	55.6	62.6	63.8	59.1
1998					
March	62.3	57.0	63.6	64.2	60.0
June	62.7	56.6	63.9	64.5	60.8
September	61.0	54.6	61.0	65.5	60.0
December	62.7	56.5	64.7	65.3	59.0
1999					
March	62.3	59.1	63.6	63.7	60.0
June	62.9	55.5	64.0	68.8	60.0
September	63.3	56.7	64.0	68.2	60.8
December	63.8	57.4	65.7	66.8	60.5
2000					
March	63.9	59.0	65.1	65.8	61.0
June	63.8	58.5	64.8	67.4	60.6
September	64.9	61.1	65.5	67.6	62.1
December 2/	64.6	57.3	66.5	70.0	60.1

Source: National Department of Statistics (DANE).

1/ For seven metropolitan areas (Bogota, Medellin, Cali, Barranquilla, Bucaramanga, Giron, and Manizales).
2/ Preliminary.

Table 14. Colombia: Minimum Wages

	Nominal Values (Col$ per day)	Real Index 1/ (Dec. 1988=100)
1988	854.57	100.00
1989	1,085.33	100.70
1990	1,367.50	95.16
1991	1,724.00	94.85
1992	2,173.00	94.83
1993	2,717.00	97.61
1994	3,290.00	95.76
1995	3,964.45	96.57
1996	4,737.50	95.15
1997	5,733.50	97.25
1998	6,794.20	97.91
1999	7,882.00	106.24
1994		
January	3,290.00	114.18
December	3,290.00	95.76
1995		
January	3,964.45	113.32
December	3,964.50	96.58
1996		
January	4,737.50	112.28
December	4,737.50	95.15
1997		
January	5,733.50	113.01
December	5,733.50	97.25
1998		
January	6,794.20	113.05
December	6,794.20	97.91
1999		
January	7,882.00	110.72
December	7,882.00	106.24
2000		
January	8,670.00	115.37
December	8,670.00	106.23

Source: National Department of Statistics (DANE).

1/ Deflated by the consumer price index for low-income workers.

Table 15. Colombia: Nominal and Real Wage Indicators in Manufacturing 1/

	Nominal Wage	Real Wage 2/	Unit Labor Cost	Nominal Wage	Real Wage 2/	Unit Labor Cost
	(Index: 1990=100)			(Percentage change) 3/		
1994						
March	245.5	105.8	118.6	26.3	2.6	19.3
June	254.8	102.6	117.6	20.7	-2.9	13.0
September	257.8	100.9	112.2	22.5	-0.3	12.6
December	275.8	104.3	113.8	24.2	1.1	15.9
1995						
March	292.8	104.0	114.8	19.3	-1.7	8.8
June	323.8	107.6	116.9	27.1	4.9	20.0
September	319.6	103.3	112.7	24.0	2.4	17.7
December	338.2	106.6	111.6	22.7	2.2	11.3
1996						
March	359.2	105.8	117.8	22.7	1.7	17.0
June	393.8	109.8	119.2	21.6	2.0	16.4
September	389.9	104.9	117.7	22.0	1.5	19.9
December	407.7	105.8	118.4	20.5	-0.8	22.6
1997						
March	462.3	114.3	126.0	28.7	8.0	27.6
June	478.6	112.2	122.1	21.6	2.6	10.2
September	464.4	105.1	115.3	19.4	0.3	6.6
December	509.8	111.5	110.6	25.1	5.5	7.3
1998						
March	541.8	112.1	115.1	18.3	-1.9	3.7
June	587.2	111.8	119.2	22.6	-0.7	20.6
September	563.8	105.5	118.7	21.1	0.3	23.7
December	600.8	111.6	119.1	17.5	-0.3	26.5
1999						
March	639.2	113.3	133.5	18.0	1.1	15.9
June	682.5	118.2	131.3	16.2	5.7	10.2
September	664.9	114.0	118.1	17.9	8.1	-0.5
December	698.2	118.3	111.0	16.2	6.0	-6.8
2000						
March	700.5	113.8	112.0	9.6	0.4	-16.1
June	736.1	115.2	109.0	7.9	-2.5	-17.0
September	732.1	114.7	...	10.1	0.6	...

Source: National Department of Statistics (DANE).

1/ Including only production workers; excluding coffee husking activities.
2/ Nominal wage deflated by consumer price index.
3/ From corresponding period of previous year.

Table 16. Colombia: Producer Price Index

	Total	Consumption Goods	Raw Materials	Capital Goods 1/	Construction Materials
	(Annual average percentage changes)				
1994	17.2	19.7	16.1	12.6	15.9
1995	18.1	18.3	19.1	13.2	13.6
1996	15.0	16.7	13.9	15.0	14.1
1997	15.4	17.5	14.7	9.9	14.4
1998	17.3	20.6	15.4	14.8	13.9
	(12-month percentage change)				
1994					
March	15.5	18.8	13.2	13.0	19.5
June	15.7	19.4	13.7	12.9	14.3
September	18.6	21.3	18.1	12.0	14.3
December	20.7	21.6	21.8	12.7	14.6
1995					
March	18.7	18.2	20.2	13.5	14.1
June	21.5	21.7	23.2	12.9	13.5
September	17.2	17.8	17.7	13.0	13.7
December	15.4	15.8	15.6	14.2	11.7
1996					
March	16.3	18.5	15.1	16.4	11.8
June	13.0	13.2	12.5	15.6	15.0
September	14.4	16.5	12.8	15.0	15.3
December	14.5	17.9	12.5	11.8	14.4
1997					
March	14.0	14.4	14.1	9.6	15.0
June	17.1	17.3	18.4	8.4	13.9
September	16.1	19.5	14.7	8.9	13.2
December	17.5	19.3	16.6	13.3	17.5
1998					
March	18.6	21.4	17.2	13.8	16.8
June	17.6	26.3	12.1	14.7	10.8
September	16.5	18.9	14.9	16.0	13.4
December	13.5	15.2	12.2	14.5	12.4
1999					
March	9.4	12.3	6.6	11.9	12.6
June	6.1	3.5	6.6	12.1	16.7
September	10.9	8.5	10.7	22.2	16.9
December	12.7	12.4	12.4	15.8	14.3
2000					
March	13.7	14.0	13.1	16.7	11.1
June	15.6	15.4	15.2	20.2	13.3
September	12.9	13.3	12.8	11.7	13.3
December	11.0	10.8	10.9	10.8	12.9

Source: Banco de la Republica.

1/ Excluding construction materials.

Table 17. Colombia: Items Subject to Price Controls 1/

(In percentage weight of middle-income group CPI)

	December 1995		December 1996		December 1997		December 1998		December 1999		October 2000	
	Direct Controls	Indirect Controls	Direct Controls	Indirect Controls	Direct Controls	Indirect Controls	Direct Controls	Indirect Controls	Direct Controls	Indirect Controls	Direct Controls	Indirect Controls
Total	**30.1**	**1.5**	**30.1**	**1.5**	**30.1**	**1.5**	**30.1**	**1.5**	**34.0**	**1.7**	**34.0**	**1.7**
Food items	**0.0**	**0.1**	**0.0**	**0.1**	**0.0**	**0.1**	**0.0**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**
Sugar 2/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Salt	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0
Carbonated beverages 3/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Milk	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Housing items	**23.8**	**0.0**	**23.8**	**0.0**	**23.8**	**0.0**	**23.8**	**0.0**	**25.5**	**0.0**	**25.5**	**0.0**
Rent	20.1	0.0	20.1	0.0	20.1	0.0	20.1	0.0	20.7	0.0	20.7	0.0
Gasoline-diesel (Gas)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.0	0.6	0.0
Public utilities	3.7	0.0	3.7	0.0	3.7	0.0	3.7	0.0	4.2	0.0	4.2	0.0
Other items	**6.3**	**1.4**	**6.3**	**1.4**	**6.3**	**1.4**	**6.3**	**1.4**	**8.5**	**1.7**	**8.5**	**1.7**
Drugs	0.0	1.4	0.0	1.4	0.0	1.4	0.0	1.4	0.0	1.7	0.0	1.7
Bus fares	2.4	0.0	2.4	0.0	2.4	0.0	2.4	0.0	3.1	0.0	3.1	0.0
Taxi fares	0.7	0.0	0.7	0.0	0.7	0.0	0.7	0.0	1.1	0.0	1.1	0.0
Beer 3/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Boarding fees and school tuition	2.5	0.0	2.5	0.0	2.5	0.0	2.5	0.0	3.2	0.0	3.2	0.0
Gasoline	0.8	0.0	0.8	0.0	0.8	0.0	0.8	0.0	1.1	0.0	1.1	0.0

Source: Banco de la Republica.

1/ Direct control: the increment in prices has to be approved by the government. Indirect control: the increment in prices is proposed by the producer to the government 15 days in advance of the due date, and the increment in price takes effect if the government does not disapprove the proposal.

2/ Includes both refined and unrefined sugar.

3/ Surveillance over producers, but not consumers.

Table 18. Colombia: Operations of the Combined Public Sector

(In billions of Colombian pesos)

	1994	1995	1996	1997	1998	Prel. 1999	Jan.-Sept. 1999	2000
Total revenue	**16,537**	**21,387**	**27,164**	**33,374**	**37,729**	**41,457**	**30,590**	**36,257**
Current revenue	16,537	21,387	27,164	33,374	37,729	41,457	30,590	36,257
Tax revenue 1/	10,276	13,570	16,941	21,507	24,705	25,588	18,733	22,730
Nontax revenue	6,175	7,817	10,223	11,866	13,024	15,869	11,857	13,527
Property income	271	468	803	1,036	1,246	1,589	1,334	1,247
Operating surplus of public enterprises	3,068	3,634	4,707	4,214	4,596	6,011	4,443	5,691
Of which: ECOPETROL	1,002	1,648	1,968	1,808	2,324	3,679	2,579	2,831
Other 2/	2,836	3,714	4,713	6,617	7,182	8,269	6,079	6,589
Total expenditure and net lending	**16,600**	**22,394**	**29,987**	**38,177**	**43,377**	**50,441**	**34,786**	**37,102**
Current expenditure	11,841	15,476	20,783	26,588	32,113	37,106	25,804	28,002
Wages and salaries	4,049	5,017	6,625	8,117	9,922	11,654	7,870	8,307
Goods and services	2,098	2,600	3,519	4,509	4,885	5,549	3,743	3,981
Interest	1,498	1,944	2,743	3,144	4,687	5,713	4,403	5,993
External	810	897	1,030	1,200	1,600	2,174	1,578	2,130
Domestic	688	1,047	1,713	1,944	3,087	3,538	2,825	3,864
Transfers and others 3/	4,196	5,916	7,896	10,818	12,619	14,190	9,788	9,722
NFPS saving	4,696	5,911	6,381	6,786	5,616	4,350	4,786	8,255
Capital expenditure 3/	4,759	6,918	9,169	11,634	11,197	13,170	8,668	9,235
Net lending	0	0	35	-45	67	165	314	-136
Statistical discrepancy 4/	71	-1,014	-176	111	-837	-735	-401	-236
NFPS primary balance	1,507	-77	-256	-1,549	-1,798	-4,007	-194	4,913
Nonfinancial public sector balance	**8**	**-2,021**	**-2,999**	**-4,692**	**-6,485**	**-9,720**	**-4,597**	**-1,080**
Quasi-fiscal balance of the central bank	-196	225	14	-72	1,108	608	456	392
Fogafin balance	--	--	--	--	--	828	621	-109
Net cost of financial restructuring 5/	--	--	--	--	--	-10	0	-332
Overall balance	**-188**	**-1,796**	**-2,985**	**-4,764**	**-5,377**	**-8,293**	**-3,520**	**-1,129**
Overall Financing	**188**	**1,796**	**2,985**	**4,764**	**5,377**	**8,293**	**3,520**	**1,129**
Foreign,net	-1,336	974	932	749	3,641	1,910	1,582	2,555
Domestic, net	132	709	1,285	2,437	1,587	5,355	706	-1,499
Financial system and bonds	-156	-184	252	2,410	977	4,403	719	-516
Change in floating debt 6/	288	892	1,033	26	610	952	-14	-982
Privatization (including concessions) 7/	1,392	113	772	1,578	149	1,029	1,069	73

Sources: Ministry of Finance and Public Credit; and Banco de la Republica.

1/ Excludes proceeds of financial transaction tax in 1999 from revenue and expenditure.

2/ Includes local fees, penalties and oil stabilization fund.

3/ Includes expenditure on an accrual basis not included in other outlays.

4/ Includes residual differences between items above and below the line.

5/ Transfer to Caja Agraria in 1999, interest payments on public banks restructuring bonds and mortgage debt relief related costs.

6/ For 2000 includes the floating debt of non financial public enterprises.

7/ Includes nonrecurrent fees from telecommunications licensing.

Table 19. Colombia: Operations of the Central Administration

(In billions of Colombian pesos)

	1994	1995	1996	1997	1998	Prel. 1999	Jan.-Sept. 1999	Jan.-Sept. 2000
Total revenue	**7,850**	**9,723**	**11,958**	**15,291**	**16,789**	**18,141**	**13,589**	**17,736**
Current revenue	**7,834**	**9,723**	**11,863**	**15,291**	**16,789**	**18,141**	**13,589**	**17,736**
Tax revenue 1/	6,731	8,185	10,172	13,148	14,825	15,186	11,136	15,163
Net income tax and profits	2,813	3,394	3,856	5,341	6,109	6,410	5,064	6,382
Goods and services	3,175	3,893	5,378	6,473	7,048	7,376	5,144	6,693
Value-added tax	2,769	3,428	4,740	5,837	6,406	6,669	4,614	6,075
Gasoline tax	406	466	637	636	642	707	530	618
International trade	721	880	913	1,241	1,647	1,373	907	1,301
Financial transaction tax	0	0	0	0	0	0	0	763
Stamp and other taxes	23	18	25	93	21	28	21	24
Nontax revenue and transfers	1,103	1,538	1,691	2,143	1,963	2,955	2,453	2,573
Property income	125	141	298	378	362	478	376	594
Other	978	1,397	1,393	1,765	1,601	2,478	2,077	1,979
Capital receipts	**16**	**0**	**95**	**0**	**0**	**0**	**0**	**0**
Total expenditure and net lending	**8,916**	**12,318**	**16,936**	**19,779**	**24,376**	**29,448**	**20,080**	**21,601**
Current expenditure	**6,898**	**8,999**	**11,884**	**15,144**	**19,585**	**22,769**	**15,497**	**17,727**
Wages and salaries	1,662	2,059	2,525	3,068	3,779	4,381	2,966	3,286
Goods and services	702	989	1,328	1,901	1,975	2,044	1,360	1,475
Interest	412	593	1,078	1,491	2,722	3,187	2,750	4,164
External	386	466	496	760	1,041	1,496	1,139	1,621
Domestic	26	127	582	732	1,681	1,691	1,612	2,543
Other expenditure 2/	190	282	186	427	590	276	-4	-1,060
Current transfers 3/	3,933	5,076	6,767	8,258	10,518	12,881	8,424	9,862
Capital expenditure	**1,888**	**3,147**	**4,632**	**4,432**	**4,471**	**5,810**	**3,874**	**3,334**
Fixed capital formation 2/	905	1,756	2,538	1,790	1,598	2,398	801	486
Capital transfers	983	1,391	2,094	2,642	2,872	3,412	3,073	2,848
Net lending	***129***	***172***	***420***	***203***	***320***	***869***	***710***	***540***
Overall balance	**-1,066**	**-2,594**	**-4,978**	**-4,488**	**-7,587**	**-11,306**	**-6,491**	**-3,865**
Memorandum items:								
Current transfers to territorial governments	2,235	2,792	3,988	4,910	6,036	7,639	4,865	5,529
Current account balance	935	725	-21	147	-2,796	-4,627	-1,908	9

Source: Ministry of Finance and Public Credit.

1/ Excludes proceeds of financial transaction tax in 1999 from revenue and expenditure.

2/ Includes expenditure on an accrual basis not included in other outlays.

3/ Includes interest payments to the rest of the nonfinancial public sector.

Table 20. Colombia: Operations of the Central Administration
(In percent of GDP)

	1994	1995	1996	1997	1998	Prel. 1999	Jan.-Sept. 1/ 1999	2000
Total revenue	**11.6**	**11.5**	**11.8**	**12.6**	**11.9**	**11.9**	**8.9**	**10.3**
Current revenue	**11.6**	**11.5**	**11.8**	**12.6**	**11.9**	**11.9**	**8.9**	**10.3**
Tax revenue 2/	10.0	9.7	10.1	10.8	10.5	10.0	7.3	8.8
Net income tax and profits	4.2	4.0	3.8	4.4	4.3	4.2	3.3	3.7
Goods and services	4.7	4.6	5.3	5.3	5.0	4.9	3.4	3.9
Value-added tax	4.1	4.1	4.7	4.8	4.5	4.4	3.0	3.5
Gasoline tax	0.6	0.6	0.6	0.5	0.5	0.5	0.3	0.4
International trade	1.1	1.0	0.9	1.0	1.2	0.9	0.6	0.8
Financial transaction tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4
Stamp and other taxes	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Nontax revenue and transfers	1.6	1.8	1.7	1.8	1.4	1.9	1.6	1.5
Property income	0.2	0.2	0.3	0.3	0.3	0.3	0.2	0.3
Other	1.4	1.7	1.4	1.5	1.1	1.6	1.4	1.1
Total expenditure and net lending	**13.2**	**14.6**	**16.8**	**16.3**	**17.2**	**19.4**	**13.2**	**12.5**
Current expenditure	**10.2**	**10.7**	**11.8**	**12.4**	**13.9**	**15.0**	**10.2**	**10.3**
Wages and salaries	2.5	2.4	2.5	2.5	2.7	2.9	2.0	1.9
Goods and services	1.0	1.2	1.3	1.6	1.4	1.3	0.9	0.9
Interest	0.6	0.7	1.1	1.2	1.9	2.1	1.8	2.4
External	0.6	0.6	0.5	0.6	0.7	1.0	0.7	0.9
Domestic	0.0	0.1	0.6	0.6	1.2	1.1	1.1	1.5
Other expenditure 3/	0.3	0.3	0.2	0.4	0.4	0.2	0.0	-0.6
Current transfers 4/	5.8	6.0	6.7	6.8	7.4	8.5	5.5	5.7
Capital expenditure	**2.8**	**3.7**	**4.6**	**3.6**	**3.2**	**3.8**	**2.5**	**1.9**
Fixed capital formation 3/	1.3	2.1	2.5	1.5	1.1	1.6	0.5	0.3
Capital transfers	1.5	1.6	2.1	2.2	2.0	2.2	2.0	1.6
Net lending	0.2	0.2	0.4	0.2	0.2	0.6	0.5	0.3
Overall balance	**-1.6**	**-3.1**	**-5.0**	**-3.7**	**-5.4**	**-7.4**	**-4.3**	**-2.2**
Memorandum items:								
Transfers to local governments	3.3	3.3	4.0	4.0	4.3	5.0	3.2	3.2
Current account balance	1.4	0.9	0.0	0.1	-2.0	-3.0	-1.3	0.0

Sources: National Department of Planning; CONFIS; and Fund staff estimates.

1/ In percent of annual GDP.
2/ Excludes proceeds of financial transaction tax in 1999 from revenue and expenditure.
3/ Includes expenditures on an accrual basis not included in other outlays.
4/ Includes interest payment to the rest of or on behalf of the nonfinancial public sector.

Table 21. Colombia: Operations of the Social Security System 1/

	1994	1995	1996	1997	1998	1999	Jan.-Sept. 1999	Jan.-Sept. 2000
	(In billions of Colombian pesos)							
Total revenue	**3,364**	**5,436**	**7,667**	**8,862**	**11,318**	**13,030**	**9,620**	**8,420**
Current revenue	**3,293**	**5,338**	**7,238**	**8,761**	**11,101**	**12,482**	**9,151**	**8,338**
Social security contributions	1,648	2,929	3,569	4,030	4,848	5,067	3,614	3,312
Nontax revenue	184	382	788	1,051	1,811	1,904	1,584	585
Of which								
Fees and charges	45	234	483	599	1,114	766	593	132
Transfers received	1,462	2,027	2,881	3,680	4,442	5,511	3,953	4,441
Of which								
From central administration 2/	1,321	1,872	2,704	3,462	4,100	5,160	3,718	4,209
Capital revenue	**71**	**98**	**429**	**100**	**218**	**548**	**469**	**83**
Total expenditure and net lending	**2,668**	**3,804**	**5,611**	**7,369**	**9,084**	**11,515**	**7,956**	**7,985**
Current expenditure	**2,649**	**3,763**	**5,546**	**7,267**	**9,039**	**11,568**	**8,024**	**7,944**
Wages and salaries	213	262	293	475	670	697	497	414
Goods and services 3/	453	665	1,030	1,242	1,326	1,641	1,077	1,088
Interest	0	0	0	3	0	4	2	1
Transfers to private sector	1,984	2,836	4,223	5,547	7,044	9,227	6,447	6,441
Capital expenditure and net lending	**19**	**42**	**64**	**102**	**89**	**47**	**32**	**41**
Of which								
Fixed capital formation	17	36	52	69	56	21	14	30
Net lending	0	0	0	0	-45	-100	-100	0
Overall balance	***696***	***1,632***	***2,057***	***1,492***	**2,235**	***1,515***	***1,664***	**435**
Memorandum item:								
Current account balance	644	1,575	1,692	1,494	2,061	914	1,127	394
	(In percent of GDP)							
Total revenue	5.0	6.4	7.6	7.3	8.0	8.6	6.3	4.9
Total expenditure and net lending	4.0	4.5	5.6	6.1	6.4	7.6	5.2	4.6
Overall balance	1.0	1.9	2.0	1.2	1.6	1.0	1.1	0.3

Source: Ministry of Finance and Public Credit.

1/ Includes the social security, CAJANAL, CAPRECOM and other funds covering employees of the central administration.

2/ Transfers from central administration are computed on an accrual basis for year 2000.

3/ Includes floating debt of the Instituto del Seguro Social for year 2000.

Table 22. Colombia: Operations of the National Decentralized Agencies 1/

	1994	1995	1996	1997	1998	Prel. 1999	Jan.-Sept. 1999	Jan.-Sept. 2000
	(In billions of Colombian pesos)							
Total revenue	**1,325**	**1,554**	**1,990**	**2,452**	**2,350**	**2,881**	**2,053**	**3,093**
Current revenue	**917**	**1,113**	**1,379**	**1,603**	**1,810**	**2,406**	**1,635**	**2,710**
Tax revenue	431	548	709	867	1,028	1,122	851	897
Nontax revenue	328	378	385	552	452	893	501	1,442
Goods and services	83	95	61	10	0	0	0	0
Property income	0	0	0	0	0	0	0	0
Other	245	283	324	542	452	893	501	1,442
Transfers 2/	158	187	285	184	330	391	283	371
Capital revenue	**409**	**441**	**611**	**849**	**540**	**475**	**417**	**383**
Total expenditure and net lending	**1,178**	**1,512**	**1,793**	**2,400**	**2,339**	**2,142**	**1,592**	**1,652**
Current expenditure	**699**	**864**	**997**	**1,179**	**1,423**	**1,525**	**1,093**	**1,082**
Wages and salaries	130	177	199	243	279	296	187	219
Employment contributions	9	15	27	34	39	52	36	32
Income and corporate taxes	0	0	8	0	0	0	0	0
Goods and services	212	246	158	161	152	156	108	103
Interest	62	61	55	25	168	149	112	118
External	49	57	7	19	104	75	57	55
Domestic	12	4	49	6	64	74	56	63
Transfers	286	365	550	717	784	872	649	609
Capital expenditure	**533**	**714**	**888**	**1,269**	**1,048**	**769**	**696**	**721**
Fixed capital formation	498	694	824	1,180	977	742	595	686
Transfers	35	19	64	88	70	26	101	35
Net lending	**-54**	**-65**	**-93**	**-48**	**-132**	**-152**	**-197**	**-151**
Overall balance	**147**	**42**	**197**	**52**	**12**	**738**	**461**	**1,441**
Memorandum item:								
Current account balance	218	250	382	423	387	880	542	1,628
	(In percent of GDP)							
Total revenue	2.0	1.8	2.0	2.0	1.7	1.9	1.3	1.8
Total expenditure and net lending	1.7	1.8	1.8	2.0	1.7	1.4	1.0	1.0
Overall balance	0.2	0.0	0.2	0.0	0.0	0.5	0.3	0.8

Source: Ministry of Finance and Public Credit.

1/ Includes the road construction fund, the agricultural and social agencies and the oil stabilization fund.

2/ Includes statistical discrepancies resulting from differences in intersectoral transfers.

Table 23. Colombia: Operations of the Central Government 1/

	1994	1995	1996	1997	1998	Prel. 1999	Jan.-Sept. 1999	Jan.-Sept. 2000
	(In billions of Colombian pesos)							
Total revenue	**10,653**	**14,228**	**17,999**	**22,085**	**25,468**	**27,139**	**19,959**	**24,193**
Current revenue	**10,567**	**14,129**	**17,475**	**21,984**	**25,250**	**26,591**	**19,490**	**24,111**
Tax revenue	8,809	11,663	14,449	18,046	20,701	21,376	15,601	19,371
Nontax revenue	1,262	1,847	2,386	3,064	3,616	4,464	3,437	3,597
Transfers	495	620	640	874	933	751	452	1,142
Capital revenue	86	98	524	100	218	548	469	83
Total expenditure and net lending	**10,904**	**15,214**	**20,766**	**25,106**	**30,870**	**36,339**	**24,267**	**26,124**
Current expenditure	**8,770**	**11,588**	**15,436**	**19,947**	**25,633**	**29,503**	**19,759**	**22,023**
Wages and salaries	2,005	2,498	3,017	3,785	4,728	5,373	3,650	3,919
Goods and services	1,366	1,900	2,516	3,304	3,453	3,841	2,545	2,666
Interest	474	654	1,133	1,519	2,891	3,340	2,865	4,284
External	435	523	503	779	1,146	1,572	1,195	1,676
Domestic	39	131	630	740	1,745	1,769	1,670	2,608
Transfers	4,736	6,254	8,585	10,912	13,971	16,671	10,728	12,213
Other current expenditure 2/	190	282	186	427	590	277	-31	-1,060
Capital expenditure	**2,058**	**3,519**	**5,002**	**5,005**	**5,047**	**6,119**	**3,996**	**3,712**
Fixed capital formation 2/	1,421	2,523	3,413	3,039	2,632	3,161	1,247	1,202
Transfers	637	996	1,589	1,966	2,415	2,958	2,750	2,510
Net lending	**76**	**107**	**327**	**155**	**190**	**717**	**512**	**389**
Overall balance	**-251**	**-987**	**-2,767**	**-3,022**	**-5,403**	**-9,200**	**-4,308**	**-1,931**
Memorandum item:								
Current account balance	1,796	2,541	2,038	2,038	-383	-2,912	-268	2,088
	(In percent of GDP)							
Total revenue	15.8	16.8	17.9	18.1	18.0	17.8	13.1	14.0
Total expenditure and net lending	16.1	18.0	20.6	20.6	21.8	23.9	16.0	15.1
Overall balance	-0.4	-1.2	-2.7	-2.5	-3.8	-6.0	-2.8	-1.1

Source: Ministry of Finance and Public Credit.

1/ Includes central administration; social security; and national decentralized agencies.
2/ Includes expenditure on an accrual basis not included in other outlays.

Table 24. Colombia: Operations of the Local Nonfinancial Public Sector 1/

	1994	1995	1996	1997	1998	Prel. 1999	Jan.-Sept. 1999	Jan.-Sept. 2000
	(In billions of Colombian pesos)							
Total revenue	**5,887**	**7,561**	**10,145**	**13,355**	**16,062**	**18,847**	**12,970**	**15,080**
Current revenue	**5,467**	**6,766**	**8,911**	**11,758**	**13,956**	**16,082**	**10,468**	**12,794**
Tax revenue	1,467	1,907	2,492	3,230	3,797	4,079	3,044	3,234
Nontax revenue	1,955	2,346	3,044	4,606	5,447	6,164	4,433	5,173
Operating surplus	357	459	504	694	922	1,096	944	868
Other	1,599	1,887	2,541	3,912	4,526	5,068	3,490	4,305
Transfers	2,045	2,513	3,375	3,923	4,712	5,839	2,991	4,387
Of which								
Central government	1,820	2,025	2,777	3,311	3,981	4,874	2,363	3,243
Capital revenue	**419**	**794**	**1,234**	**1,597**	**2,107**	**2,765**	**2,502**	**2,286**
Total expenditure and net lending	**6,256**	**7,522**	**10,374**	**14,303**	**15,939**	**19,365**	**13,688**	**14,899**
Current expenditure	**4,167**	**5,002**	**7,017**	**9,299**	**10,118**	**12,164**	**8,202**	**8,756**
Wages and salaries	2,044	2,519	3,608	4,331	5,194	6,281	4,219	4,387
Income and corporate taxes	22	33	7	8	10	2	2	2
Goods and services	732	699	1,004	1,206	1,432	1,708	1,198	1,314
Interest payments	418	656	848	1,055	1,171	1,629	1,066	1,248
External	103	112	138	154	164	214	150	228
Domestic	316	543	709	901	1,007	1,415	917	1,021
Transfers	790	892	1,371	1,715	1,403	1,488	1,010	1,026
Other, including unrecorded expenditure 2	161	203	179	984	908	1,056	707	778
Capital expenditure	**2,175**	**2,568**	**3,453**	**5,125**	**5,864**	**7,398**	**5,629**	**6,276**
Fixed capital formation 2/	2,115	2,532	3,397	4,999	5,830	7,330	5,582	6,255
Transfers	59	36	56	125	34	68	47	21
Net lending	**-86**	**-48**	**-96**	**-120**	**-42**	**-197**	**-144**	**-132**
Overall balance	**-369**	**39**	**-229**	**-948**	**123**	**-518**	**-718**	**181**
Memorandum item:								
Current account balance	1,300	1,765	1,894	2,460	3,838	3,918	2,265	4,038
	(In percent of GDP)							
Total revenue	8.7	9.0	10.1	11.0	11.4	12.4	8.5	8.7
Total expenditure and net lending	9.3	8.9	10.3	11.8	11.3	12.7	9.0	8.6
Overall balance	-0.5	0.0	-0.2	-0.8	0.1	-0.3	-0.5	0.1

Source: Ministry of Finance and Public Credit.

1/ Includes local governments (municipalities, departments, and districts) and local nonfinancial enterprises comprising water, telephone, and electricity companies; and Medellin metro system.

2/ Beginning in 1997, local government balance is measured from financing data; and accounts include estimates of unrecorded expenditure. Data for 1997 not fully comparable with earlier periods.

Table 25. Colombia: Operations of the General Government 1/

	1994	1995	1996	1997	1998	Prel. 1999	Jan.-Sept. 1999	Jan.-Sept. 2000
	(In billions of Colombian pesos)							
Total revenue	**14,130**	**18,813**	**24,006**	**30,367**	**34,433**	**37,251**	**27,329**	**32,929**
Current revenue	**14,004**	**18,634**	**23,421**	**30,208**	**34,229**	**36,702**	**26,860**	**32,847**
Tax revenue	10,276	13,570	16,941	21,275	24,498	25,455	18,645	22,605
Nontax revenue	3,035	3,957	5,244	7,446	8,146	9,570	7,162	7,990
Operating surplus	357	459	504	694	922	1,096	944	868
Other	2,678	3,497	4,740	6,752	7,224	8,474	6,219	7,122
Transfers	694	1,108	1,236	1,487	1,585	1,677	1,053	2,251
Capital revenue	**125**	**179**	**585**	**159**	**203**	**548**	**469**	**83**
Total expenditure and net lending	**14,742**	**19,707**	**26,944**	**34,273**	**39,727**	**46,968**	**32,356**	**34,683**
Current expenditure	**10,935**	**14,328**	**19,488**	**25,706**	**30,774**	**35,696**	**24,864**	**26,724**
Wages and salaries	4,049	5,017	6,625	8,117	9,922	11,654	7,870	8,307
Goods and services	2,098	2,600	3,519	4,509	4,885	5,549	3,743	3,981
Interest	892	1,310	1,981	2,573	4,062	4,969	3,932	5,532
External	538	635	642	932	1,310	1,785	1,345	1,904
Domestic	354	674	1,339	1,641	2,752	3,183	2,587	3,628
Transfers	3,706	5,121	7,177	9,311	11,316	13,246	9,349	9,964
Other local government expenditure	0	0	0	768	0	0	0	0
Expenditure from floating debt 2/	190	282	186	427	590	277	-31	-1,060
Capital expenditure	**3,818**	**5,320**	**7,225**	**8,533**	**8,805**	**10,752**	**7,123**	**7,702**
Fixed capital formation 2/	3,536	5,055	6,810	8,039	8,462	10,491	6,829	7,457
Transfers	281	265	415	494	343	262	294	245
Net lending	**-11**	**59**	**231**	**35**	**148**	**520**	**369**	**257**
Overall balance	**-612**	**-894**	**-2,939**	**-3,906**	**-5,294**	**-9,718**	**-5,026**	**-1,754**
Memorandum item:								
Current account balance	3,069	4,306	3,932	4,502	3,455	1,006	1,997	6,123
	(In percent of GDP)							
Total revenue	20.9	22.3	23.8	25.0	24.4	24.5	18.0	19.1
Total expenditure and net lending	21.8	23.3	26.8	28.2	28.1	30.9	21.3	20.1
Overall balance	-0.9	-1.1	-2.9	-3.2	-3.7	-6.4	-3.3	-1.0

Source: Ministry of Finance and Public Credit.

1/ Includes central government; and local nonfinancial public sector.

2/ Includes expenditure on an accrual basis not included in other outlays.

Table 26. Colombia: Operations of the Consolidated National Enterprises

(In billions of Colombian pesos)

	1994	1995	1996	1997	1998	Prel. 1999	Jan.-Sept. 1999	Jan.-Sept. 2000
Total revenue	**3,257**	**4,065**	**5,353**	**5,347**	**5,420**	**6,555**	**4,878**	**6,047**
Current revenue	**3,128**	**3,869**	**5,042**	**5,133**	**5,252**	**6,420**	**4,749**	**5,868**
Tax revenue	0	0	0	232	207	133	88	125
Nontax revenue	3,121	3,845	5,014	4,882	5,012	6,213	4,610	5,707
Operating surplus	2,712	3,175	4,204	3,520	3,674	4,796	3,415	4,823
Other	409	670	810	1,363	1,338	1,417	1,195	884
Transfers	8	24	28	19	33	75	51	36
Capital revenue	**129**	**196**	**311**	**213**	**168**	**135**	**128**	**179**
Total expenditure and net lending	**2,767**	**4,125**	**5,375**	**5,797**	**5,708**	**5,931**	**3,974**	**4,663**
Current expenditure	**1,568**	**2,243**	**2,641**	**2,445**	**3,078**	**3,128**	**2,077**	**3,261**
Income and corporation taxes	16	19	42	21	44	26	102	42
Employment contributions	124	189	225	255	393	379	251	275
Interest	606	634	762	571	626	744	471	461
External	272	262	388	268	290	389	233	225
Domestic	334	372	374	303	336	355	238	235
Transfers	822	1,402	1,611	1,599	2,015	1,979	1,252	2,483
Capital expenditure	**1,188**	**1,940**	**2,931**	**3,432**	**2,712**	**3,071**	**1,951**	**1,794**
Fixed capital formation	992	1,794	2,237	3,055	2,479	2,513	1,559	1,692
Transfers	196	146	695	377	233	558	393	102
Net lending	**11**	**-59**	**-196**	**-80**	**-81**	**-268**	**-54**	**-392**
Overall balance	**491**	**-60**	**-22**	**-451**	**-289**	**624**	**903**	**1,384**
Memorandum items:								
Current account balance	1,560	1,626	2,401	2,688	2,174	3,292	2,672	2,607
Operating surplus	2,712	3,175	4,204	3,520	3,674	4,796	3,415	4,823
Operating revenue (+)	5,319	6,610	8,012	10,424	11,075	11,786	8,311	11,011
Wages and salaries (-)	-451	-523	-639	-809	-936	-839	-670	-588
Goods and services (-)	-2,095	-2,893	-3,121	-5,753	-6,422	-6,032	-4,142	-5,240
Income tax (-)	-62	-20	-48	-341	-43	-119	-85	-360

Source: Ministry of Finance and Public Credit.

Table 27. Colombia: Operations of the Consolidated National Enterprises

(In percent of GDP)

	1994	1995	1996	1997	1998	Prel. 1999	Jan.-Sep. 1/ 1999	2000
Total revenue	**4.8**	**4.8**	**5.3**	**4.4**	**3.8**	**4.3**	**3.2**	**3.5**
Current revenue	**4.6**	**4.6**	**5.0**	**4.2**	**3.7**	**4.2**	**3.1**	**3.4**
Tax revenue	0.0	0.0	0.0	0.2	0.1	0.1	0.1	0.1
Nontax revenue	4.6	4.6	5.0	4.0	3.5	4.1	3.0	3.3
Operating surplus	4.0	3.8	4.2	2.9	2.6	3.2	2.2	2.8
Other	0.6	0.8	0.8	1.1	0.9	0.9	0.8	0.5
Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital revenue	**0.2**	**0.2**	**0.3**	**0.2**	**0.1**	**0.1**	**0.1**	**0.1**
Total expenditure and net lending	**4.1**	**4.9**	**5.3**	**4.8**	**4.0**	**3.9**	**2.6**	**2.7**
Current expenditure	**2.3**	**2.7**	**2.6**	**2.0**	**2.2**	**2.1**	**1.4**	**1.9**
Income and corporation taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Employment contributions	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.2
Interest	0.9	0.8	0.8	0.5	0.4	0.5	0.3	0.3
External	0.4	0.3	0.4	0.2	0.2	0.3	0.2	0.1
Domestic	0.5	0.4	0.4	0.2	0.2	0.2	0.2	0.1
Transfers	1.2	1.7	1.6	1.3	1.4	1.3	0.8	1.4
Capital expenditure	**1.8**	**2.3**	**2.9**	**2.8**	**1.9**	**2.0**	**1.3**	**1.0**
Fixed capital formation	1.5	2.1	2.2	2.5	1.8	1.7	1.0	1.0
Transfers	0.3	0.2	0.7	0.3	0.2	0.4	0.3	0.1
Net lending	**0.0**	**-0.1**	**-0.2**	**-0.1**	**-0.1**	**-0.2**	**0.0**	**-0.2**
Overall balance	**0.7**	**-0.1**	**0.0**	**-0.4**	**-0.2**	**0.4**	**0.6**	**0.8**
Memorandum items:								
Current account balance	2.3	1.9	2.4	2.2	1.5	2.2	1.8	1.5
Operating surplus	4.0	3.8	4.2	2.9	2.6	3.2	2.2	2.8
Operating revenue (+)	7.9	7.8	8.0	8.6	7.8	7.8	5.5	6.4
Wages and salaries (-)	-0.7	-0.6	-0.6	-0.7	-0.7	-0.6	-0.4	-0.3
Goods and services (-)	-3.1	-3.4	-3.1	-4.7	-4.5	-4.0	-2.7	-3.0
Income Tax (-)	-0.1	0.0	0.0	-0.3	0.0	-0.1	-0.1	-0.2

Source: Ministry of Finance and Public Credit.

1/ In percent of annual GDP.

Table 28. Colombia: Operations of Selected Nonfinancial Public Enterprises

	1994	1995	1996	1997	1998	Prel. 1999	Jan.-Sep. 1999	Jan.-Sep. 2000
	(In billions of Colombian pesos)							
	I. National Coffee Fund							
Current revenue	430	1	274	300	118	235	200	74
Of which								
Operating balance	364	-69	160	7	-266	-11	49	-143
Current expenditure	167	168	121	105	130	107	75	91
Of which								
Interest payments	109	106	53	22	17	25	12	21
Current account balance	**263**	**-167**	**153**	**195**	**-12**	**127**	**124**	**-18**
Capital expenditure and net lending	92	13	70	15	25	170	164	22
Of which								
Fixed capital formation	23	13	50	14	11	11	9	4
Overall balance	**171**	**-181**	**82**	**180**	**-37**	**-43**	**-40**	**-39**
	II. ECOPETROL							
Current revenue	1,065	1,765	2,148	2,093	2,553	4,123	2,983	4,312
Of which								
Operating balance	1,002	1,648	1,968	1,808	2,324	3,679	2,579	4,127
Current expenditure	604	904	1,213	1,247	1,379	1,600	1,026	2,317
Of which								
Interest payments	48	41	87	66	121	110	87	77
Current account balance	**461**	**860**	**935**	**846**	**1,174**	**2,523**	**1,958**	**1,995**
Capital expenditure and net lending	406	929	1,217	1,488	937	1,574	1,042	765
Of which								
Fixed capital formation	383	911	900	1,568	913	1,170	680	765
Overall balance	**55**	**-69**	**-282**	**-642**	**238**	**949**	**916**	**1,230**
	III. CARBOCOL							
Current revenue	46	79	124	98	119	150	91	133
Of which								
Operating balance	19	42	89	69	69	79	49	52
Current expenditure	56	68	93	73	65	98	63	60
Of which								
Interest payments	41	55	67	40	51	92	60	49
Current account balance	**-10**	**11**	**31**	**25**	**53**	**52**	**28**	**73**
Capital expenditure and net lending	5	-38	-40	-39	-64	-214	-125	-122
Of which								
Fixed capital formation	5	17	17	17	29	36	25	42
Overall balance	**-16**	**49**	**72**	**64**	**117**	**266**	**153**	**195**
	IV. Electricity Companies							
Current revenue	1,186	1,458	1,794	1,731	1,484	1,111	766	731
Of which								
Operating balance	991	1,115	1,417	870	856	559	279	402
Current expenditure	584	705	915	686	1,114	819	514	517
Of which								
Interest payments	387	393	504	427	416	478	282	302
Current account balance	**602**	**754**	**879**	**1,044**	**370**	**293**	**252**	**215**
Capital revenue	88	162	250	101	102	78	78	48
Capital expenditure and net lending	426	591	1,059	1,401	1,268	807	615	345
Of which								
Fixed capital formation	380	541	923	1,058	1,256	1,013	708	570
Overall balance	**264**	**324**	**70**	**-256**	**-797**	**-437**	**-285**	**-83**
	(In percent of GDP)							
Memorandum items:								
Overall balance of nonfinancial public enterprises	0.7	-0.1	0.0	-0.4	-0.2	0.4	0.6	0.8
Of which								
National coffee fund	0.3	-0.2	0.1	0.1	0.0	0.0	0.0	0.0
ECOPETROL	0.1	-0.1	-0.3	-0.5	0.2	0.6	0.6	0.7
CARBOCOL	0.0	0.1	0.1	0.1	0.1	0.2	0.1	0.1
Electricity companies	0.4	0.4	0.1	-0.2	-0.6	-0.3	-0.2	0.0

Source: Ministry of Finance and Public Credit.

Table 29. Colombia: Summary Accounts of the Banco de la Republica (BR)

(End of period stocks; in billions of Colombian pesos)

	(Col$910=US$1)		(Col$1,035=US$1)		(Col$1,140=US$1)		(Col$1,425=US$1)		(Col$1,750=US$1)		(Col$2,050=US$1)	
	December		December		December		December		December		December	
	1994	1995	1995	1996	1996	1997	1997	1998	1998	1999	1999	2000
Net international reserves	**7,367**	**7,488**	**8,516**	**10,242**	**11,282**	**11,286**	**14,108**	**12,196**	**14,978**	**14,203**	**16,638**	**18,083**
Assets	7,459	7,609	8,654	10,288	11,331	11,320	14,150	12,248	15,042	14,253	16,696	18,103
Liabilities	92	121	138	45	50	34	42	52	64	50	58	19
Net domestic credit	**-4,559**	**-4,273**	**-5,281**	**-6,056**	**-7,078**	**-6,884**	**-9,665**	**-7,302**	**-10,040**	**-7,892**	**-10,291**	**-10,554**
Net credit to the NFPS	642	878	877	919	918	700	700	1,213	1,219	2,647	2,646	2,897
Central government	1,089	898	898	939	939	700	700	1,214	1,219	2,648	2,647	2,898
Rest of public sector	-447	-20	-21	-20	-21	-1	-1	0	0	-1	-1	-1
Quasi-fiscal balance 1/	868	581	581	567	567	638	638	-469	-469	-1,078	-1,078	-1,956
Credit to financial system	-2,976	-2,783	-2,752	-3,629	-3,605	-3,556	-3,533	-1,104	-1,090	-808	-798	-1,512
Credit to commercial banks	-2,703	-2,250	-2,243	-2,557	-2,551	-2,614	-2,609	-1,129	-1,130	-551	-604	-1,357
Credit to specialized financial institutions	-273	-533	-509	-1,073	-1,055	-942	-925	25	40	-257	-194	-155
Credit to private sector	52	82	82	239	239	537	537	1,118	1,118	1,259	1,259	1,198
Capital	-1,233	-2,923	-2,923	-3,046	-3,046	-5,896	-5,896	-9,371	-9,371	-10,082	-11,757	-15,328
Other (net) 2/	-1,913	-108	-1,145	-1,105	-2,150	693	-2,111	1,311	-1,446	171	-563	4,145
Medium- and long-term foreign liabilities	**91**	**150**	**171**	**173**	**191**	**163**	**204**	**193**	**237**	**210**	**246**	**206**
Liabilities to the private sector	**2,717**	**3,064**	**3,064**	**4,013**	**4,013**	**4,240**	**4,240**	**4,702**	**4,702**	**6,101**	**6,101**	**7,324**
Currency in circulation	2,295	2,860	2,860	3,209	3,209	4,088	4,088	4,566	4,566	6,000	6,000	7,317
Other liabilities	422	204	204	804	804	151	151	136	136	101	101	7
Other liabilities in local currency	359	203	203	803	803	151	151	136	136	101	101	7
Exchange certificates	63	1	1	0	1	0	0	0	0	0	0	0

Source: Banco de la Republica.

1/ As of 1993, estimated on the basis of the profit/loss statement and including cash effects of operations accrued in the previous year and not registered in the bank's profit/loss statement.

2/ Includes adjustment for exchange rate valuation account, net credit to FOGAFIN, and transfers to the central government of the BR accrued profits.

Table 30. Colombia: Summary Accounts of the Commercial Banks 1/

(End of period stocks; in billions of Colombian pesos)

	(Col$910=US$1)		(Col$1,035=US$1)		(Col$1,140=US$1)		(Col$1,425=US$1)		(Col$1,750=US$1)		(Col$2,050=US$1)	
	December		December		December		December		December		December	
	1994	1995	1995	1996	1996	1997	1997	1998	1998	1999	1999	2000
Net short-term foreign assets	**-1,299**	**-1,640**	**-1,866**	**-2,335**	**-2,571**	**-2,851**	**-3,563**	**-2,715**	**-3,334**	**-2,084**	**-3,352**	**-2,454**
Assets	290	207	235	292	322	581	726	1,088	1,336	709	1,336	833
Liabilities	1,589	1,847	2,101	2,627	2,893	3,431	4,289	3,802	4,670	2,793	4,688	3,287
Net domestic assets	**10,576**	**12,503**	**12,743**	**16,217**	**16,466**	**23,983**	**24,783**	**30,195**	**30,879**	**31,932**	**33,137**	**34,094**
Monetary authorities	2,665	2,240	2,241	2,560	2,556	2,623	2,619	1,173	1,174	1,173	1,224	773
Net credit to the NFPS	-450	-739	-710	-1,012	-975	-530	-382	1,459	1,653	1,592	1,297	1,387
Central government	-162	-329	-304	-272	-241	-427	-290	670	841	622	849	640
Rest of public sector	-288	-410	-406	-739	-734	-103	-92	790	812	970	448	748
Net credit to specialized financial institutions	-688	-778	-778	68	68	160	160	-1,065	-1,065	305	-1,062	322
Credit to private sector	10,459	13,656	13,992	16,959	17,258	23,387	24,105	30,259	30,934	28,968	33,548	31,526
Capital	-2,602	-3,410	-3,455	-4,653	-4,674	-5,809	-5,876	-4,986	-5,025	-5,873	-5,207	-6,153
Other (net) 2/	1,193	1,535	1,453	2,295	2,233	4,152	4,157	3,355	3,209	5,767	3,337	6,239
Medium- and long-term foreign liabilities	**97**	**96**	**110**	**110**	**121**	**335**	**418**	**269**	**331**	**182**	**331**	**214**
Liabilities to the private sector	**9,180**	**10,766**	**10,767**	**13,773**	**13,774**	**20,798**	**20,801**	**27,211**	**27,215**	**29,665**	**29,455**	**31,426**
Demand deposits	2,909	3,330	3,331	3,964	3,965	4,551	4,554	4,364	4,368	5,396	4,410	5,471
Term and savings deposits	5,743	6,790	6,790	8,493	8,493	14,357	14,357	21,265	21,265	23,273	22,076	24,184
Other liabilities	529	646	646	1,317	1,317	1,891	1,891	1,582	1,582	996	2,969	1,771

Source: Banco de la Republica.

1/ Includes the BCH.

2/ Includes adjustment for exchange rate valuation account and net credit to FOGAFIN.

Table 31. Colombia: Summary Accounts of the Specialized Financial Institutions 1/

(End of period stocks; in billions of Colombian pesos)

	(Col$910=US$1)		(Col$1,035=US$1)		(Col$1,140=US$1)		(Col$1,425=US$1)		(Col$1,750=US$1)		(Col$2,050=US$1)	
	December		December		December		December		December		December	
	1994	1995	1995	1996	1996	1997	1997	1998	1998	1999	1999	2000
Net short-term foreign assets	**-1,174**	**-1,171**	**-1,332**	**-1,485**	**-1,635**	**-1,514**	**-1,893**	**-1,615**	**-1,984**	**-1,246**	**-1,966**	**-1,447**
Assets	154	122	139	266	294	228	285	232	284	362	284	421
Liabilities	1,328	1,293	1,470	1,751	1,929	1,742	2,178	1,847	2,268	1,607	2,250	1,868
Net domestic assets	**13,417**	**17,477**	**17,895**	**23,620**	**24,040**	**24,650**	**25,689**	**22,833**	**23,873**	**23,176**	**21,616**	**22,166**
Monetary authorities	287	715	699	1,154	1,140	973	962	2	-5	-319	-55	81
Net credit to the NFPS	1,012	933	1,128	1,369	1,554	1,355	1,757	2,687	3,126	3,714	3,481	4,410
Central Government	-13	-61	-60	4	6	31	39	656	692	2,079	684	2,328
Rest of public sector	1,025	994	1,189	1,365	1,548	1,324	1,718	2,032	2,434	1,635	2,797	2,082
Net credit to commercial banks	688	778	778	-68	-68	-160	-160	1,065	1,065	-305	1,062	-322
Credit to the private sector	11,281	15,167	15,348	19,689	19,883	21,604	22,115	19,988	20,437	20,052	17,822	18,093
Capital	-3,075	-4,152	-4,157	-5,380	-5,390	-6,311	-6,328	-6,097	-6,115	-6,127	-5,932	-5,906
Other assets (net) 2/	3,224	4,037	4,099	6,855	6,920	7,189	7,343	5,188	5,366	6,162	5,237	5,810
Medium- and long-term foreign liabilities	**1,679**	**1,871**	**2,128**	**2,649**	**2,917**	**2,642**	**3,303**	**2,945**	**3,617**	**3,183**	**3,617**	**3,729**
Liabilities to the private sector	**10,564**	**14,436**	**14,436**	**19,487**	**19,487**	**20,493**	**20,493**	**18,273**	**18,273**	**18,747**	**16,033**	**16,990**
Term and savings deposits	120	122	122	140	140	178	178	42	42	70	0	0
Other liabilities	10,445	14,314	14,314	19,347	19,347	20,315	20,315	18,231	18,231	18,677	16,033	16,990

Source: Banco de la Republica.

1/ Comprises development finance corporations, commercial finance companies, savings and loan institutions, cooperative institutions, and development banks (BANCOLDEX, FINAGRO, FINDETER). Excludes FOGAFIN.

2/ Includes adjustment for exchange rate valuation account and net credit to FOGAFIN.

Table 32. Colombia: Summary Accounts of the Financial System

(End of period stocks; in billions of Colombian pesos)

	(Col$910=US$1)		(Col$1,035=US$1)		(Col$1,140=US$1)		(Col$1,425=US$1)		(Col$1,750=US$1)		(Col$2,050=US$1)	
	December		December		December		December		December		December	
	1994	1995	1995	1996	1996	1997	1997	1998	1998	1999	1999	2000
Net foreign assets	**4,894**	**4,677**	**5,319**	**6,423**	**7,075**	**6,921**	**8,652**	**7,866**	**9,660**	**10,873**	**9,660**	**12,737**
Assets	7,904	7,937	9,028	10,846	11,947	12,129	15,161	13,568	16,662	15,324	16,662	17,951
Liabilities	3,009	3,261	3,709	4,423	4,872	5,207	6,509	5,701	7,002	4,451	7,002	5,214
Net domestic assets	**19,337**	**25,610**	**25,247**	**33,671**	**33,307**	**41,415**	**40,389**	**45,457**	**44,383**	**47,033**	**44,383**	**45,755**
Net credit to the NFPS	1,204	1,072	1,295	1,276	1,497	1,525	2,075	5,360	5,998	7,953	5,998	8,444
Central government	914	507	534	671	704	305	450	2,539	2,752	5,349	2,752	5,615
Rest of public sector	290	564	761	605	793	1,220	1,626	2,821	3,246	2,604	3,246	2,829
Quasi-fiscal balance	868	581	581	567	567	638	638	-469	-469	-1,078	-469	-1,078
Credit to private sector	21,792	28,904	29,422	36,887	37,380	45,528	46,757	51,364	52,489	50,279	52,489	50,877
Capital (-)	-6,910	-10,486	-10,536	-13,079	-13,110	-18,016	-18,099	-20,454	-20,510	-22,083	-20,510	-23,815
BR capital	-1,233	-2,923	-2,923	-3,046	-3,046	-5,896	-5,896	-9,371	-9,371	-10,082	-9,371	-11,757
Other capital and surplus	-5,677	-7,563	-7,613	-10,033	-10,064	-12,121	-12,204	-11,083	-11,140	-12,001	-11,140	-12,058
Other assets (net) 1/	2,382	5,540	4,486	8,020	6,973	11,740	9,018	9,656	6,876	11,962	6,876	11,327
Medium- and long-term foreign liabilities	**1,769**	**2,021**	**2,299**	**2,822**	**3,108**	**2,805**	**3,506**	**3,138**	**3,853**	**3,393**	**3,853**	**3,975**
Liabilities to the private sector	**22,462**	**28,266**	**28,267**	**37,273**	**37,274**	**45,531**	**45,534**	**50,186**	**50,190**	**54,513**	**50,189.7**	**54,517.5**
Broad money (M3) 2/	22,014	28,034	28,035	36,437	36,438	45,346	45,350	50,011	50,015	54,380	44,212.3	50,165.0
Money (M1)	5,324	6,312	6,313	7,313	7,313	8,817	8,820	8,972	8,976	11,467	8,976.0	11,470.8
Currency in circulation	2,295	2,860	2,860	3,209	3,209	4,088	4,088	4,566	4,566	6,000	4,566	6,000
Demand deposits	3,029	3,452	3,453	4,103	4,104	4,729	4,732	4,406	4,410	5,466	4,410	5,471
Quasi-money and other	15,441	19,846	19,846	24,030	24,030	30,180	30,180	35,236	35,236	38,694	35,236	38,694
Bonds	1,249	1,875	1,875	5,095	5,095	6,350	6,350	5,803	5,803	4,219	5,803	4,219
Other liabilities	448	232	232	835	835	185	185	174	174	134	174	134

Source: Banco de la Republica.

1/ Includes adjustment for exchange rate valuation account, net credit to FOGAFIN, and transfers to the central government of the BR accrued profits.

2/ Starting in the week of November 24, 2000, the bonds issued by the financial system are included in the group of liabilities of the financial system.

Table 33. Colombia: Summary Accounts of the Banco de la Republica

(Percentage change) 1/

	1995	1996	1997	1998	1999	2000
Net international reserves	**4.4**	**56.3**	**0.1**	**-45.1**	**-12.7**	**19.7**
Assets	5.5	53.3	-0.3	-44.8	-12.9	19.2
Liabilities	1.1	-3.0	-0.4	0.2	-0.2	-0.5
Net domestic credit	**10.5**	**-25.3**	**4.8**	**55.7**	**35.2**	**-3.6**
Net credit to the NFPS	8.7	1.4	-5.4	12.1	23.4	3.4
Central government	-7.0	1.3	-5.9	12.1	23.4	3.4
Rest of public sector	15.7	0.0	0.5	0.0	0.0	0.0
Quasi-fiscal balance 2/	-10.6	-0.4	1.8	-26.1	-10.0	-12.0
Credit to financial system	7.1	-28.6	1.2	57.3	4.6	-9.7
Credit to commercial banks	16.7	-10.2	-1.6	34.9	9.5	-10.3
Credit to specialized financial institutions	-9.6	-18.4	2.8	22.4	-4.9	0.5
Credit to private sector	1.1	5.1	7.4	13.7	2.3	-0.8
Capital	-62.2	-4.0	-71.0	-82.0	-11.7	-48.8
Other (net) 3/	66.4	1.3	70.9	80.7	26.5	64.3
Of which: Transfers of accrued profits	-4.1	6.2	2.5	2.0	20.4	0.0
Medium- and long-term foreign liabilities	**2.2**	**0.1**	**-0.7**	**-0.3**	**-0.4**	**-0.5**
Liabilities to the private sector	**12.8**	**31.0**	**5.6**	**10.9**	**22.9**	**16.7**
Currency in circulation	20.8	11.4	21.9	11.3	23.5	18.0
Other liabilities	-8.0	19.6	-16.3	-0.4	-0.6	-1.3
Other liabilities in local currency	-5.7	19.6	-16.3	-0.4	-0.6	-1.3
Exchange certificates	-2.3	0.0	0.0	0.0	0.0	0.0

Source: Banco de la Republica.

1/ In relation to the stock of liabilities of the Banco de la Republica to the private sector at the beginning of the period, valued at fixed annual exchange rates.

2/ As of 1993, estimated on the basis of the profit/loss statement and including cash effects of operations accrued in the previous year and not registered in the bank's profit/loss statement.

3/ Includes adjustment for exchange rate valuation account, net credit to FOGAFIN, and transfers to the central government of the BR accrued profits.

Table 34. Colombia: Summary Accounts of the Financial System

(Percentage change) 1/

	1995	1996	1997	1998	1999	2000
Net foreign assets	**-1.0**	**3.9**	**-0.4**	**-1.7**	**2.2**	**5.6**
Assets	0.1	6.4	0.5	-3.5	-2.5	2.4
Liabilities	1.1	2.5	0.9	-1.8	-4.7	-3.3
Net domestic assets	**27.9**	**29.8**	**21.8**	**11.1**	**4.9**	**2.5**
Net credit to the NFPS	-0.6	-0.1	0.1	7.2	3.6	4.5
Central government	-1.8	0.5	-1.1	4.6	4.8	5.3
Rest of public sector	1.2	-0.6	1.1	2.6	-1.2	-0.8
Quasi-fiscal balance	-1.3	0.0	0.2	-2.4	-1.1	-1.1
Credit to private sector	31.7	26.4	21.9	10.1	-4.1	-3.0
Capital (-)	-15.9	-9.0	-13.2	-5.2	-2.9	-6.1
BR capital	-7.5	-0.4	-7.6	-7.6	-1.3	-4.4
Other capital and surplus	-8.4	-8.6	-5.5	2.5	-1.6	-1.7
Other assets (net) 2/	14.1	12.5	12.8	1.4	9.3	8.2
Medium- and long-term foreign liabilities	**1.1**	**1.8**	**-0.8**	**-0.8**	**-0.8**	**0.2**
Liabilities to the private sector	**25.8**	**31.9**	**22.2**	**10.2**	7.9	7.9
Broad money (M3)	26.8	29.7	23.9	10.2	8.0	10.9
Money (M1)	4.4	3.5	4.0	0.3	4.6	4.6
Currency in circulation	2.5	1.2	2.4	1.0	2.6	2.6
Demand deposits	1.9	2.3	1.7	-0.7	1.9	1.9
Quasi-money and other	19.6	14.8	16.5	11.1	6.3	6.3
Bonds	2.8	11.4	3.4	-1.2	-2.9	-2.9
Other liabilities	-1.0	2.1	-1.7	0.0	-0.1	-0.1

Source: Banco de la Republica.

1/ In relation to the stock of liabilities of the Financial System to the private sector at the beginning of the period, valued at fixed annual exchange rates.

2/ Includes adjustment for exchange rate valuation account, net credit to FOGAFIN, and transfers to the central government of the BR accrued profits.

Table 35. Colombia: Financial Indicators

	Interest Rates Financial System			Open Market Operations: Stock of Central Bank Paper at End of Period				Monetary and Credit Aggregates 1/					
								M1 2/		M3 3/		Credit to Private Sector	
	Deposit Rate	Lending Rate	Spread	Open Market Bills	Exchange Certificates	Total	Currency in Circulation	Sectorized	Non-sectorized	Sectorized	Non-sectorized	Sectorized	Non-sectorized
				(In billions of Colombian pesos)				(Percentage change)					
1997													
March	25.5	36.1	8.5	2,043.8	0.8	2,044.6	23.3	16.4	14.9	25.9	25.6	17.5	23.6
June	23.2	33.8	8.6	1,951.2	0.7	1,951.9	25.1	20.9	22.5	25.1	27.4	17.8	21.8
September	22.9	32.7	8.0	1,978.0	0.6	1,978.6	25.7	23.3	20.4	26.3	26.4	21.1	22.0
December	24.3	33.2	7.1	53.8	0.5	54.3	26.6	22.2	21.7	24.6	26.7	25.0	27.0
1998													
January	24.6	34.2	7.7	323.0	0.6	323.6	26.4	15.2	22.6	25.5	26.1	26.7	28.1
February	25.0	34.5	7.6	203.9	0.6	204.5	25.6	24.0	17.3	28.4	26.6	25.5	29.1
March	28.0	37.2	7.2	2.1	0.6	2.7	14.8	15.9	12.2	25.2	27.0	25.7	28.9
April	30.7	40.2	7.3	8.6	0.6	9.2	18.5	19.0	8.0	25.4	24.7	27.1	29.2
May	31.7	40.0	6.3	1.1	0.6	1.7	16.5	14.4	9.3	25.0	26.0	27.3	30.8
June	36.6	50.5	10.2	0.4	0.6	1.0	11.8	9.6	2.2	23.1	23.1	24.8	27.8
July	36.4	43.8	5.4	156.4	0.6	157.0	9.2	11.6	2.5	21.5	21.0	23.3	25.6
August	34.2	41.2	5.2	3.2	0.6	3.8	10.5	13.0	4.7	20.8	21.0	22.3	24.9
September	35.6	47.2	8.6	41.6	0.6	42.2	18.3	9.1	0.9	19.1	16.3	21.2	22.6
October	36.5	47.2	7.8	118.7	0.6	119.3	7.3	4.1	-3.3	16.6	13.4	18.5	19.5
November	36.4	45.9	7.0	39.6	0.6	40.2	7.1	5.2	-4.5	12.4	10.5	17.2	16.4
December	35.3	44.5	6.8	25.8	0.5	26.3	12.1	1.9	-3.9	10.2	7.9	12.8	12.6
1999													
January	33.2	42.3	6.8	0	0.6	0.6	12.1	5.4	-1.7	11.7	8.9	12.1	10.5
February	30.3	38.3	6.2	0	0.6	0.6	12.0	3.2	-1.4	10.5	9.5	9.7	7.5
March	25.3	35.9	8.4	0	0.6	0.6	20.2	2.3	-1.7	11.0	7.0	8.0	4.8
April	22.1	32.8	8.8	0	0.6	0.6	11.6	3.7	1.0	7.1	7.5	4.7	2.7
May	19.0	29.3	8.6	0	0.6	0.6	16.1	5.9	3.2	6.4	5.1	3.1	1.1
June	17.9	27.3	8.0	0	0.6	0.6	29.5	8.7	6.3	5.9	5.0	3.8	1.0
July	19.2	27.3	6.9	0	0.6	0.6	27.4	17.1	11.1	4.6	3.8	1.8	1.1
August	18.9	26.1	6.1	0	0.6	0.6	29.0	11.3	9.0	5.0	3.7	-0.6	-0.6
September	18.1	26.2	6.9	0	0.6	0.6	28.2	11.6	11.3	3.5	4.6	-1.5	-0.2
October	18.2	26.3	6.9	0	0.6	0.6	26.0	16.1	12.4	4.8	5.9	-2.7	-1.5
November	17.9	26.8	7.5	0	0.6	0.6	23.1	10.4	9.1	7.3	5.7	-2.2	-2.1
December	16.1	26.4	8.9	0	0.6	0.6	30.9	28.1	22.1	8.7	6.5	-1.4	-0.9
2000													
January	12.6	26.6	12.5	0	0.4	0.4	27.5	30.0	26.5	5.1	6.4	-4.2	-2.5
February	10.2	23.6	12.1	0	0.4	0.4	26.4	38.0	31.9	3.2	2.2	-5.3	-3.9
March	10.9	23.6	11.4	0	0.4	0.4	25.9	40.4	35.4	2.4	2.8	-6.4	-4.4
April	11.4	24.0	11.3	0	0.4	0.4	28.3	42.9	34.5	2.9	1.0	-5.5	-4.0
May	11.7	24.2	11.2	0	0.4	0.4	36.4	40.0	35.3	3.1	2.2	-7.2	-5.8
June	12.0	23.9	10.7	0	0.4	0.4	20.1	40.5	34.1	4.3	1.6	-7.5	-6.5
July	12.2	25.3	11.7	0	0.4	0.4	26.0	37.0	34.8	3.9	3.1	-7.2	-5.9
August	12.5	26.8	12.7	0	0.4	0.4	31.1	37.1	34.4	1.9	2.0	-6.9	-5.4
September	12.9	28.9	14.2	0	0.4	0.4	25.1	38.8	34.4	2.5	3.3	-7.2	-7.6
October	13.0	29.9	15.0	0	0.4	0.4	29.0	36.3	35.3	1.4	4.2	-6.9	-5.8
November	13.1	29.9	14.8	0	0.4	0.4	40.8	41.5	35.4	1.4	4.0	-9.4	-6.7
December	13.3	29.4	14.3	0	0.4	0.4	20.9	28.3	30.4	1.1	2.7	-7.9	-7.5
2001													
January	13.5	31.3	15.7	0	0.4	0.4	37.2	23.4	24.5	4.6	2.9	-6.6	-6.3

Source: Banco de la Republica.

1/ "Nonsectorized" data may not exclude all assets and liabilities of the nonfinancial public sector from M1, M3, and credit to the private sector.

2/ Currency in circulation plus demand deposits.

3/ M1 + quasi-money + fiduciary deposits + bank acceptances + bonds issued by financial institutions.

Table 36. Colombia: Interest Rates

(In percent)

	Central Bank Discount Rate (End of period)	Financial System: Deposit Rates by Maturity 90-Days	180-Days	360-Days	Interbank	Deposit Rate 1/	Lending Rate 2/	Spread	Treasury Bill Rate (1-year)
1995									
December	40.4	33.4	34.3	34.4	...	33.4	44.2	8.1	...
1996									
December	35.1	28.1	29.6	30.3	23.5	28.1	38.7	8.3	...
1997									
March	32.5	25.5	26.1	26.3	26.8	25.5	36.1	8.4	25.3
June	30.2	23.2	23.9	24.3	23.2	23.2	33.8	8.6	23.8
September	29.9	22.9	23.7	24.4	22.7	22.9	32.7	8.0	23.0
December	31.3	24.3	24.9	25.4	25.4	24.3	33.2	7.1	23.3
1998									
January	31.6	24.6	25.0	25.3	26.4	24.6	34.2	7.7	23.8
February	32.0	25.0	25.6	25.1	28.9	25.0	34.5	7.6	28.5
March	35.0	28.0	27.9	27.8	32.3	28.0	37.2	7.2	28.8
April	37.7	30.7	30.2	30.2	35.9	30.7	40.2	7.3	31.0
May	38.7	31.7	31.4	32.0	31.8	31.7	40.0	6.3	31.5
June	43.6	36.6	34.2	33.6	50.8	36.6	50.5	10.2	...
July	43.4	36.4	35.6	35.8	36.4	36.4	43.8	5.4	33.9
August	41.2	34.2	34.3	34.1	34.2	34.2	41.2	5.2	32.5
September	42.6	35.6	36.1	33.7	43.6	35.6	47.2	8.6	35.0
October	43.5	36.5	36.8	34.3	37.6	36.5	47.2	7.8	...
November	43.4	36.4	37.0	34.6	33.4	36.4	45.9	7.0	34.9
December	42.3	35.3	35.8	34.8	28.8	35.3	44.5	6.8	32.5
1999									
January	40.2	33.2	33.0	32.5	27.0	33.2	42.3	6.8	30.6
February	37.3	30.3	31.0	30.3	23.1	30.3	38.3	6.2	26.2
March	32.3	25.3	26.4	27.3	22.1	25.3	35.9	8.4	22.3
April	29.1	22.1	23.7	23.8	20.7	22.1	32.8	8.8	17.9
May	26.0	19.0	20.3	20.2	18.9	19.0	29.3	8.6	16.5
June	24.9	17.9	18.7	19.4	18.8	17.9	27.3	8.0	18.1
July	26.2	19.2	19.9	20.1	21.0	19.2	27.3	6.9	20.5
August	25.9	18.9	19.9	20.4	17.6	18.9	26.1	6.1	18.2
September	25.1	18.1	19.6	20.5	18.1	18.1	26.2	6.9	18.5
October	25.2	18.2	19.6	20.8	16.1	18.2	26.3	6.9	17.3
November	24.9	17.9	18.7	19.6	13.4	17.9	26.8	7.5	15.5
December	23.1	16.1	17.2	17.5	9.0	16.1	26.4	8.9	14.9
2000									
January	19.6	12.6	13.3	14.6	7.5	12.6	26.6	12.5	10.5
February	17.2	10.2	11.4	11.8	9.6	10.2	23.6	12.1	12.2
March	17.9	10.9	12.2	12.4	10.1	10.9	23.6	11.4	13.7
April	18.4	11.4	12.4	12.8	10.2	11.4	24.0	11.3	14.4
May	18.7	11.7	12.6	12.6	10.6	11.7	24.2	11.2	14.3
June	19.0	12.0	12.7	13.2	10.9	12.0	23.9	10.7	15.0
July	19.2	12.2	12.8	14.0	12.1	12.2	25.3	11.7	15.0
August	19.5	12.5	13.1	13.8	12.4	12.5	27.1	13.0	14.7
September	17.9	12.9	13.3	14.9	12.4	12.9	28.9	14.2	14.5
October	18.0	13.0	13.5	14.6	11.2	13.0	29.9	15.0	13.5
November	18.1	13.1	13.6	14.7	11.3	13.1		-11.6	13.2
December	18.3	13.3	14.1	14.6	12.2	13.3	29.4	14.3	13.2
2001									
January	18.5	13.5	13.8	15.2	11.7	13.5	31.3	15.7	14.3

Source: Banco de la Republica.

1/ Average yield on three-month deposits.
2/ Average rates based on survey of financial intermediaries.

Table 37. Colombia: Requirements for Monetary Reserves, Reserve-Substituting Investments, and Obligatory Investments

(In percent of financial institutions liabilities)

	December 1996			December 1997			December 1998			December 1999			December 2000		
	Monetary Reserve	Marginal Monetary Reserve	Obligatory Investment 1/	Monetary Reserve	Marginal Monetary Reserve	Obligatory Investment 1/	Monetary Reserve	Marginal Monetary Reserve	Obligatory Investment 1/	Monetary Reserve	Marginal Monetary Reserve	Obligatory Investment 1/	Monetary Reserve	Marginal Monetary Reserve	Obligatory Investment 1/
Commercial banks															
Sight deposits, private	21.0	21.0	7.0	21.0	21.0	7.0	16.0	16.0	7.0	13.0	13.0	7.0	13.0	13.0	7.0
Sight deposits, public	21.0	21.0	7.0	21.0	21.0	7.0	16.0	16.0	7.0	13.0	13.0	7.0	13.0	13.0	7.0
CDT (time deposits) longer than 18 months	5.0	5.0	7.0	5.0	5.0	7.0	0.5	0.5	7.0	2.5	2.5	7.0	0.0	0.0	7.0
CDT (time deposits) between 12 and 18 months	5.0	7.0	7.0	5.0	7.0	7.0	0.5	0.5	7.0	2.5	2.5	7.0	2.5	2.5	7.0
CDTs between 6 and 12 months	5.0	7.0	7.0	5.0	7.0	7.0	0.5	0.5	7.0	2.5	2.5	7.0	2.5	2.5	7.0
CDTs shorter than 6 months	5.0	7.0	7.0	5.0	7.0	7.0	0.5	0.5	7.0	2.5	2.5	7.0	2.5	2.5	7.0
Traditional savings deposits	10.0	10.0	7.0	10.0	10.0	7.0	5.0	5.0	7.0	6.0	6.0	7.0	6.0	6.0	7.0
Fiduciary deposits	21.0	21.0	7.0	21.0	21.0	7.0	16.0	16.0	7.0	13.0	13.0	7.0	13.0	13.0	7.0
Bonds shorter than 18 months		7.0			7.0			0.5			2.5		2.7	2.5	
Development finance corporations															
CDTs longer than 18 months	5.0	5.0	7.0	5.0	5.0	7.0	0.5	0.5	7.0	2.5	2.5	7.0	0.0	0.0	7.0
CDTs between 12 and 18 months	5.0	7.0	7.0	5.0	7.0	7.0	0.5	0.5	7.0	2.5	2.5	7.0	2.5	2.5	7.0
CDTs between 6 and 12 months	5.0	7.0	7.0	5.0	7.0	7.0	0.5	0.5	7.0	2.5	2.5	7.0	2.5	2.5	7.0
CDTs shorter than 6 months	5.0	7.0	7.0	5.0	7.0	7.0	0.5	0.5	7.0	2.5	2.5	7.0	2.5	2.5	7.0
Traditional savings deposits	10.0	10.0		10.0	10.0		5.0	5.0		6.0	6.0		6.0	6.0	
Bonds shorter than 18 months		7.0			7.0		0.5	0.5			2.5		2.5	2.5	
Savings and loan institutions															
Savings account (UPAC)	10.0	10.0	1.0	10.0	10.0	1.0	5.0	5.0	1.0	6.0	6.0	1.0	6.0	6.0	1.0
CDTs 1-6 months (UPAC)	5.0	7.0	1.0	5.0	7.0	1.0	0.5	0.5	1.0	2.5	2.5	1.0	2.5	2.5	1.0
CDTs 6-12 months (UPAC)	5.0	7.0	1.0	5.0	7.0	1.0	0.5	0.5	1.0	2.5	2.5	1.0	2.5	2.5	1.0
CDTs between 12 and 18 months	5.0	7.0	1.0	5.0	7.0	1.0	0.5	0.5	1.0	2.5	2.5	1.0	2.5	2.5	1.0
CDTs longer than 18 months	5.0	5.0	1.0	5.0	5.0	1.0	0.5	0.5	1.0	2.5	2.5	1.0	0.0	0.0	1.0
Nonindexed deposits	10.0	10.0	1.0	10.0	10.0	1.0	5.0	5.0	1.0	6.0	6.0	1.0	6.0	6.0	1.0
Bonds shorter than 18 months	0.0	7.0		0.0	7.0		0.5	0.5			2.5		2.5	2.5	
Fiduciary deposits	21.0	21.0		21.0	21.0		16.0	16.0		13.0	13.0		13.0	13.0	
Commercial finance companies															
CDTs longer than 18 months	5.0	5.0	7.0	5.0	5.0	7.0	0.5	0.5	7.0	2.5	2.5	7.0	0.0	0.0	7.0
CDTs between 12 and 18 months	5.0	7.0	7.0	5.0	7.0	7.0	0.5	0.5	7.0	2.5	2.5	7.0	2.5	2.5	7.0
CDTs between 6 and 12 months	5.0	7.0	7.0	5.0	7.0	7.0	0.5	0.5	7.0	2.5	2.5	7.0	2.5	2.5	7.0
CDTs shorter than 6 months	5.0	7.0	7.0	5.0	7.0	7.0	0.5	0.5	7.0	2.5	2.5	7.0	2.5	2.5	7.0
Bonds shorter than 18 months		7.0			7.0			0.5			2.5		2.5	2.5	

Source: Banco de la Republica.

1/ Obligatory investments refers to a 5 percent obligatory investment in Titulos de Desarrollo Agropecuario Class B and 2 percent in Class A (FINAGRO).

Table 38. Colombia: Reserves, Open Market Instruments, and Exchange Certificates

(In billions of Colombia pesos at end of period unless otherwise indicated)

	1994	1995	1996	1997	1998	1999	2000
Monetary reserves	**3,364.4**	**3,393.8**	**3,387.5**	**4,184.8**	**2,319.6**	**3,690.5**	**3,417.0**
As percent of financial intermediaries							
Total liabilities 1/	16.6	13.0	10.7	10.5	5.3	7.7	7.0
As percent of monetary base	59.7	54.2	51.1	50.5	33.5	37.9	31.9
Open market instruments of Banco de la Republica	**994.0**	**216.1**	**1,263.0**	**53.8**	**25.8**	**46.1**	**20.8**
As percent of monetary base	17.6	3.4	19.1	0.6	0.4	0.5	0.2
Exchange certificates 2/	**59.0**	**1.1**	**0.8**	**0.6**	**0.5**	**0.6**	**0.4**
As percent of monetary base	-	-	-	-	-	-	-
Memorandum item:							
Exchange rate, Colombian pesos per U.S. Dollar	829.3	986.8	1,003.5	1,287.1	1,511.0	1,873.8	2,229.2

Sources: Banco de la Republica; and Fund staff estimates.

1/ Demand, savings, and time deposits with commercial banks, development finance corporations, and commercial finance companies.

2/ U.S. dollar-denominated certificates valued at exchange rate indicated in memorandum item.

Table 39. Colombia: Selected Sectoral Credit Lines

(In millions of Colombian pesos, end of period)

	1995	1996	1997	1998	1999	2000
Fondo Financiero Agropecuario (FINAGRO)						
Gross credit	1,183,000	1,043,431	952,683	1,181,770	1,265,975	1,541,220
Forced investment and other resources	1,317,600	1,043,431	952,683	1,181,770	1,265,975	1,541,220
BANCOLDEX						
Gross credit	1,560,000	1,579,159	1,863,597	2,156,464	2,915,525	2,190,129
Total assets	1,647,700	1,776,286	2,040,217	2,402,324	3,090,608	2,381,903
Capital and reserves	573,700	719,600	846,700	1,010,000	1,087,200	1,152,400
Banco de la Republica credit (net)	-12,100	-	-	-	-	-
Other sources of funds	1,086,100	1,056,686	1,193,517	1,392,324	2,003,408	1,229,503
Memorandum items:						
Total gross credit	2,743,000	2,622,590	2,816,281	3,338,234	4,181,500	3,731,349
As percent of total financial system credit	9.2	7.0	5.8	6.3	6.9	6.6

Sources: Banco de la Republica; and Superintendencia Bancaria.

Table 40. Colombia: Lending Rates of Sectoral Credit Funds
(In percent)

	1994	1995	1996	1997	1998	1999	2000
Fondo Financiero Agropecuario (FINAGRO)							
Small producers (less than Col$6 million) 1/	DTF+2	DTF+2	DTF+2	DTF+2	DTF+2	DTF+4	DTF+4
Large producers (more than Col$6 million) 1/	DTF+6	DTF+6	DTF+6	DTF+6	DTF+6	DTF+8	DTF+8
Banco Colombiano de Exportaciones (BANCOLDEX)							
Short term working capital 1/2/	DTF+4	DTF+4	DTF+4	DTF+4	DTF+4	Market	Market
Investment							
Small firms 1/	DTF	DTF	DTF	DTF	DTF	Market	Market
Large firms 2/	...	...	...	...			
Fondo de Desarrollo Territorial (FINDETER)							
Territorial enterprises 1/	DTF+5	DTF+5	DTF+5	DTF+5	DTF+5	Market	Market
Private education 1/	...	DTF+8	DTF+5	DTF+5	DTF+5	Market	Market

Source: Banco de la Republica.

1/ DTF is the average (effective annual) rate on three-month time deposits in the financial system.

2/ Market rates are set freely and are not subject to interest rate ceilings.

Table 41. Colombia: Reserve Substituting and Obligatory Investments of Financial Institutions by Instrument

	December 2000	
	Reserve Substituting Investment	Obligatory Investments
Commercial banks		
All deposits including public sector and fiduciary deposits	9.5 percent in BCH new mortgage bonds	2 percent in class A FINAGRO agricultural development bonds. 5 percent in class B FINAGRO agricultural development bonds. This requirement can also be mat through Class A agricultural development bonds of new development bonds (to which the old agricultural development bonds (Law 5/73)have been converted)
Certificates of deposit	10 percent in Class C FINAGRO agricultural development bonds or new development bonds (Class B).	
All deposits	9.5 percent in BCH new mortgage bonds	2 percent in class A FINAGRO agricultural development bonds. 5 percent in class B FINAGRO agricultural development bonds.
Savings and loan institutions		
All deposits	9.5 percent in BCH new mortgage bonds	1 percent in class A FINAGRO agricultural development bonds.
Commercial finance companies		
All deposits	9.5 percent in BCH new mortgage bonds	2 percent in class A FINAGRO agricultural development bonds. 5 percent in class B FINAGRO agricultural development bonds.

Source : Banco de la Republica.

Table 42. Colombia: Net International Reserves of the Banco de la República

(In millons of U.S. dollars)

	1995	1996	1997	1998	1999	2000
			I. Stock at End of Period			
Gross reserves	**8,453**	**9,939**	**9,908**	**8,741**	**8,103**	**9,006**
Gold	103	93	130	129	96	90
IMF Position	201	237	369	567	395	394
SDR	177	176	183	200	139	150
Foreign exchange	7,721	9,183	8,950	7,305	7,008	7,596
Other	251	249	276	540	465	776
Total liabilities	**7**	**6**	**3**	**1**	**2**	**2**
Net international reserves	**8,446**	**9,933**	**9,905**	**8,740**	**8,101**	**9,004**
			II. Annual Flows			
Gross reserves	350	1,486	(31)	(1,167)	(637)	903
Net international reserves	351	1,487	(28)	(1,165)	(638)	903
Less: valuation adjustment	0	0	(91)	161	(195)	215
Change in net international reserves, adjusted for valuation changes	351	1,487	63	(1,325)	(444)	688

Source: Banco de la Republica.

Table 43. Colombia: Merchandise Exports

(In millions of U.S. dollars, unless otherwise indicated)

	Percent of total in 1999	1995	1996	1997	1998	1999	Jan.-Sep. 1999	Jan.-Sep. 2000
Total exports	100	10,593.4	10,966.2	12,064.9	11,480.2	12,030.0	8,646.6	10,079.7
(percent change)		16.9	3.5	10.0	-4.8	4.8	5.5	16.6
Volume percent change		-5.4	-0.9	6.4	6.6	1.0	7.5	-5.2
Unit value, percentage change		23.7	4.4	3.4	-10.7	3.8	-1.6	22.9
Coffee	11	1,831.8	1,576.6	2,259.0	1,893.1	1,323.7	958.7	767.2
(percent change)		-8.0	-13.9	43.3	-16.2	-30.1	-32.5	-20.0
Volume (million bags)		9.1	9.9	10.3	10.6	9.5	7.1	6.1
Unit value, f.o.b. (US$/lb)		1.8	1.4	2.2	1.6	1.2	1.1	1.0
Petroleum products	31	2,185.0	2,894.8	2,707.4	2,328.9	3,757.0	2,550.7	3,444.7
(percent change)		66.5	32.5	-6.5	-14.0	61.3	-32.1	35.1
Crude oil		1,058.4	2,436.4	2,344.2	2,094.1	3,424.0	2,285.1	3,045.1
Volume (1.000 bpd)		313.1	317.0	343.1	447.6	555.5	529.9	372.8
Unit value (US$/bbl)		16.4	20.8	18.5	12.7	17.7	15.8	28.8
Refined petroleum products		324.6	472.2	387.0	265.7	485.6	265.5	399.6
Of which								
Fuel oil		0.0	288.0	256.5	164.5	276.8	53.6	45.5
Coal	7	595.7	849.1	887.9	935.7	847.9	594.9	613.5
(percent change)		8.3	42.5	4.6	5.4	-9.4	-16.4	3.1
Volume (million tons)		18.4	24.5	25.9	30.2	30.1	20.7	25.9
Unit value (US$/ton)		31.9	34.7	34.2	31.1	28.4	28.9	26.2
Nonmonetary gold	1	168.6	204.6	182.5	150.1	81.8	63.7	66.7
(percent change)		374.9	21.4	-10.8	-17.7	-45.5	-29.1	4.7
Volume (1,000 oz. troy)		474.5	531.5	550.4	453.0	293.5	232.3	236.0
Price (US$/oz.)		384.1	387.7	331.1	294.1	294.2	274.1	282.5
Nickel	1	184.6	168.6	160.6	119.6	154.1	122.6	174.2
(percent change)		55.4	-8.7	-4.8	-25.5	28.8	7.6	64.2
Volume (million lbs.)		56.5	54.3	52.6	57.2	61.5	47.4	42.8
Price (US$/lb.)		3.2	2.9	2.7	1.8 64.6	2.3	2.6	1.9
Emeralds	1	452.3	174.7	141.2	83.0	112.7	87.7	71.8
(percent change)		6.9	-61.4	-19.1	-41.3	35.8	35.9	-18.1
Nontraditional exports 1/	44	4,737.3	4,670.6	5,197.4	5,420.0	5,279.0	3,915.5	4,553.6
(percent change)		15.1	-1.4	11.3	4.3	-2.6	-4.8	16.3
Volume, percent change		8.0	0.9	18.1	8.3	-0.9	12.6	9.2
Unit value, percent change		6.6	-2.3	-5.8	-3.7	-1.7	-15.4	6.3
Agricultural products		1,228.6	1,232.5	1,309.4	1,351.1	1,379.4	1,099.0	1,027.3
Manufactured goods		3,456.5	3,362.7	3,836.5	4,007.0	3,769.5	2,729.1	3,360.9
Mining products		52.1	75.5	51.5	62.0	130.1	87.4	165.4
Others 2/	4	438.0	427.2	530.6	549.8	473.9	348.9	387.0
(percent change)	..	-14.6	-2.5	24.2	3.6	-13.8	-2.1	10.9

Sources: DANE; Banco de la Republica; and Fund staff estimates.

1/ Including special goods traded in the free trade zones.
2/ Special goods traded in the free trade zones.

Table 44. Colombia: Nontraditional Exports 1/

(In millions of U.S. dollars)

	1995	1996	1997	1998	1999	Jan.-Sep. 1999	Jan.-Sep. 2000
Total nontraditional exports 2/	4,786.2	4,730.9	5,322.5	5,513.4	5,384.4	3,999.9	4,645.2
Agriculture and fisheries	1,228.6	1,233.9	1,310.2	1,351.1	1,379.4	1,099.0	1,027.1
Bananas	431.0	459.5	502.6	483.6	559.8	428.8	356.6
Flowers	475.8	509.5	544.6	556	550.5	457.6	453.6
Seafood	175.4	156.7	163.2	154	142	108.7	121.7
Cotton	12.8	12.3	1.2	0.4	0.3	0.3	0.1
Meat	3.1	1.8	1.8	6.3	2.4	2.1	1.1
Cocoa	0.5	1.3	1.5	1.4	0.4	0.4	0.4
Tobacco	13.4	19.4	19.4	16.2	20.1	19.3	13.8
Fruits and vegetables	45.8	20.6	20.6	29.9	45.8	34.9	34.6
Rice	0.2	0.0	0.0	0.2	0	0	0
Other agricultural products	70.6	52.8	55.3	103.1	58.1	47.0	45.2
Industrial and manufacturing products	3,505.5	3,429.9	3,960.8	4,100.3	3,874.9	2,813.5	3,452.6
Chemicals	820.8	882.0	1,053.9	1117.2	1196.0	865.5	1024.5
Garments	624.9	540.7	510.1	488.4	483.1	355	415.5
Paper products	254.6	222.9	251.1	273.1	259.3	188.1	233.1
Textiles	220.7	219.8	218.6	187.3	158.7	119.7	139.3
Leather products (excluding footwear)	161.6	97.4	104.2	115.4	108.4	77.9	109.8
Coffee extracts	112.9	125.8	159.9	148.4	94.1	65.8	83.5
Machinery and equipment	190.8	191.1	256.8	279.8	237.2	168.3	208.8
Metals and metal products	170.0	167.3	208.2	225	245.5	181.9	232.3
Cement	49.7	61.6	65.1	73.4	78.4	58	61.4
Plastics and rubber	115.0	121.7	131.5	125.7	123.8	90.3	110
Sugar and molasses	91.8	191.1	243.8	297.3	183.4	142.1	121.1
Footwear	41.1	28.7	24.9	19.5	16.3	10.9	13.4
Wood products	16.6	24.9	16.8	23.1	34.3	24.6	35.2
Glass	16.4	14.7	17.1	15.4	11.9	8.5	12.1
Transportation equipment	87.8	120.0	206.6	191.9	100.8	63	216.6
Other industrial products	530.8	420.2	492.2	519.4	543.7	393.9	436.0
Mineral products	52.1	67.1	51.5	62.0	130.1	87.4	165.4
Platinum	15.0	9.1	2.7	2.9	11.2	9.5	4.7
Others	37.1	58.0	48.8	59.1	118.9	77.9	160.7
Memorandum items:							
Total merchandise exports 2/	10,204.1	10,604.9	11,662.5	10,977.6	11,575.4	8,298.6	9,716.7
Nontraditional exports as a percentage of total exports	46.9	44.6	45.6	50.2	46.5	48.2	47.8

Source: National Department of Statistics (DANE).

1/ Traditional exports comprise coal, gold, coffee, petroleum products, nickel and emeralds.

2/ Excluding special goods traded in the free trade zones.

Table 45. Colombia: Tax Credit Certificates for Exports

	Value of Certificates Insured	Minor Exports Exchange Surrenders	Tax Credit Rate 1/
	(In millons of Colombian Pesos)		(In percent)
1995	**78,724.0**	**3,126,462.0**	**2.5**
I	19,311.0	732,010.0	2.6
II	17,151.0	742,932.0	2.3
III	20,427.0	777,056.9	2.6
IV	21,835.0	874,463.1	2.5
1996	**86,620.2**	**3,019,324.3**	**2.9**
I	22,805.0	786,776.1	2.9
II	19,226.6	774,963.5	2.5
III	17,236.3	712,900.2	2.4
IV	27,352.3	744,684.5	3.7
1997	**71,217.0**	**3,416,767.3**	**2.1**
I	23,853.0	723,403.7	3.3
II	13,843.0	774,513.5	1.8
III	7,062.0	909,576.7	0.8
IV	26,459.0	1,009,273.4	2.6
1998	**87,477.0**	**3,967,837.0**	**2.2**
I	20,938.0	931,435.9	2.2
II	29,620.0	992,049.6	3.0
III	28,367.0	1,002,109.7	2.8
IV	8,552.0	1,042,241.8	0.8
1999	**142,428.8**	**3,890,282.1**	**3.7**
I	36,983.1	878,227.2	4.2
II	25,938.7	980,710.2	2.6
III	9,455.9	1,001,401.7	0.9
IV	70,051.1	1,029,943.1	6.8
2000	**80,200.6**	**4,681,113.9**	**1.7**
I	29,677.3	1,084,294.3	2.7
II	20,751.3	1,202,134.1	1.7
III	20,170.6	1,209,135.2	1.7
IV	9,601.3	1,185,550.3	0.8

Source: Banco de la Republica.

1/ Value of certificates issued in relation to value of exchange surrenders for minor exports.

Table 46. Colombia: Exports by Country of Destination

(In percent of total)

	1995	1996	1997	1998	1999	Jan.-Sep. 1999	Jan.-Sep. 2000
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Western Hemisphere	**67.1**	**69.5**	**68.6**	**69.7**	**76.6**	**69.6**	**76.2**
United States and Canada	37.3	41.1	39.2	39.4	51.0	38.0	49.1
CACM and CARICOM	2.4	3.2	3.0	3.0	3.1	3.2	3.5
LAIA 1/	23.6	21.6	23.0	24.2	19.2	24.6	19.4
Of which							
Andean Group	19.6	17.4	18.4	24.2	14.2	20.2	14.3
Venezuela	9.6	7.3	8.6	10.5	7.9	10.8	8.1
Ecuador	4.2	4.0	4.7	5.4	2.8	5.4	2.7
Other Andean Group	5.9	6.0	5.1	8.4	3.4	4.0	3.4
Other	3.8	3.5	3.5	3.1	3.3	3.8	4.3
Europe	**26.0**	**24.2**	**24.5**	**24.0**	**17.6**	**24.0**	**17.9**
EU	23.3	21.4	21.2	21.4	15.6	21.4	15.8
Bilateral payments agreements	0.3	0.6	1.1	0.8	0.6	1.9	1.5
Other	2.4	2.2	2.2	1.9	1.4	0.7	0.6
Asia	**6.5**	**4.8**	**5.0**	**4.3**	**3.8**	**4.3**	**3.8**
Rest of the world	**0.3**	**1.5**	**1.8**	**2.1**	**2.0**	**2.1**	**2.1**

Source: National Department of Statistics (DANE).

1/ Latin American Integration Association.

Table 47. Colombia: Imports by Economic Category

(In millions of U.S. dollars)

	1995	1996	1997	1998	1999	2000
Total imports, c.i.f.	**13,853.0**	**13,683.5**	**15,378.0**	**14,634.3**	**10,658.5**	**11,538.5**
Consumer goods	**2,689.1**	**2,331.3**	**2,968.9**	**2,830.9**	**2,013.9**	**2,190.2**
Durable	1,451.1	994.8	1,297.4	1,137.8	590.6	760.5
Nondurable	1,238.0	1,336.5	1,671.5	1,693.1	1,423.3	1,429.7
Intermediate goods	**6,127.6**	**6,158.9**	**6,574.7**	**6,224.2**	**4,980.8**	**5,912.1**
Fuel and other petroleum products	372.0	352.5	439.0	304.6	253.0	236.7
Agricultural inputs	343.0	447.2	462.6	483.0	441.7	500.8
Industrial inputs	5,412.6	5,359.2	5,673.1	5,436.6	4,286.2	5,174.6
Capital goods	**5,026.5**	**5,182.4**	**5,826.9**	**5,573.3**	**3,658.7**	**3,428.3**
Construction	260.6	421.0	390.9	346.5	154.9	172.5
Agriculture	75.4	59.2	55.7	48.2	25.2	24.0
Manufacturing	3,355.8	3,484.8	3,795.5	3,745.3	2,339.4	2,237.5
Transportation equipment	1,334.7	1,217.4	1,584.8	1,433.3	1,139.3	994.3
Unidentified goods	**9.8**	**10.9**	**7.5**	**5.9**	**5.0**	**7.9**
Insurance and freight	**931.8**	**889.7**	**968.5**	**908.1**	**668.4**	**754.8**
Total imports, f.o.b.	**12,921.2**	**12,793.8**	**14,409.5**	**13,726.2**	**9,990.1**	**10,783.7**

Sources: Banco de la República; and National Department of Statistics (DANE).

Table 48. Colombia: Imports by Country of Origin

(In percent of total)

	1995	1996	1997	1998	1999	Jan.-Sep. 1999	Jan.-Sep. 2000
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Western Hemisphere	**67.2**	**68.9**	**70.4**	**66.4**	**71.3**	**66.1**	**70.0**
United States and Canada	41.7	43.6	43.9	40.8	43.9	40.4	42.7
CACM and CARICOM	0.4	0.3	0.3	0.4	0.4	0.4	0.4
LAIA 1/	22.3	22.5	23.1	22.4	22.9	22.4	23.0
Of which							
Andean Group	13.2	13.1	13.9	13.0	11.8	12.9	11.9
Venezuela	9.8	9.2	10.0	9.3	7.8	9.3	7.8
Ecuador	2.0	2.4	2.6	2.2	2.4	2.1	2.5
Other Andean Group	1.4	1.4	1.4	1.6	1.6	1.5	1.6
Other	2.7	2.5	3.0	2.8	4.2	2.9	3.9
Europe	**20.7**	**21.4**	**20.1**	**22.6**	**19.5**	**22.9**	**20.5**
EU	16.4	17.4	15.7	17.9	16.0	18.1	16.8
Bilateral payments agreements	0.3	0.2	0.4	0.4	0.1	4.2	3.4
Other	4.0	3.9	4.0	4.3	3.4	0.6	0.3
Asia	**11.3**	**8.8**	**8.5**	**9.6**	**8.0**	**9.7**	**8.2**
Rest of the world	**0.8**	**0.9**	**1.1**	**1.3**	**1.2**	**1.3**	**1.3**

Source: National Department of Statistics (DANE).

1/ Latin American Integration Association.

Table 49. Colombia: Tariff Rate Indicators

(In percent)

	1995	1996	1997	1998	1999	1999	2000
Average effective tariff	**19.8**	**19.1**	**19.7**	**19.7**	**19.7**	**19.7**	**19.7**
Consumer goods	34.4	34.3	34.9	36.0	35.6	35.6	35.6
Intermediate goods	15.0	14.8	15.5	15.3	15.2	15.2	15.2
Capital goods	12.8	13.3	13.0	13.3	13.6	13.6	13.6
Average nominal tariff	**11.5**	**11.6**	**11.6**	**11.6**	**11.6**	**11.6**	**11.6**
Standard deviation	**6.5**	**6.4**	**6.4**	**6.3**	**6.3**	**6.3**	**6.3**
Number of tariff bands 1/	**4**	**5**	**5**	**5**	**5**	**5**	**5**

Source: National Planning Department.

1/ Excludes automobiles and agricultural products.

Table 50. Colombia: External Public Loans 1/

	In Millions of U.S. Dollars						Average Interest Rate 2/ (Percent per annum)						Average Maturity in Years					
	1995	1996	1997	1998	1999	2000	1995	1996	1997	1998	1999	2000	1995	1996	1997	1998	1999	2000
All loans	**1,715**	**3,489**	**2,331**	**3,104**	**3,861**	**3,194**	**6.8**	**8.0**	**8.0**	**8.2**	**10.0**	**11.8**	**9.1**	**8.5**	**10.6**	**7.1**	**8.9**	**9.5**
By sector																		
Communication	49	18	0	0	153	29	5.9	7.2	n.a.	8.0	11.6	8.1	12.9	7.9	n.a.	4.5	1.2	9.3
Power	171	1,057	232	30	170	0	7.0	7.6	8.2	7.0	8.0	n.a.	6.7	7.5	6.7	7.3	6.0	n.a.
Industry	105	125	0	0	0	0	9.1	8.4	n.a.	n.a.	n.a.	n.a.	3.6	5.0	n.a.	n.a.	n.a.	n.a.
Transportation	2	101	0	31	0	0	7.8	7.8	n.a.	6.7	n.a.	n.a.	5.0	9.9	n.a.	9.5	n.a.	n.a.
Water supply and sewerage	0	0	0	49	85	47	n.a.	n.a.	n.a.	7.4	8.2	7.2	n.a.	n.a.	n.a.	15.3	12.0	17.1
Other 3/	1,387	2,188	2,099	2,993	3,454	3,118	6.7	8.2	7.9	8.3	10.1	11.9	9.7	9.2	9.2	6.9	9.3	9.4
By borrower																		
Central government	1,145	1,711	1,612	2,839	3,276	3,124	6.4	8.4	8.1	8.3	9.5	11.9	9.9	9.9	12.6	6.6	9.0	9.4
Departments and municipalities	224	402	509	79	402	70	7.7	7.5	7.5	6.4	9.4	7.4	11.4	4.1	5.5	15.1	5.5	14.6
Rest of public sector 4/	345	1,376	210	186	183	0	7.6	7.7	7.9	7.1	9.2	n.a.	5.1	8.1	8.0	11.6	4.0	n.a.
Banco de la República	0	0	0	0	0	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Source: Banco de la Republica.

1/ On a commitment basis.

2/ Interest rates for loans based on LIBOR estimated as the sum of individual interest spreads plus the average daily rate on six-month deposits in the year the loan was contracted.

3/ Includes general purpose loans.

4/ Includes publicly guaranteed loans.

Table 51. Colombia: External Debt and Debt Service

	1995	1996	1997	1998	1999	2000
	(In millions of U.S. Dollars)					
Total debt outstanding	**24,751**	**28,947**	**31,680**	**33,536**	**33,624**	**33,263**
Medium and long term	19,798	24,940	27,569	29,839	30,637	30,052
Short term	4,953	4,007	4,111	3,697	2,987	3,211
Public sector debt outstanding	**15,540**	**16,249**	**16,453**	**18,468**	**19,751**	**20,248**
Medium and long term	13,952	15,082	15,519	17,492	19,081	20,051
Short term	1,588	1,167	934	976	670	197
Private sector debt outstanding	**9,211**	**12,698**	**15,227**	**15,068**	**13,873**	**13,015**
Medium and long term	5,846	9,858	12,050	12,347	11,556	10,001
Short term	3,365	2,840	3,177	2,721	2,317	3,014
Total debt service	**4,716**	**5,339**	**6,960**	**6,584**	**7,117**	**7,974**
Public sector	**2,889**	**2,924**	**3,478**	**3,151**	**3,248**	**3,483**
Amortization	1,839	1,910	2,336	2,031	2,011	2,004
Interest	1,050	1,014	1,142	1,120	1,237	1,479
Private sector	**1,827**	**2,415**	**3,482**	**3,433**	**3,869**	**4,491**
Amortization	1,090	1,447	2,189	2,101	2,620	3,365
Interest	737	968	1,293	1,332	1,249	1,126
	(In percent of GDP)					
Total debt	**26.7**	**29.8**	**29.7**	**33.8**	**37.5**	**40.2**
Public sector	16.8	16.7	15.4	18.6	22.0	24.5
Private sector	10.0	13.1	14.3	15.2	15.5	15.7
	(In percent of exports of goods and services)					
Total debt stock	**201.3**	**220.0**	**223.1**	**250.1**	**242.5**	**255.5**
Total debt service	**38.4**	**40.6**	**49.0**	**49.1**	**51.3**	**61.2**
Public sector	23.5	22.2	24.5	23.5	23.4	26.7
Private sector	14.9	18.4	24.5	25.6	27.9	34.5

Source: Banco de la República.

Colombia: Summary of the Tax System
(As of January, 2001)

Tax	Nature of Tax	Exemptions and Deductions	Rates
I. Taxes on Net Income and Profits			
Taxes on Business Enterprise Income (*Impuesto sobre la renta*)	Applies to all corporations, including stock companies, limited companies, and partnerships. The tax is levied on overall net profits of Colombian enterprises (including most state enterprises) and on all Colombian-source income of foreign enterprises. Net profit is presumed to be not less than 6 percent of the firm's net wealth. The tax legislation allows for inflation effects on profits and loses, but not on inventory.	Interest income from certain government bonds is exempt. Double taxation is eliminated when corporations pay taxes on income, so that dividends are tax free. Various tax credits are granted, including for dividends obtained by corporations, charitable contributions, and foreign taxes paid. Exemptions are granted for community enterprises, public utilities in the water, electricity, telephone and gas sectors, as well as enterprises located in free zones and publishing houses. Also exempt are the stock and live-stock corporation funds. Partially exempted are new enterprises established in zones in which a natural catastrophe has taken place. Repatried profits and dividends from foreign investments in Colombia are exempt from a surtax on remittances if reinvested for five years. Losses for up to five years can be deducted.	35 percent for all domestic and foreign companies. There is a surtax of 7 percent on profits and income remittances of existing foreign investment. The depreciation method can be linear, declining balances, or another method if previously approved by the DIAN. The lifetimes for capital goods are: 20 years for buildings; 10 years for machinery and equipment; and 5 years for vehicles and computer equipment.
Personal income tax (*Impuesto sobre la renta*)	Levied on overall income of Colombian residents and on all Colombian-source income of residents. Taxes on wage income, interest, and dividends are withheld at source. Taxpayers with income of Col$15.8 million or less are exempt (not required to declare). Only 70 percent of wage income is subject to this tax. Net income is presumed to be not less than 6 percent of the value of taxpayer's net wealth. Nonmonetary assets expressed in domestic currency, as well as the value of fixed assets, are subject to full yearly adjustment for inflation.	Various types of income are exempt, including sickness, maternity and burial benefits, as well as compensation for vacations, job-related accidents, unemployment, and representation outlays received by government officials. Also exempt are pensions, basic wages of army and police forces, interest received on government securities, and dividends for Colombian residents. Other deductions include mortgage interest payment and	Marginal rates ranged from 0 percent on taxable income of less than Col$15.8 million, to 35 percent on taxable income in excess of Col$75.0 million.

Colombia: Summary of the Tax System
(As of January, 2001)

Tax	Nature of Tax	Exemptions and Deductions	Rates
		contributions to pension funds by employees and employers. Exemptions are granted for editing, printing, and marketing books and printed materials, including copyrights and royalties.	
Tax on windfall income (***Ganancias ocasionales***)	Levied on net capital gains arising from the sale of assets held for at least two years and on payment to shareholders beyond earned capital that have operated for at least two years. Also levied on assets, losses and profits on income acquired through inheritances, bequest, or gifts (net of inheritances and gift taxes), and prizes obtained in, inter alia, open contests, lotteries, and raffles.	Capital gains arising from the sale of stocks are exempt. In the case of inheritances, the first Col$15.8 million for the surviving spouse and immediate family are exempt, as well as 20 percent with a limit of Col$15.8 million for the survivors. Contributions to investment in natural disaster zones are also exempt.	For corporations, the rate is 35 percent for Colombian residents in accordance with personal income tax rates. For nonresidents, a 30 percent windfall rate applies to income from prizes, with a 20 percent rate applied to income from lotteries or bets.
Financial transaction tax ***(Contribución sobre transacciones financieras e impuestos a las transacciones financieras)***	Withdrawals (cash, checks, ATMs, debit cards, etc) from central and commercial banks and other financial institutions, credit of bank interest included in saving accounts, and repos.	Liquidity operations carried out by the central bank and the Fogafin (public deposit guarantee agency), service fees charged by banks, interbank payment, clearing accounts of commercial banks at the central bank, national Treasury and local government, operational payments of the central bank and securities centralized funds (*depósitos centralizados de valores*), transfer between accounts of same person in the same bank, withdrawals from saving accounts allocated to mortgage payments are exempt. Excess tax payments, and tax paid on void transactions can be deducted by banks from its tax liability.	0.3 percent standard rate
Tax on industrial and commercial activities	Municipal tax levied monthly on gross revenues from industrial or commercial activities and services	Revenues from the sale of fixed assets, exports, collection of taxes and subsidies	Rates are set by each municipality in the range from

Colombia: Summary of the Tax System
(As of January, 2001)

Tax	Nature of Tax	Exemptions and Deductions	Rates
(Impuesto de industria y comercio)	(including financial services).	are not included in the basis.	0.02 percent to 0.07 percent for industrial activities, and 0.02 percent to 0.10 percent for commercial activities.
II. Payroll Taxes			
Colombian Institute for Family Welfare (*Instituto Colombiano de Bienestar Familia, ICBF*)	Proceeds are earmarked for education and nutrition programs for employees' children aged up to 7 years.	Not applicable to certain public sector establishments.	3 percent of the monthly payroll.
National Services for Apprenticeship (*Servicio Nacional de Aprendizaje, SENA*)	Proceeds are earmarked, in part, to provide on-the-job and apprenticeship training.	Firms with up to ten workers or with capital of less than Col$50,000 are exempt.	2 percent of the monthly payroll.
Family Benefit Section (*Cajas de Compensación Familiar*)	Proceeds are earmarked as a family subsidy to be distributed to the employees of the taxpayer in proportion to the number of the employees' children. The proceeds also provide groceries to the employees.	Firms with no more than ten workers or with capital of less than Col$30,000 are exempt.	4 percent of the monthly payroll.
III. Social Security Contributions			
Social security contributions (*Contribuciones al sistema de seguridad social*)	Levied on employers and employees as a percentage of the wage bill. Designed to finance health programs, disability and life insurance, and future pensions. The new social security system, including the establishment of a system based on individual capitalization accounts, has been applied since April 1, 1994.	None.	The core rates are: **Employee** 3.375 percent of wages for pension, disability, or death. 4 percent of wages for maternity and general sickness. **Employer** 10.125 percent of wages for pension, disability, or death. 8 percent of wages for the maternity and general sickness. **Total** Social security contributions

Colombia: Summary of the Tax System
(As of January, 2001)

Tax	Nature of Tax	Exemptions and Deductions	Rates
			account for 25.5 percent of the wage bill.
IV. Property taxes			
Recurrent real estate taxes (*Impuesto predial unificado*)	Municipal tax levied on land register value of the property or on the owner-declared value . Land register values should in principle reflect market values. However, in many municipalities, land register values are outdated, and land register values typically lag the market values. There is an annual indexation mechanism.	None.	Rates are set by each municipality in the range from 0.1 percent to 1.6 percent Rates depend on the owner's income, on the use of the land, and date of the register value. There is a surtax of 0.1 percent (with a maximum of 0.2 percent) for the metropolitan areas and for the autonomous regional entities (corporaciones autónomas regionales).
V. Taxes on goods and services			
Value-added tax (VAT) (*Impuesto a las ventas*)	Operated in principle as a value-added tax of the consumption type; in 1998 the tax credit for VAT paid on capital goods was converted into a deduction against the income tax. Applied to sales of goods and services. The tax base is the sales price, including other taxes, fees, etc. The tax base for imports is their c.i.f. value plus duties, port and customs charges and all other taxes specified in the import declaration. For exports, all VAT paid on inputs is reimbursed. VAT-exempt imports (mainly agricultural imports) that compete with VAT-exempt goods produced in the domestic market (that do not claim a credit for VAT paid on their inputs) are subject to a compensating "implicit VAT". Under the simplified regime for small and medium taxpayers VAT paid represents a tax credit against the income tax.	Exemptions are granted to food-stuffs and other basic goods; exports; agricultural imports; agro-industry products; some machinery and tools for agricultural production; pharmaceutical; electricity, oil and gas; newspapers and paper for newspapers; cultural and scientific books; antiques and arts; imports of higher-education institutions. A zero tax rate is applied to the provision of some services such as, domestic transportation; medical and educational services; advertising; storing of agricultural products; funerary services; leasing; the repair of marine vessels and foreign aircraft; financial and stock market, house rent, electricity, water, sewage, and waste disposal; spectacles tickets; travel tickets for the communities of San Andrés and Providencia.	The general rate is 16 percent. Other rates are 10 percent on advertising for large newspapers and radio stations and on national travel tickets; 16 percent for oil-derived products; 20 and 35 percent for vehicles and motorcycles depending on the power, and 45 percent for luxury car valued above US$40,000; 35 percent on wine, liquor, and recreational boats.

Colombia: Summary of the Tax System
(As of January, 2001)

Tax	Nature of Tax	Exemptions and Deductions	Rates
Excise taxes	Taxes levied by regional governments on beer, liquor, tobacco products, vehicles, registering of contracts and other legal documents and the distribution of gasoline.	None.	Vehicles: 1.5, 2.5 and 3.5 percent depending on the market value. Tobacco: 55.0 percent Beer: 48.0 percent Liquors: 20, 25, 35 and 40 percent depending on strength. Gasoline: surtax of 6 percent .
Tax on petroleum products	Levied on the sale price of gasoline and petroleum derivatives. Since 1996, the tax on petroleum products was unified as a global tax. This global tax includes a tax on the sale price of gasoline and diesel oil; a contribution for departments and municipalities; and a contribution for the decentralization. 25.6 percent of this global tax is allocated to municipalities and 1.1 percent for transfers to territorial governments (departments) and Bogotá.	Marine fuel and derived lubricants are exempt, as are certain derivatives consumed by electricity plants in a number of departments; in a few municipalities consumption is exempt.	A rate of 23.4 percent applies to the consumer price of gasoline and diesel, and a rate of 24.8 percent to other petroleum products.
Tax on imports *(Aranceles aduaneros)* Decree 2685 of December 28, 1999	Import tariffs are levied on the c.i.f. value of most products imported into Colombia. In 2000 a new custom service charge of 1.2 percent was introduced that will not applied to the imports coming from countries for which there exist reciprocity agreements.	Certain public and all military agencies are exempt. Other exemptions include those granted to industrial duty-free zones; enterprises benefiting from duty draw-backs under the Vallejo Plan; and regional trade accords such as the Andean Pact.	A rate of 5 percent is levied on imported raw materials and capital equipment, liquor, cigarettes, and domestic appliances; 15 percent on most capital equipment and pharmaceuticals that are also produced domestically; and 20 percent on consumption goods. Most agricultural goods are taxed at a fixed rate of 15 percent, plus a variable rate aimed at keeping import prices within a specified band. A 35 percent rate is applied to

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Tax	Nature of Tax	Exemptions and Deductions	Rates
			luxury goods (for example, expensive automobiles).
Tax on exports	Exports of coffee are subject to an ad valorem tax based on the surrender price, which is collected at the time of foreign exchange receipt.	None.	The export tax is 6.4 percent, of which 3.7 percent is earmarked for the National Coffee Federation and 2.7 percent for the National Coffee Fund.
VI. Stamp taxes			
Timbre	Levied on many official and commercial documents with contents obligations of more than Col$20 million. Stamp taxes are levied also on airport departures for abroad; on the commercial value of privately owned vehicles; and on airport loading.	Exemptions are granted to all public agencies and charitable organizations. Receipts and certain documents are also exempt.	The general rate is 0.5 percent on document value. Tariffs vary, depending on the document: rates range from 0.8 percent to 2.5 percent on the commercial value of vehicles.