

DOCUMENT OF INTERNATIONAL MONETARY FUND  
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**FOR  
AGENDA**

SM/82/17  
Correction 1

CONTAINS CONFIDENTIAL  
INFORMATION

February 25, 1982

To: Members of the Executive Board  
From: The Secretary  
Subject: Colombia - Staff Report for the 1981 Article IV Consultation

The following correction has been made in SM/82/17 (1/26/82):

Page 3, last para., line 6: for "profits of the Banco de la Republica"  
read "profits on exchange operations by the  
Banco de la Republica"

A corrected page is attached.

Att: (1)

Other Distribution:  
Department Heads

Table 2. Colombia: Balance of Payments

(In billions of U.S. dollars)

|   | 1977   | 1978  | 1979   | Prel.<br>1980 | Est.<br>1981 |
|---|--------|-------|--------|---------------|--------------|
| <u>Current account</u>  | 0.4    | 0.4   | 0.6    | -0.2          | -1.7         |
| Exports   | 2.7    | 3.3   | 3.6    | 4.4           | 3.8          |
| Of which: coffee  | (1.6)  | (1.9) | (2.1)  | (2.3)         | (1.6)        |
| Imports   | -2.0   | -2.6  | -3.0   | -4.3          | -4.9         |
| Services and transfers (net)                                    | -0.3   | -0.3  | --     | -0.3          | -0.6         |
| <u>Capital account</u>  | --     | 0.2   | 0.9    | 1.4           | 1.9          |
| Private   | -0.2   | 0.1   | 0.4    | 0.6           | 1.1          |
| Long-term (net)   | (-0.1) | (0.1) | (0.6)  | (0.5)         | (0.6)        |
| Short-term (net)  | (-0.1) | (--)  | (-0.2) | (0.1)         | (0.5)        |
| Public, long-term (net)   | 0.2    | 0.1   | 0.5    | 0.8           | 0.8          |
| <u>Errors and omissions (net)</u><br><u>and SDR allocations</u> | 0.2    | 0.1   | 0.1    | 0.1           | --           |
| <u>Overall surplus or deficit (-)</u>                           | 0.6    | 0.6   | 1.6    | 1.3           | 0.2          |
| <u>Memorandum item</u>  |        |       |        |               |              |
| Current account as a<br>percentage of GDP                       | 2.0    | 1.6   | 2.0    | -0.6          | -4.7         |

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

Inflation, as measured by the rise in the cost of living index, continued at a 26-1/2 per cent annual rate during 1981, a phenomenon attributable in substantial degree to ingrained inflationary expectations and to the high degree of indexation in the economy.

Fiscal policy was relatively conservative. The overall deficit of the nonfinancial public sector rose from 0.8 per cent to 1.6 per cent of GDP entirely on account of an expansion in public investment. Public savings declined marginally to 5.1 per cent of GDP, the fall in coffee export tax receipts being offset by higher collections of indirect taxes and larger transfers of profits on exchange operations by the Banco de la Republica, and current spending rising moderately in relation to GDP. As in the recent past, the entire public sector deficit was financed from abroad but, in contrast to what occurred in the two preceding years, there was no large net buildup of public sector deposits in the Banco de la Republica (Table 3).

Table 3. Colombia: Public Sector Operations  
(As per cent of GDP)

|   | 1977        | 1978        | 1979        | 1980        | Est.<br>1981 |
|---|-------------|-------------|-------------|-------------|--------------|
| <u>Current revenues</u>                           | <u>14.0</u> | <u>16.0</u> | <u>16.4</u> | <u>17.4</u> | <u>17.7</u>  |
| Of which: taxes                                   | (8.3)       | (8.5)       | (8.1)       | (8.3)       | (7.9)        |
| <u>Current expenditure</u>                        | <u>9.9</u>  | <u>11.5</u> | <u>11.7</u> | <u>12.1</u> | <u>12.6</u>  |
| Of which: transfers                               | (2.7)       | (3.3)       | (3.5)       | (3.9)       | (4.1)        |
| <u>Current account surplus<br/>or deficit (-)</u> | <u>4.1</u>  | <u>4.5</u>  | <u>4.7</u>  | <u>5.3</u>  | <u>5.1</u>   |
| <u>Capital expenditure</u>                        | <u>4.5</u>  | <u>4.7</u>  | <u>5.1</u>  | <u>6.1</u>  | <u>6.7</u>   |
| <u>Overall surplus or<br/>deficit (-)</u>         | <u>-0.4</u> | <u>-0.2</u> | <u>-0.4</u> | <u>-0.8</u> | <u>-1.6</u>  |
| External financing (net)                          | 0.6         | 0.4         | 1.9         | 1.5         | 1.5          |
| Internal financing (net)                          | -0.2        | -0.2        | -1.5        | -0.7        | 0.1          |
| Of which: Banco de la<br>Republica (net)          | (-0.3)      | (-0.3)      | (-1.9)      | (-0.6)      | (--)         |

Sources: Controller General's Office; Ministry of Finance; Banco de la Republica; and Fund staff estimates.

Through the use of a number of fiscal and quasi-fiscal instruments the authorities cushioned the impact of the sharp decline in the value of coffee exports on coffee producers' incomes; these were allowed to expand in nominal terms by an estimated 20 per cent, for a real decline of only 6 per cent.

With the disappearance of the public sector's internal surplus, the Banco de la Republica's net domestic assets declined by only 6 per cent in relation to its starting stock of liabilities to the private sector, in contrast with contractions of 53 per cent in 1979 and 29 per cent in 1980. In addition, there was no net placement of Banco de la Republica bonds in the private market whereas, in 1979 and 1980, the Bank had captured large amounts of funds via an aggressive open market policy. Almost the entire increase in the resources of the financial system was thus made available to the private sector (Table 4).