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Subject: Colombia - Recent Economic Developments

This paper provides background information to the staff report on the 1981 Article IV consultation discussions with Colombia, which was circulated as SM/82/17 on January 26, 1982.

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INTERNATIONAL MONETARY FUND

COLOMBIA

Recent Economic Developments

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Colombia--Basic Data

Area and population

Area	1,141,748 sq. kilometers
Population (est. mid-1981)	27.3 million
Annual rate of population increase (1975-81)	2.3 per cent

GDP per capita (est. 1981) SDR 1,152

Origin of GDP (est. 1981) (per cent)

Agriculture	23
Mining	1
Manufacturing	18
Construction	3
Other	55

Ratios to GDP (est. 1981)

Exports of goods and services	15.0
Imports of goods and services	19.7
Central government revenues	10.6
Central government expenditures	11.3
External public debt (end of June)	12.5
Saving	21.5
Investment	26.2
Money and quasi-money (end of year)	29.5

Annual changes in selected economic indicators

	1978	1979	1980	Est. 1981
		(per cent)		
Real GDP per capita	6.5	2.7	1.7	0.9
Real GDP	9.0	5.1	4.0	3.2
GDP at current prices	27.4	30.2	29.7	30.6
Domestic expenditures (at current prices)	29.0	30.3	34.2	35.3
Investment	23.5	25.2	46.7	38.0
Consumption	30.7	31.8	30.6	34.4
GDP deflator	16.9	23.9	24.7	26.5
Cost of living (annual averages)	17.1	24.7	27.2	28.1
Central government revenues	36.1	31.1	43.3	31.6
Central government expenditures	36.2	43.5	45.7	40.3
Money and quasi-money	31.2	31.6	49.5	28.9
Money	30.3	24.2	27.9	21.2
Quasi-money 1/	31.9	37.5	65.0	33.1
Net domestic bank assets 2/	21.9	16.8	37.6	26.2
Credit to public sector (net)	-4.0	-8.8	-3.1	--
Credit to private sector	24.9	24.0	38.9	27.2
Merchandise exports (f.o.b., in U.S. dollars)	19.9	9.5	23.7	-15.2
Merchandise imports (f.o.b., in U.S. dollars)	29.6	16.9	44.6	12.0

<u>Central government finances</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>Est. 1981</u>
	<u>(millions of Colombian pesos)</u>			
Revenues	86,894	113,942	163,229	214,760
Expenditures	78,051	112,008	163,217	229,040
Current account surplus	25,537	27,889	41,966	54,310
Overall surplus or deficit (-)	8,843	1,934	12	-14,280
External financing (net)	-2,193	15,473	16,644	14,713
Internal financing (net)	-6,650	-17,407	-16,656	-433

<u>Balance of payments</u>	<u>(millions of U.S. dollars)</u>			
Merchandise exports (f.o.b.)	3,270	3,581	4,428	3,755
Merchandise imports (f.o.b.)	-2,564	-2,996	-4,332	-4,850
Investment income (net)	-301	-255	-260	-351
Other services and transfers (net)	-19	235	-31	-248
Balance on current and transfer account	386	565	-195	-1,694
Official capital (net)	94	520	796	752
Private capital (net) and errors and omissions	187	530	700	1,088
Allocation of SDRs	--	24	24	24
Change in banking system net reserves (increase -)	-667	-1,639	-1,325	-170

<u>International reserve position</u>	<u>Dec. 31 1980</u>	<u>June 30 1981</u>	<u>Est. Dec. 31 1981</u>
	<u>(millions of SDRs)</u>		
Central Bank (gross)	4,247.0	4,672.1	4,841.7
Central Bank (net)	4,246.5	4,668.9	4,838.5
Rest of banking system (net)	-1,016.5	-1,160.3	-1,205.8

IMF data (as of January 31, 1982)

Article XIV status

Intervention currency and rate
(exchange certificate)

U.S. dollar at Col\$59.07 per US\$

Quota

SDR 289.5 million

Cumulative purchases

SDR 404.9 million

Regular purchases

SDR 384.1 million

Compensatory financing facility purchases

SDR 20.8 million

Cumulative repurchases

SDR 404.9 million

Cumulative currency sales

SDR 34.4 million

Fund holdings of pesos under tranche policy

47.6 per cent of quota

Total Fund holdings of Colombian pesos

47.6 per cent of quota

Special Drawing Rights Department

Cumulative SDR allocation

SDR 114.3 million

Net acquisition or utilization (-)
of SDRs

SDR 5.1 million

Holdings of SDRs

104.4 per cent of allocation

Share of profits from gold sales

US\$24.9 million

1/ Includes, in addition to narrow quasi-money, other liabilities to the private sector.

2/ In relation to the financial system's liabilities to the private sector at the beginning of the period. Excludes contra-entry of SDR allocations.

I. Summary of Recent Developments

During 1980 and 1981 the Colombian economy experienced a moderate slowing in activity, the rate of price increases decelerated marginally, and the balance of payments continued to register a surplus, although this surplus declined sharply in 1981. Real GDP growth dropped from 5.1 per cent in 1979 to 4 per cent in 1980, and is estimated by the staff to have amounted to 3.2 per cent in 1981 (Table 1). The slowdown was mostly due to slower growth in agriculture, manufacturing, and commerce. Production of domestically consumed foodstuffs was negatively affected by bad weather and a reduction in the area planted; manufacturing was hampered by a loss of competitiveness vis-a-vis foreign producers at home and abroad and by a decline in foreign demand associated with the world economic slowdown of 1980. During these two years the unemployment rate exceeded the 8-9 per cent range only briefly in early 1980.

Table 1. Colombia: Selected Economic Indicators

(Annual percentage change)

	1977	1978	1979	1980	Est. 1981
<u>Output and income</u>					
GDP at current prices	34.0	27.4	30.2	23.7	30.6
GDP at constant 1970 prices	4.8	9.0	5.1	4.0	3.2
National income at current prices	34.6	26.6	27.5	28.2	30.9
National income at 1970 constant prices	9.1	6.4	3.5	0.9	0.2
<u>Prices</u>					
GDP deflator	27.9	16.9	23.9	24.7	26.5
Terms of trade	30.3	-16.2	-8.2	-9.0	-13.2
Cost of living index (Dec.-Dec.)	29.3	17.8	29.8	26.5	26.7
Cost of living index (nonfood) (Dec.-Dec.)	21.0	27.0	27.1	27.7	24.8
Wholesale prices (Dec.-Dec.)	19.2	21.6	29.0	25.4	23.5

Sources: Tables 2 and 7; and Statistical Appendix Tables 41, 42, 53, and 57.

Aggregate demand expanded at a somewhat faster pace in 1980 and 1981 than in the previous three years, notwithstanding the export decline in 1981. Although national income experienced almost no growth in real terms during these years because of a deterioration in the terms

of trade, real consumption expenditure continued rising at about 5 per cent, a rate only slightly lower than that registered in 1979 (Table 2). Meanwhile, gross domestic investment recovered from the depressed levels of 1978-79, increasing in real terms by approximately 12 per cent per annum during 1980 and 1981 as a result of private investment in mining, energy, and manufacturing and of strong public sector spending for infrastructure.

Table 2. Colombia: Aggregate Supply and Demand

	<u>Annual Percentage Change</u>				<u>Percentage Structure</u>	
	1978	1979	1980	Est. 1981	1977	Est. 1981
<u>(At current prices)</u>						
<u>Aggregate supply</u>	28.0	29.7	33.2	30.7	100.0	100.0
GDP	27.6	30.2	29.7	30.6	87.9	85.5
Imports of goods and nonfactor services	30.9	26.3	50.9	31.4	12.1	14.5
<u>Aggregate demand</u>	28.0	29.7	33.2	30.7	100.0	100.0
Consumption expenditure	30.7	31.8	30.6	34.4	64.3	67.2
Gross domestic investment	23.5	25.2	46.7	38.0	20.7	22.4
Of which: fixed capital formation	(39.3)	(31.8)	(45.9)	(36.4)	(16.5)	(20.8)
Exports of goods and nonfactor services	22.3	26.6	27.8	1.4	15.0	10.4
<u>(At 1970 prices)</u>						
<u>Aggregate supply</u>	9.6	5.3	8.8	5.9	100.0	100.0
GDP	9.0	5.1	4.0	3.2	88.0	81.3
Imports of goods and nonfactor services	14.4	6.6	41.9	19.5	12.0	18.7
<u>Aggregate demand</u>	9.6	5.3	8.8	5.9	100.0	100.0
Consumption expenditure	9.3	5.2	5.3	4.5	71.0	67.6
Gross domestic investment	1.5	-1.0	14.0	11.2	19.2	18.4
Of which: fixed capital formation	(12.3)	(3.9)	(12.2)	(8.7)	(15.8)	(16.9)
Exports of goods and nonfactor services	27.6	15.8	21.7	6.1	9.8	14.0

Source: Statistical Appendix Table 43.

In spite of the relatively faster expansion of aggregate demand, price pressures, as measured by both the consumer price index and the wholesale price index, did not intensify. The consumer price index is estimated to have risen by 27 per cent per annum during these two years, a bit lower than the 1979 rate. The increased availability of foreign goods, especially of capital goods, helped constrain price pressures. The explanation of the continuation of the inflation rate in the 25-30 per cent range must probably be found in the high degree of indexation of the economy, in well established inflationary expectations and in the relative closeness of the economy notwithstanding the increased availability of imports in 1980.

The trend of increasing balance of payments surpluses came to a halt in 1980. In 1980, a more liberal import policy, particularly for capital goods imports, which accommodated the investment plans, and a fall in service receipts, which might include unrecorded exports and capital inflows, resulted in a current account deficit--the first one in five years. This deficit was more than offset by higher net capital inflows on account of direct investment, trade financing and public sector borrowing. The increase in net international reserves, although smaller than that registered in 1979, was still substantial at US\$1.3 billion. In 1981 the balance of payments surplus fell to US\$170 million. The current account deficit rose because of lower coffee prices and a lower volume of coffee exports arising from Colombia's quota commitments under the International Coffee Agreement. Noncoffee export earnings stagnated during 1981. Although imports did not expand as rapidly as before, the export decline resulted in a trade deficit of US\$1.1 billion triggering a current account deficit of US\$1.7 billion, equivalent to 4.7 per cent of GDP. Increased foreign borrowing by the private sector, which continued to take advantage of relatively lower interest rates abroad, resulted in a strong expansion of capital receipts once again.

The authorities used a number of instruments during this period to cushion the impact of the fall in coffee prices on the income of the coffee-growing sector. The minimum exchange surrender requirement for coffee exports, the ad valorem coffee tax, and the retention of quota (a share of the volume of coffee exported retained by the National Federation of Coffee Growers) were lowered, permitting an increase of the domestic support price which, combined with the increases in coffee production, limited the drop in the coffee sector income to 6 per cent in real terms in each of these two years.

During this period fiscal policy was relatively cautious; at the same time investment efforts of the public sector were increased to provide some countercyclical stimulus to the domestic economy. The overall deficit of the public sector increased from 0.4 per cent of GDP in 1979 to 0.8 per cent in 1980 to 1.6 per cent in 1981. The deficits were mainly financed through recourse to external credit without increasing the ratio of external public debt to GDP. As in the previous two years,

the monetary stance of the Banco de la Republica continued to be contractionary in 1980 mostly because of the increase in the public sector internal surplus. However, in 1981 the contraction in net domestic assets of the Banco de la Republica came almost completely to a halt because both the accumulation of deposits by the public sector and the net absorption of resources from financial intermediaries declined with respect to 1980. During these two years the Colombian financial system was liberalized with a view to reducing the proportion of transactions conducted in unsupervised markets. Legal reserve requirements were reduced, interest rate ceilings on a number of operations in the formal market eliminated, and the penalty on the immediate conversion of coffee export proceeds eliminated. These policies succeeded in attracting funds back to the organized financial system, whose operations increased in real terms. The expansionary impact of these measures on the money supply was ameliorated by an aggressive open-market policy pursued by the Banco de la Republica until the first quarter of 1981.

II. Macroeconomic Trends

1. Aggregate demand

The growth of nominal aggregate demand accelerated moderately during 1980 and 1981 increasing by an average rate of growth of 32 per cent a year due to a sharp expansion in investment expenditures (see Table 2). Although the growth of real GDP dropped during these two years, the aggregate demand increase did not exacerbate price pressures because of a marked rise in capital and intermediate goods imports.

National income experienced almost no growth in real terms in 1980 and 1981 because the terms of trade continued to turn against Colombia. However, consumption spending, which makes up about 70 per cent of overall demand, expanded in nominal terms by approximately the same rate of the previous two years. In real terms, both private and public consumption expenditures grew at the same rate of about 5 per cent in the 1980-81 period, a rate of growth slightly lower than the rate of growth registered in 1979. In sharp contrast to the trend of earlier years, the rate of growth of nominal gross domestic investment almost doubled in 1980 when investment expanded by about 50 per cent. In 1981 nominal gross domestic investment continued to expand considerably faster than in 1978-79. In real terms, the increase in investment was even more significant during 1980-81 when compared with the previous two years; real gross domestic investment grew by 14 per cent in 1980 and 11 per cent in 1981 compared with almost no growth in the 1978-79 period. The increase in gross domestic investment was mostly due to the expansion of fixed capital formation and to a lesser extent to increases in inventories. Mainly because of new private investments in mining, energy, and manufacture, and public spending for infrastructure, real gross fixed capital formation increased by 12 per cent in 1980 and by 8.5 per cent in 1981. The ratio of gross fixed capital formation to GDP rose from 21 per cent in 1979 to 23 per cent in 1980 and 24 per cent in 1981 (Table 3). Coffee stocks increased markedly in 1980-81, primarily as a result of higher coffee production in both years and declining exports in 1981.

Exports of goods and nonfactor services in nominal peso terms increased by 28 per cent in 1980, mostly on account of the expansion of agricultural exports, and then leveled off in 1981. The negligible growth in exports of goods and nonfactor services in 1981 reflected a fall in coffee earnings--the average price fell by 17 per cent while volume declined by 19 per cent--and the stagnation of noncoffee exports during 1981. In real terms, exports of goods and nonfactor services increased by 22 per cent in 1980 and by 6 per cent in 1981.

Following five years during which gross domestic savings exceeded gross domestic investment, the Colombian economy experienced savings deficits in 1980 and 1981, equivalent to 0.6 per cent and 4.7 per cent of GDP, respectively, because of the sharp investment increase and a decline in savings in relation to GDP. Private savings declined from

an average of 20 per cent of GDP in the period 1977-79 to 19 per cent of GDP in 1980 and 16 per cent in 1981. These declines were partly offset by an increase in public sector savings in relation to GDP, from an average of 4.4 per cent in 1977-79 to 5.2 per cent in 1980-81.

Table 3. Colombia: Savings and Investment

(As per cent of GDP)

	1977	1978	1979	1980	Est. 1981
Gross domestic investment	23.5	22.8	21.9	24.8	26.2
Fixed capital formation	18.7	20.5	20.7	23.3	24.4
Private sector	(14.2)	(15.8)	(15.6)	(17.2)	(17.7)
Public sector	(4.5)	(4.7)	(5.1)	(6.1)	(6.7)
Change in stocks	4.8	2.3	1.2	1.5	1.8
Gross domestic savings	25.8	24.4	23.9	24.2	21.5
Public sector savings	4.1	4.5	4.7	5.3	5.1
Central government	(2.7)	(2.8)	(2.3)	(2.7)	(2.7)
Rest of public sector	(1.4)	(1.7)	(2.4)	(2.6)	(2.4)
Private sector savings	21.7	19.9	19.2	18.9	16.4
Foreign savings = current account deficit (surplus -)	-2.3	-1.6	-2.0	0.6	4.7

Sources: Statistical Appendix Tables 42 and 44.

2. Aggregate supply

Real aggregate supply expanded by 9 per cent in 1980 and by 6 per cent in 1981, substantially exceeding the growth of GDP because real imports of goods and nonfactor services increased by 42 per cent in 1980 and by 20 per cent in 1981 (see Table 2). The slower growth of domestic production during these two years reflected declining rates of expansion in the major productive sectors of the Colombian economy. The growth rates of agriculture, manufacturing, and commerce, which together account for approximately 60 per cent of GDP, were in 1980-81 sharply lower than the rates of growth of the previous three years (Table 4).

The average growth rate of agricultural output declined from approximately 5 per cent in 1977-79 to less than 3 per cent in 1980-81. The slower growth of agricultural output in these last two years was due to the poor performance in the production of agricultural goods

consumed domestically, which declined in 1980 and had only a small increase in 1981. Unfavorable weather conditions and the reduction in the area used for growing some of the most important crops negatively affected the production of these agricultural goods. Since 1978 the rate of growth of manufacturing production has been decelerating, being actually negative in 1981, reflecting weak foreign demand and the deteriorating competitiveness of Colombian manufacturing sector. An experience similar to that of the manufacturing sector was registered in commercial activities after 1978. Commerce registered an average increase of only 2.3 per cent in 1980-81. The construction sector only recovered marginally from its 1979 contraction. In contrast, mining production exhibited a recovery, increasing in real terms by 7 per cent in 1980 and 4 per cent in 1981, principally as a result of increased extraction of gold, silver, and platinum, in response to the large price increases which occurred in late 1979, and increased petroleum production.

Table 4. Colombia: Real GDP at Market Prices by Sectorial Origin

	1977	1978	1979	1980	Est. 1981
<u>(Annual percentage change)</u>					
Total GDP	4.9	8.9	5.1	4.0	3.2
Agriculture	2.3	10.3	4.3	2.5	3.2
Mining	-3.9	4.4	-0.7	7.4	4.0
Manufacturing	4.1	8.5	4.6	2.6	-1.5
Construction	5.7	3.8	-1.8	1.8	2.8
Commerce	5.5	8.6	3.5	3.1	1.5
Transport	7.4	9.7	5.8	4.7)	
Public administration	3.7	7.6	5.2	7.2)	6.3
Other	7.5	9.4	8.5	6.3)	
<u>(As per cent of GDP)</u>					
Total GDP	100.0	100.0	100.0	100.0	100.0
Agriculture	23.0	23.2	23.0	22.7	22.7
Mining	1.1	1.0	1.0	1.0	1.0
Manufacturing	19.3	19.2	19.1	18.9	18.0
Construction	3.7	3.5	3.3	3.2	3.2
Commerce	17.1	17.0	16.8	16.7	16.4
Transport	6.6	6.6	6.6	6.7)	
Public administration	6.1	6.1	6.1	6.3)	38.7
Other	23.1	23.4	24.1	24.5)	

Source: Statistical Appendix Table 45.

The rapid increase in imports during 1980 and 1981 alleviated to some extent the pressures stemming from the rise in internal demand on price levels. Reflecting the sharp investment expansion in 1980-81, imports of capital goods, which accounted for about 40 per cent of Colombia's total merchandise imports, more than doubled in U.S. dollar terms during this period (see Table 24). Most of the capital goods imports were done by the manufacturing and transportation sectors; external purchases of these sectors amounted to nearly 90 per cent of total imports of capital goods in 1980-81. Imports of intermediate goods rose by almost 50 per cent in dollar terms from the 1979 level, while no significant increase occurred in consumer goods imports.

3. Developments in key production sectors

a. Agriculture

Following a very good crop year in 1978, real value added in the agricultural sector increased at an annual rate of about 3 per cent in 1979-81 (see Table 4). This more modest performance is due basically to the output performance in domestically consumed agricultural products, the production of which declined by 1.6 per cent in 1980 and increased by only 2 per cent in 1981 (Table 5 and Statistical Appendix Table 46) as a result of unfavorable weather and a reduction in the area planted for some of the most important crops (corn, rice, potatoes, barley, and sesame in 1980, and barley, sugar, and soybeans in 1981). Output of rice, corn, and potatoes, which together account for a large portion of the agricultural production for domestic consumption, recovered in 1981 in comparison with the previous year, when a marked decline was registered. In contrast, the crops of barley and soybean were disappointing in 1981, falling by about 45 per cent from the levels of 1980. Wheat production, although insufficient to meet domestic consumption demand, has been increasing significantly since 1979, by virtue of an expansion of the cultivated area and the higher yields obtained through the use of more resistant wheat varieties and modern farming techniques.

Agricultural production for export increased substantially in 1980-81, at an average annual growth rate of 6.5 per cent during the period. Coffee remains the most important export crop, contributing about one third of the total value of agricultural production. Registered production was 12.2 million 60-kilogram bags during the 1979-80 coffee year and 13.3 million bags in the 1980-81 coffee year. The output increases resulted basically from higher yields; the total area planted to coffee remained practically unchanged. Coffee presently is produced on a total of 1 million hectares; modern cultivation practices are employed in 30 per cent of this area, while traditional production procedures persist in the remainder. With the exception of tobacco in 1980 and sugar in 1981, all other exportable crops registered output increases in both years. Cotton production rose by 25 per cent in 1980 and 3.5 per cent in 1981, recovering from the damage caused by a spreading cotton blight that had resulted in an output drop of 40 per cent in 1978-79.

Table 5. Colombia: Value of Agricultural Production
(At constant 1970 prices)

	1977	1978	1979	1980	Est. 1981
(Annual percentage change)					
<u>Total</u>	<u>3.4</u>	<u>12.5</u>	<u>4.2</u>	<u>2.9</u>	<u>3.8</u>
<u>Exportable products</u>	<u>9.9</u>	<u>6.3</u>	<u>4.9</u>	<u>7.6</u>	<u>5.4</u>
Coffee	13.6	13.4	7.0	5.5	6.7
Cotton	17.6	-31.2	-14.8	25.5	3.5
Bananas	1.4	20.7	5.1	5.5	4.1
Sugar	-8.6	20.2	6.8	19.2	-0.5
Tobacco	7.0	-18.6	28.0	-20.5	3.6
<u>Products for domestic consumption</u>	<u>-3.6</u>	<u>19.3</u>	<u>3.5</u>	<u>-1.6</u>	<u>2.0</u>
Corn	-14.8	14.5	0.9	-1.9	3.1
Rice	-16.2	31.2	12.7	-7.0	0.4
Potatoes	6.1	24.0	-1.4	-12.2	21.7
Wheat	-14.8	-2.7	11.0	8.6	37.5
Barley	13.2	46.5	15.3	-20.2	-48.3
Yucca	2.4	3.6	-6.6	12.6	--
Brown sugar	0.6	15.2	1.9	0.3	-5.4
Plantains	2.0	18.9	2.0	5.0	2.2
Cocoa	11.6	14.7	4.2	6.6	17.9
Sesame	-36.1	6.5	13.6	-18.7	6.6
Soybean	37.1	27.1	11.4	6.1	-42.4

Source: Statistical Appendix Table 46.

The Colombian authorities use a system of support prices administered by the State Agricultural Marketing Agency (IDEMA) and a program of subsidized credit to the agricultural sector to encourage the production of crops which constitute an important part of the population's diet. The support price system covers eight commodities (sesame, rice, beans, corn, sorghum, soybeans, wheat, and barley) and guarantees farmers a price somewhat above their cost of production. The real price of all these commodities were increased in 1980-81, and larger increases were put into effect for barley and soybeans in 1981 with a view to encouraging an increase in supply (Statistical Appendix Table 47). IDEMA also maintains stockpiles of some foodstuffs, particularly of cereals, to mitigate price fluctuations, and because of this function is also Colombia's largest importer of foodstuffs.

The program of subsidized credit to the agricultural sector uses resources of the Agricultural Financing Fund (FFAP) under the supervision of the Banco de la Republica. The subsidized FFAP loans are channeled primarily through commercial banks and the Agricultural Credit Bank (Caja de Credito Agrario, Industrial y Minero), which are allowed to rediscount from 65 to 85 per cent of the total credit granted. Other financial institutions lending to the rural sector include the Livestock Bank (Banco Ganadero), the Coffee Bank (Banco Cafetero), and the Export Promotion Fund (PROEXPO).

A list of agricultural projects for the period 1981-84, presented to the Consultative Group for Colombia in September 1981, calls for investment in agriculture of approximately US\$900 million, roughly half of which is to be financed with external resources. This plan will absorb about 5 per cent of total investment programed for 1981-84 and will be used mainly to finance drainage and irrigation projects, construction of secondary road, and extension of rural electricity distribution lines.

b. Manufacturing production

Manufacturing output stagnated in 1980 and actually dropped in 1981, mainly as a result of the declining competitiveness of Colombian industry in both domestic and foreign markets (see Table 4). Industrial production costs rose because of increases in wages, raw material prices, and financial costs; in addition, electricity rationing in effect during a substantial portion of the 1980-81 period had a negative impact on the production costs of some industries. The increase in domestic costs of production, combined with a continuation of illegal imports and of import liberalization efforts, contributed to a decline in sales to the domestic market. The real effective appreciation of the peso, particularly in the first half of 1981, and the world economic slowdown reduced foreign demand for Colombian manufactured goods. As a result, average capacity utilization in manufacturing declined about 10 percentage points in the period 1980-81 from the level of the previous two years.^{1/}

Among industries producing consumer goods, textile and leather good enterprises registered output declines of approximately 4 per cent in 1980, and in 1981 the food product, beverages, and wooden furniture industries had declines of 6 per cent, 2 per cent, and 7 per cent, respectively (Statistical Appendix Table 48). Textile output recovered in the first nine months of 1981, registering an increase of 4 per cent over the same period one year earlier, but the industry continues to face difficulties caused by high domestic raw material prices, large inventories, and high interest rates. A recent government sponsored agreement between textile enterprises and cotton producers, whereby the

^{1/} Data on capacity utilization are based on a survey conducted by FEDESARROLLO, a private economic research foundation, covering 120 of Colombia's largest manufacturing enterprises.

textile industry was able to refinance its debt to official credit institutions resulted in a domestic price of cotton higher than world market prices. The principal textile producing firms are presently engaged in modernizing their production plants and equipment in an attempt to improve their competitive position. Output of the food product industry, which accounts for about 25 per cent of total manufactured output, stagnated in 1980 and declined in 1981, mainly as a result of a reduction in coffee processing activities during the last two years, including a reduction in 1981 equal to approximately one third of 1980 output. The rest of the food product sector registered relatively low rates of growth during 1980 and 1981.

Production of petroleum derivatives had the highest growth rates among the intermediate goods industries, as output increased by 9 per cent in 1980 and 12.5 per cent in 1981. This recovery from output declines in 1978-79 reflects the solution of technical difficulties at the country's largest gasoline refinery and a more flexible pricing policy followed by the Government since 1980 regarding petroleum derivatives. The wood and basic metal goods industries had production increases in 1981 of 10 per cent and of 6 per cent, respectively, that more than offset the output drops experienced in 1980. The estimated 3 per cent decline in the output of the nonmetallic minerals industry in 1981 reflects the modest performance of the construction sector during the first nine months of the year.

Production of metal goods, machinery, and transportation equipment together account for 18 per cent of total industrial production. With the exception of the nonelectric machinery sector, these capital goods industries experienced a marked production decline in 1980, the largest reduction taking place in the automotive branch of the transportation equipment industry. Automotive output continued to decline in 1981, mainly due to the shift in demand toward imported vehicles. Vehicle assembly firms experienced output drops of 12.5 per cent in 1980 and of approximately 26 per cent in the first eight months of 1981, with the strongest decline taking place in the production of industrial vehicles. The output of the metal goods industry also continued to follow a downward trend in 1981; that of the electrical machinery industry went from a 4 per cent decline in 1980 to a 9 per cent increase in 1981; and the output of the nonelectric machinery industry steadily increased by 11 per cent in 1980 and 4 per cent in 1981.

The investment programs of the industrial sector benefit from subsidized official credit lines whereby resources are made available by the Industrial Financing Fund (FFI) and the Private Investment Fund (FIP) under the supervision of the Banco de la Republica. FFI and FIP loans are channeled through financial corporations, commercial banks, and the Caja de Credito Agrario, Industrial y Minero, which can rediscount 60 to 85 per cent of the total loan volume. Official subsidized credit to manufacturing is also available with resources of the Export Promotion Fund (PROEXPO), for prefinancing of exports and financing of working capital of industrial export enterprises.

c. Mining and energy

The declining trend in mining production in Colombia was halted in 1980, when mining production increased by 7 per cent, basically because of the performance of metal extracting activities, and in 1981 when production increased by 4 per cent, primarily as a result of good oil exploration results. Reversing the declining trend observed in the second half of the last decade, production of gold expanded by 87 per cent, silver by 50 per cent, and platinum by 10 per cent in 1980, responding to the large price increases of these metals in late 1979 (Statistical Appendix Table 49). Gold and platinum output continued to grow in 1981, though at substantially lower rates than in the preceding year--6 per cent for gold and 3 per cent for platinum while silver output declined by 10 per cent. Production of iron continued to fluctuate markedly, increasing by 30 per cent in 1980 and then decreasing by 13 per cent in 1981. No production of nickel took place in 1980 and 1981 but production is expected to start in 1982. The construction and assembly stage of the nickel processing unit at Cerromatoso will be completed during the second half of 1982. This undertaking is being realized by a joint venture consisting of 45 per cent Colombian capital and 55 per cent foreign capital. The plant's average annual output of 42 million pounds of nickel will be destined basically for export and is expected to generate foreign exchange proceeds in the amount of US\$275 million a year.

The production of petroleum rose by 1.5 per cent in 1980, marking the end of a declining trend that had persisted for the last ten years; the reversal of the negative trend was confirmed by the 4 per cent increase observed in 1981 and the expansionary outlook for the industry in the near future. Consumption of petroleum derivatives increased at an average annual rate of 3.5 per cent during the period 1980-81 (Statistical Appendix Table 50). In recent years, the Colombian Government has sought to raise prices of petroleum derivatives to levels that more closely reflect the domestic scarcity of these products and the economic costs of bringing them to consumers. The price of regular gasoline, for example, was increased from the equivalent of US\$0.27 per gallon as of end-1977 to US\$0.93 per gallon as of end-1981 (Statistical Appendix Table 51).

The recovery of petroleum production starting in 1980 results from changes in the pricing policy followed by ECOPETROL, the state petroleum company, which since 1976 has paid international prices for petroleum crude extracted from new wells. Oil produced from wells in exploitation before 1976 is bought by ECOPETROL at different prices: one rate for the first 30 barrels per day, and a higher one for production above this amount, but both well below international prices. The Government has also changed its relationship with foreign and local corporations in order to encourage increased oil exploration and extraction. The participation of these corporations is governed by association contracts in which they accept full risk for exploration activities. If oil is discovered, ECOPETROL pays 50 per cent of the costs incurred in exploration and the oil extracted is distributed as follows: 40 per cent to

the state company, 40 per cent to the exploration corporation, and 20 per cent as royalties to the Government. This approach has been successful in significantly increasing private investment in oil exploration in recent years and expanding the volume of petroleum production. Although the 1980-81 production increase was attributable mainly to the recovery of existing wells, the discovery of new fields leads the Colombian authorities to believe that oil extraction will increase substantially in the next few years. The recently discovered fields at Arauca, Casanare, and Meta (which are scheduled to come into operation by 1985), together with increased production in the Huila field, will increase Colombian petroleum production by 35,000 barrels a day, equivalent to an increase of 25 per cent over the 1981 output in the next three years. Installed refinery capacity is sufficient to process the entire present and projected domestic production. The processing plants of the refineries of Barrancabermeja and Cartagena--which make up over 90 per cent of installed refining capacity--were recently enlarged by 20 per cent.

The authorities expect to change energy consumption patterns gradually during this decade by adjusting consumption to the country's available primary energy sources. Petroleum represents today approximately 50 per cent of total energy consumption, natural gas 22 per cent, coal 21 per cent, and hydroelectricity 7 per cent. In comparison, an inventory of existing energy resources shows that the hydroelectric potential accounts for 55 per cent of available energy reserves, coal for 40 per cent, natural gas for 4 per cent, and petroleum for 1 per cent. Electricity generating capacity equaled 4.5 million kilowatts in 1980 and was expected to increase to 5.1 million kilowatts in 1981. However, mainly because of the delay in the start of operation of the 500,000-kilowatt Chivor II hydroelectric power plant, the projected increase was not achieved, leading to the imposition of electricity rationing in 1981. About 1.8 million kilowatts will be added to the 1981 electric generating capacity during the next two years as projects now underway are completed, and the rationing in effect will tend to become less strict after the first half of 1982. Average electricity tariffs increased by 28 per cent a year in 1980 and 1981; the largest increases were made on residential tariffs.

Domestic extraction and consumption of coal equaled 5.5 million metric tons in 1981. Domestic consumption is projected to reach 8.5 million tons by 1986, while production is expected to amount to 18 million tons by the same year, leaving a significant exportable surplus. This addition to coal mining volume will come about as a result of the conclusion of the initial stages of the exploration projects at El Cerrejon deposits. The deposits in the northern area at El Cerrejon are being developed by INTERCOR, an EXXON affiliate, and CARBOCOL in a joint venture, and the central area deposits are being developed jointly by CARBOCOL and Spanish-Colombian private interests.

Finally, natural gas production grew at an average annual rate of 6 per cent in 1980-81. Projects are currently in study for utilization of natural gas to produce fertilizers (ammonia and urea) and methanol, the latter for use as a gasoline substitute.

d. Construction

During 1980 and 1981 construction activity recovered somewhat from its depressed 1979 level. Real value added in the construction sector grew by 2 per cent in 1980 and an estimated 3 per cent in 1981. The growth in 1980 is attributable essentially to increased public works; demand for housing dropped, as evidenced by the decline in licenses issued for housing construction (Table 6). In 1981 the demand for housing recovered as evidenced by a 7.5 per cent increase in approved licenses for housing construction during the first nine months of the year. This recovery was probably attributable to a partial rent decontrol implemented by the Colombian authorities in the second half of 1980, whereby rents are to be adjusted by an annual correction of 10 per cent for current leases, provided inflation equals or exceeds this rate, and frees rents charged on new leases from control.

Table 6. Colombia: Indicators of Construction Activity

(Annual percentage change)

	1977	1978	1979	1980	Jan.-Sept.	
					1980	1981
Total approved construction licenses (area)	18.1	12.8	-14.8	-3.5	-4.4	2.5
Approved licenses for housing construction (area)	19.5	29.6	-32.9	-7.8	-3.4	7.6
Construction costs (at current prices)	23.9	38.1	32.7	34.1	27.5	19.0
Steel	(5.4)	(59.2)	(16.1)	(32.3)	(18.7)	(14.3)
Cement	(20.9)	(25.5)	(29.4)	(74.5)	(56.7)	(2.5)
Brick	(47.4)	(45.4)	(36.4)	(19.2)	(12.3)	(9.7)
Cement production (volume)	-8.7	25.9	2.5	2.2	0.5	4.6
Steel production (volume)	-17.1	26.9	-11.8	12.4	19.8	-6.4

Source: Banco de la Republica.

Construction costs increased by 34 per cent in 1980 but by only 19 per cent in the first nine months of 1981 against 28 per cent in the same period in 1980. The decline in the rate of construction cost increase in 1981 is attributable primarily to smaller rises in the prices of iron ore, cement, and bricks.

4. Prices, employment, and wages

Inflationary pressures have stayed fairly constant during the last three years in Colombia. The consumer price index grew at an annual rate of 25 per cent in 1979 and at an average annual rate of 27 per cent in 1980 and 1981. The food component of the CPI rose by 25 per cent in 1980 and 29 per cent in 1981 (Table 7 and Chart 1).^{1/} The increase in food prices reportedly resulted from delays in the marketing of agricultural produces and increased demand of vegetables and meat from neighboring countries. The housing component of the CPI also rose markedly in the 12-month period ended September 1981, primarily due to the partial decontrol in residential rents, mentioned in the previous section.

The wholesale price index rose by 25 per cent in 1980 and 23.5 per cent in 1981 (Statistical Appendix Table 57). Wholesale prices increased in 1981 at a slower pace because of the decline in the annual rate of growth of raw material prices which fell from 21 per cent in 1980 to 15 per cent in 1981. Meanwhile, the annual growth rate of prices of consumption and capital goods remained virtually unchanged, at 31 per cent and 24 per cent, respectively.

Some food items, rents, public utility tariffs, gasoline, bus fares, and other consumer goods are subject to price controls (Statistical Appendix Table 56). There was relatively little change during the last two years in the list of these products. The relative weight of products and services under price control in the consumer price index increased from 37.1 per cent in 1979 to 39.6 per cent in 1981, due mainly to the phasing of controls on private school tuition and room and board charges. On the other hand, as mentioned above, rents were partially decontrolled. In addition to the price control system, the State Agricultural Marketing Agency (IDEMA) intervenes in the market to prevent broad swings in the prices of agricultural products and manages stocks of such products to this end.

The urban unemployment rate rose from 8.9 per cent of the labor force in September 1979 to 9.1 per cent in September 1980 and then declined in 1981 to 8.1 per cent in September of that year, the lowest rate registered in the last three years. The steepest drop in unemployment in 1981 occurred in Bogota, where unemployment fell from 7.5 per cent in September 1979 to 6.8 per cent in September 1980 and

^{1/} Unless otherwise noted, rates of inflation refer to percentage increases in the national CPI for low-income groups, measured from December to December. There is also available a CPI for middle-income groups, but its movements during the period under review did not differ substantially from those of the CPI for low-income groups.

Table 7. Colombia: National Cost of Living Index for Low-Income Groups ^{1/}

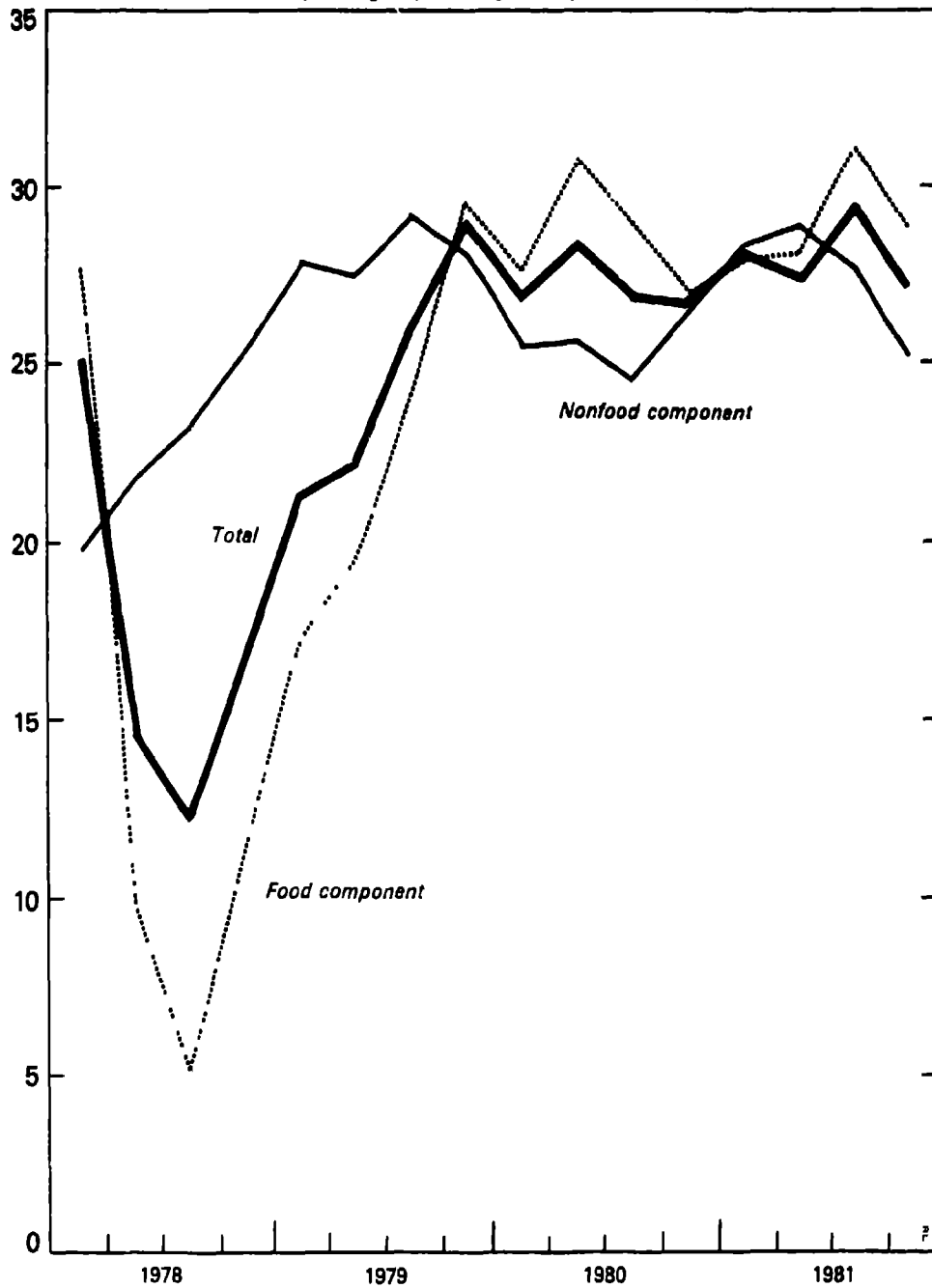
	All Goods	Food	Nonfood			
			Total	Housing	Clothing	Other
<u>(Annual average percentage change)</u>						
1977	34.8	43.1	23.2	22.0	22.9	24.7
1978	17.1	13.5	23.2	21.5	25.0	24.1
1979	24.7	22.8	28.2	28.3	26.7	28.9
1980	27.2	28.7	25.6	27.8	20.3	22.7
1981	28.1	28.5	27.6	31.8	20.2	21.6
<u>(Percentage change over 12-month period)</u>						
<u>1977</u>						
December	29.3	35.0	21.0	18.9	22.8	22.5
<u>1978</u>						
December	17.8	11.9	27.0	26.8	26.8	27.5
<u>1979</u>						
March	22.3	18.5	28.1	27.6	27.3	30.1
June	21.9	19.0	27.4	28.5	26.8	25.0
September	28.4	27.5	30.1	30.2	29.3	30.2
December	29.8	32.1	27.1	27.5	25.5	26.9
<u>1980</u>						
March	24.9	25.6	24.1	25.5	21.9	22.1
June	28.5	30.7	25.8	27.5	21.0	23.9
September	26.2	27.9	24.3	27.9	17.5	19.6
December	26.5	25.4	27.7	31.8	18.7	22.8
<u>1981</u>						
March	29.5	29.9	29.4	34.4	19.6	21.3
June	28.3	27.8	28.9	33.8	19.9	21.9
September	28.8	30.3	27.0	30.5	21.1	22.0
October	27.8	29.2	25.9	29.3	21.3	20.5
November	27.0	28.7	24.8	27.5	20.7	20.8
December	26.7	28.2	24.8	25.5	21.4	24.8

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

^{1/} Weights used for the cost of living index before January 1979 are food, 49.3 per cent; housing 23.6 per cent; clothing, 9.9 per cent; and other items, 17.2 per cent. Weights used for 1979 and after are 52.7 per cent, 28.4 per cent, 5.6 per cent, and 13.3 per cent, respectively.

CHART 1
COLOMBIA
CONSUMER PRICE INDEX¹

(Quarterly averages- percentage change over four quarters)



Source: Banco de la Republica and Fund staff estimates
¹Consumer price index for low income groups

5.2 per cent in September 1981 (Table 8). The decline in the urban unemployment rate during a period in which manufacturing output contracted slightly could be attributable in part to the fact that the labor force participation rate, which had been practically unchanged from 1979 to 1980, dropped slightly in 1981 as unsuccessful job seekers abandoned the formal employment market. In addition, employment may have been held up by the fact that firms require government permission to discharge a major part of their labor force because of poor economic conditions, a policy which constrains the release of part of the labor force at a time of contraction in manufacturing output.

Official wage policy in Colombia extends only to the determination of salary increases for government employees and the setting of the minimum wages for workers in metropolitan and rural areas. Minimum wage levels are set by a Tripartite Commission including representatives of the Government, business, and labor. Private sector wages are set in collective bargaining negotiations which are held every two years and cover approximately one fifth of the labor force. Collective bargaining negotiations in the private sector resulted in wage increases of approximately 29 per cent in 1980 and 30 per cent in 1981 (Table 9). The Government's role in the collective bargaining process is limited to arbitrating negotiations still not concluded after 40 days of strike. During 1980 and 1981 the increases in government salaries and minimum wages slightly exceeded the rise in the cost of living. The Government announced that effective January 1982, public sector wages will increase by 26-30 per cent and metropolitan and rural minimum wage levels by 30 per cent and 32 per cent, respectively (Statistical Appendix Table 54). In addition, the number of workers covered by the higher, metropolitan minimum wage will increase in 1982, because the minimum size for a city to be included in that category was reduced from 50,000 to 30,000 inhabitants.

Table P. Colombia: Unemployment and Participation Rates

(in per cent)

	Total	Barranquilla	Bogotá	Bucaramanga	Cali	Manizales	Medellín	Pasto
<u>I. Open Unemployment</u>								
1977								
March	10.2	10.6	8.9	8.2	11.5	12.3	12.7	10.8
June 1/	9.8	8.8	7.8	...	10.0	...	13.5	...
September	9.4	8.3	7.2	6.4	11.9	11.4	13.7	9.8
December 1/	8.0	7.3	6.5	...	8.4	...	11.4	...
1978 2/								
March	9.7	8.2	9.0	6.8	10.6	8.8	12.7	11.9
September	9.2	6.9	6.7	6.5	9.1	6.0	12.4	10.0
December 1/	8.4	7.1	6.3	...	9.6	...	12.9	...
1979								
March	9.2	8.6	6.5	6.2	11.8	6.1	13.5	9.2
June 1/	8.5	6.2	6.1	...	10.4	...	13.9	...
September	8.9	5.8	7.5	5.8	11.0	9.5	12.6	10.5
December 1/	8.6	4.5	6.3	...	9.6	...	13.4	...
1980								
March	10.8	9.2	9.5	7.8	11.7	14.7	14.7	10.4
June 1/	9.3	7.5	7.8	...	10.8	...	12.9	...
September	9.1	7.8	6.8	3.7	10.8	9.6	13.7	10.2
December 1/	9.2	8.0	7.6	...	6.4	...	16.2	...
1981								
March	9.1	12.3	5.6	8.5	9.2	15.8	15.9	8.7
June 1/	8.4	11.8	4.9	8.0	9.1	10.2	14.9	9.9
September	8.1	11.6	5.2	5.8	10.1	14.7	12.2	10.5
December 1/	...	...	...	...	...	...	...	...
<u>II. Participation Rates</u>								
1977								
March	36.1	32.0	36.8	36.9	37.5	34.3	34.9	39.5
June 1/	36.5	33.2	36.7	...	38.3	...	36.1	...
September	36.8	32.8	36.7	36.2	38.9	36.3	37.6	39.2
December 1/	36.2	31.7	36.2	...	38.1	...	37.3	...
1978 2/								
March	36.7	33.7	36.8	36.5	38.5	31.6	37.6	37.1
September	37.6	33.2	37.9	35.8	40.4	35.8	37.8	39.0
December 1/	37.5	33.7	37.0	...	38.8	...	40.2	...
1979								
March	37.9	32.8	38.5	33.7	39.7	32.3	39.7	36.7
June 1/	38.1	33.5	37.9	...	40.0	...	39.5	...
September	38.8	32.8	39.3	35.3	42.1	35.3	39.7	38.1
December 1/	40.2	32.7	40.3	...	44.2	...	40.7	...
1980								
March	40.5	33.7	41.5	37.9	43.7	36.9	40.7	36.4
June 1/	40.7	34.8	42.9	...	43.2	...	40.2	...
September	39.6	33.3	39.5	36.8	42.9	38.2	41.8	37.5
December 1/	40.3	35.2	40.6	...	38.9	...	43.3	...
1981								
March	38.8	36.0	38.0	40.8	40.6	36.5	40.5	38.7
June 1/	38.6	35.2	38.5	39.7	39.2	34.6	40.3	39.0
September	39.2	37.8	39.2	38.5	41.8	33.9	38.6	39.3
December 1/	...	..	...	..	...	...	...	...

Source: National Statistical Department (DANE).

1/ In June and December the survey is conducted only for the four major cities of Colombia.

2/ In 1978 comparable survey data are not available for June.

Table 9. Colombia: Nominal and Real Wage Indicators
in Manufacturing, Low-Income Groups

	Nominal Wage	Real Wage 1/	Nominal Wage	Real Wage
	(Index: March 1974 = 100)		(Percentage change over 12 months)	
<u>1976</u>				
March	144.7	99.0	22.3	4.7
June	149.6	96.7	22.5	3.8
September	159.9	97.7	26.5	3.5
December	170.5	98.8	24.6	-1.0
<u>1977</u>				
March	178.8	93.7	23.6	-5.4
June	193.7	87.2	29.5	-9.8
September	193.3	86.8	20.9	-11.2
December	222.5	99.9	30.5	0.9
<u>1978</u>				
March	238.1	101.2	33.2	8.0
June	247.1	98.4	27.6	12.8
September	258.7	103.2	33.8	18.9
December	285.1	108.6	28.1	8.7
<u>1979</u>				
March	314.0	109.1	31.9	7.8
June	336.3	110.0	36.1	11.8
September	349.7	108.6	35.2	5.2
December	372.3	109.2	30.6	0.6
<u>1980</u>				
March	389.9	108.5	24.2	-0.6
June	431.0	109.7	28.2	-0.3
September	455.8	122.2	30.3	3.3
December	479.5	111.2	28.8	1.8

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

1/ Nominal wage index deflated by cost of living index for low-income groups.

III. The Public Sector 1/

1. Overall trends

During the period 1977-79, fiscal policy aimed mainly at offsetting the inflationary pressures originating elsewhere in the economy. Investment expenditure, while growing in real terms, was constrained by the limits set on the public sector deficit, which fluctuated between 0.2 and 0.4 per cent of GDP (Table 10 and Statistical Appendix Table 58). In 1980 and 1981, fiscal policy remained fairly conservative despite an acceleration of investment activity, with the overall public sector deficit rising very moderately with respect to GDP. Most of the overall public sector deficit continued to be financed by net use of foreign long-term loans.

In 1980 public sector current revenue grew strongly in real terms, mostly due to an increase in nontax revenues of the Central Administration. At the same time current expenditure increased more moderately despite higher interest payments and transfers. As a result, public sector savings widened from 4.7 per cent of GDP in 1979 to 5.3 per cent in 1980. In 1981, current revenue registered mixed results: sales of goods and services grew marginally with respect to GDP, and nontax revenue of the Central Administration continued to grow in real terms, but tax revenue declined in real terms mainly because income tax receipts did not keep up with the increase in income. Overall, current revenue grew slightly in relation to GDP and current expenditure rose somewhat more strongly, again because of higher interest outlays and transfers. As a result, public sector savings declined marginally to 5.1 per cent of GDP.

Both in 1980 and in 1981, public sector investment accelerated due to the launching, in 1979, of the National Integration Plan (PIN), a four-year investment program for the period 1979-1982. Public sector investment increased in real terms by 17 per cent a year on the average, and in relation to GDP rose from 5.1 per cent of GDP in 1979 to 6.1 per cent in 1980 and 6.7 per cent in 1981 (see Table 10). This investment was concentrated mainly in the fields of energy, transportation, communications, and social services, with the aim of strengthening the infrastructure of the economy, and improving the living standards of the poorest groups of the population. Eighty two per cent of the planned investment for the first two and one half years of the PIN was implemented. The rate of execution was higher at about 95 per cent for the investment in social programs, while it ranged around 75 per cent for fixed investment in physical infrastructures.

1/ The Colombian public sector includes the Central Administration, the Social Security Fund, the nonfinancial public enterprises, and a large number of decentralized agencies including rotating funds. In turn the Central Administration comprises the legislative, judicial, and executive branches of the Government, including governmental ministries and departments, and the police.

Table 10. Colombia: Public Sector Operations

(In per cent of GDP)

	1977	1978	1979	1980	Est. 1981
<u>Current revenue</u>	<u>14.0</u>	<u>16.0</u>	<u>16.4</u>	<u>17.4</u>	<u>17.7</u>
Tax revenue	8.3	8.5	8.1	8.3	7.9
Social security contributions of private sector	1.4	1.5	1.7	1.6	1.7
Net sales of goods and services	2.7	3.9	4.2	4.2	4.3
Other revenue	1.6	2.1	2.4	3.3	3.8
<u>Current expenditure</u>	<u>9.9</u>	<u>11.5</u>	<u>11.7</u>	<u>12.1</u>	<u>12.6</u>
Wages and salaries	4.1	4.5	4.7	4.7	4.7
Other purchases of goods and services	1.9	2.5	2.2	2.0	1.9
Interest payments	1.2	1.2	1.3	1.5	1.9
Transfers	2.7	3.3	3.5	3.9	4.1
<u>Current surplus</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 deficit (-)</u>	<u>-0.4</u>	<u>-0.2</u>	<u>-0.4</u>	<u>-0.8</u>	<u>-1.6</u>
<u>Financing</u>	<u>0.4</u>	<u>0.2</u>	<u>0.4</u>	<u>0.8</u>	<u>1.6</u>
Long-term external (net)	0.6	0.4	1.9	1.5	1.5
Banking system (net)	0.4	-0.3	-1.9	-0.6	0.1
Others	-0.6	0.1	0.4	-0.1	--

Sources: Statistical Appendix Tables 42 and 58.

In 1980, the rise in public savings was not sufficient to entirely offset the larger investment expenditure, and the overall deficit rose from 0.4 per cent of GDP in 1979 to 0.8 per cent of GDP. In 1981 the sluggishness of current savings, coupled with the acceleration in public investment, caused the overall deficit to rise further to 1.6 per cent of GDP. While project related loans from multilateral organizations continued to provide the bulk of the deficit financing in 1980/81, the Government also contracted some general purpose loans from commercial banks.

2. Central Administration operations

a. Overall trends

The trends in public finances reflected mainly the operations of the Central Administration during the period under review. In relation to GDP, the revenue of the Central Administration rose sharply in 1980, mostly reflecting higher nontax revenue (Table 11 and Statistical Appendix Table 59) and marginally in 1981. Although current expenditure continued its upward trend, the current account surplus of the Central Administration was equivalent to 2.7 per cent in both 1980 and 1981. As already indicated, investment outlays accelerated during those years with the result that the overall surplus of 1979 disappeared in 1980 and turned into a deficit in 1981.

Table 11. Colombia: Operations of the Central Administration

(In per cent of GDP)

	1977	1978	1979	1980	Est, 1981
<u>Current revenue</u>	<u>8.9</u>	<u>9.5</u>	<u>9.5</u>	<u>10.5</u>	<u>10.6</u>
<u>Current expenditure</u>	<u>6.2</u>	<u>6.7</u>	<u>7.2</u>	<u>7.8</u>	<u>7.9</u>
<u>Current account surplus or deficit (-)</u>	<u>2.7</u>	<u>2.8</u>	<u>2.3</u>	<u>2.7</u>	<u>2.7</u>
<u>Capital expenditure</u>	<u>1.8</u>	<u>1.8</u>	<u>2.1</u>	<u>2.7</u>	<u>3.4</u>
<u>Overall surplus or deficit (-)</u>	<u>0.9</u>	<u>1.0</u>	<u>0.2</u>	--	<u>-0.7</u>
<u>Financing</u>	<u>-0.9</u>	<u>-1.0</u>	<u>-0.2</u>	--	<u>0.7</u>
<u>External (net)</u>	<u>-0.2</u>	<u>-0.2</u>	<u>1.3</u>	<u>1.1</u>	<u>0.7</u>
<u>Banking system (net)</u>	<u>-0.3</u>	<u>-0.5</u>	<u>-1.9</u>	<u>-0.6</u>	--
<u>Others</u>	<u>-0.4</u>	<u>-0.3</u>	<u>0.4</u>	<u>-0.5</u>	--

Sources: Statistical Appendix Tables 42 and 59.

In addition to using project loans from multilateral institutions and from foreign governments, both in 1980 and in 1981 the Central Administration borrowed from foreign commercial banks (including a US\$350 million loan in 1980, and two US\$200 million loans in 1981). In 1980 net external financing exceeded the deficit and government deposits at the Banco de la Republica increased; the Government also amortized

other domestic debts. The accumulation of deposits stopped in 1981, as external financing was just sufficient to cover the Central Administration's overall deficit.

b. Revenue 1/

In 1980 the Central Administration's current revenues grew from 9.5 per cent to 10.5 per cent of GDP; they increased marginally to 10.6 per cent of GDP in 1981 (Table 12 and Statistical Appendix Table 60). In 1980 the growth of current revenues was due to higher nontax revenue, while tax receipts grew about in line with GDP as an increase in indirect tax receipts compensated for a marginal decline in income tax collections. In 1981 nontax revenue continued to grow, to 2.7 per cent of GDP, but tax revenues declined from 8.5 per cent of GDP in 1980 to 8.1 per cent of GDP. As a result of these trends, the share of tax revenue in the current revenues of the Central Administration declined steadily from 86 per cent of current revenues in 1979, to 75 per cent in 1981.

Table 12. Colombia: Central Administration Revenue
(As per cent of GDP)

	1977	1978	1979	1980	Est. 1981
<u>Total cash revenue</u>	<u>8.9</u>	<u>9.5</u>	<u>9.5</u>	<u>10.5</u>	<u>10.6</u>
<u>Taxes paid with tax credit certificates</u>	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>
<u>Total revenue including taxes paid with tax credit certificates</u>	<u>9.0</u>	<u>9.6</u>	<u>9.7</u>	<u>10.7</u>	<u>10.8</u>
Taxes on income and property	3.4	3.4	3.3	3.2	2.8
Taxes on international trade	2.3	2.3	2.1	2.2	2.0
Customs and surcharges	(1.4)	(1.5)	(1.4)	(1.6)	(1.6)
Coffee export tax	(0.9)	(0.8)	(0.7)	(0.6)	(0.4)
Taxes on goods and services	2.4	2.6	2.7	2.8	3.1
Sales taxes	(1.8)	(2.0)	(2.0)	(2.1)	(2.1)
Gasoline tax	(0.6)	(0.6)	(0.7)	(0.7)	(1.0)
Other taxes	0.4	0.4	0.3	0.3	0.2
Stamp taxes	(0.3)	(0.3)	(0.3)	(0.3)	(0.2)
Other	(0.1)	(0.1)	(--)	(--)	(--)
Nontax revenue	0.5	0.9	1.3	2.2	2.7
Fees and fines	(0.2)	(0.2)	(0.1)	(0.2)	(0.2)
Exchange profits	(0.2)	(0.3)	(0.6)	(1.2)	(1.5)
Net income from exchange	(0.1)	(0.4)	(0.6)	(0.8)	(1.0)

Sources: Statistical Appendix Tables 42 and 60.

1/ For a summary of Colombia's tax system, see Appendix II.

The sluggishness of tax revenue in 1980 is mainly attributable to the decline in real terms of income and wealth tax receipts, which is understated inasmuch as income tax receipts in 1980 included collection of taxes which were due at the end of 1979 but had been postponed into 1980 because of labor unrest in the tax administration department of the Ministry of Finance. Income and wealth tax receipts declined further to 2.8 per cent of GDP in 1981. As a result, the share of these taxes in total revenues declined from 33-1/2 per cent in 1979 to about 26 per cent in 1981. A number of factors explain the poor performance of income tax revenues. These include a small tax base, a high and growing level of evasion, and deficient tax administration. The April 1979 Tax Law,^{1/} while allowing a fuller indexation of the tax rates, introduced numerous exemptions, further reducing the tax base.

The system for tax assessment and appeal is slow and the penalty rate for underpaying income taxes is rather small which does not help reduce the incentive to underdeclare income in the tax returns. The tax administration has two years in which to check the tax declaration presented by an individual or corporation, and decide whether to dispute it. In case of a dispute, the taxpayer can appeal, a process which may take up to a further two years. If the administration cannot prove its contention within this period, the taxpayer's version is accepted. If it can prove its contention, the taxpayer must pay with interest for the period since the dispute was initiated. Until 1980, the interest only was payable for part of the period of the effective credit, but since 1981, a monthly interest rate of 2.5 per cent is paid on undeclared income.

During both 1980 and 1981 revenues from taxes on domestic transactions increased in real terms, from 2.7 per cent of GDP in 1979 to 3.1 per cent of GDP in 1981, reflecting mostly buoyant receipts from the gasoline tax, because of the progressive adjustment of gasoline prices to inflation and to international oil prices. The price of gasoline was raised in real terms in 1979 and, in October 1980, it was increased from Col\$26 a gallon to Col\$44 a gallon. In December 1981 it was raised further to Col\$55 a gallon (equivalent to US\$0.93 a gallon). Revenues from sales taxes increased in line with real income. Taxes on international trade grew in line with GDP in 1980, and declined marginally in 1981, mainly because of the fall in receipts from the coffee export tax; the revenues from other customs taxes continued to increase, as imports increased in dollar terms; however, the ratio of import duty collections to total non-oil imports declined slightly from 13 per cent in 1979 to 12.8 per cent in 1981. The amount of taxes paid through the use of CAT's (Certificados de Abono Tributario)^{2/} did not increase in real terms in 1980 and 1981, as the rates at which these certificates were granted remained unchanged.

^{1/} See SM/80/40, Appendix III.

^{2/} These certificates, which can be used in place of cash for paying taxes, are granted as a subsidy to minor exports. They can be traded on the bond market.

The growth in nontax revenues which took place in both 1980 and 1981 was due to an increase in revenues of the Banco de la Republica from foreign exchange transactions (registered in its special exchange account but legally belonging to the Government and transferred to it on a monthly basis). The revenues from foreign exchange transactions arise from investment abroad of Colombia's foreign reserves and from the purchase and sale of foreign exchange, because of the practice of the Banco de la Republica of accounting the value of foreign exchange sold to importers on the basis of the original purchase price. Given Colombia's system of managing the exchange rate, this practice gives rise to a margin between the value at which the cost of the foreign exchange is accounted for and the price at which it is sold (which is the exchange rate of the day, plus a 0.4 per cent commission). The amount of the earnings varies with the speed of devaluation of the Colombian peso, and with the value of foreign exchange sales. Revenues from foreign exchange transactions have nearly tripled between 1979 and 1981 due to higher interest rates in the international markets, the increased value of imports, and the continuous depreciation of the Colombian peso.

c. Expenditure

In relation to GDP, Central Administration expenditure grew gradually from 9.3 per cent of GDP in 1979 to 11.3 per cent in 1981 (Table 13, and Statistical Appendix Table 61). An important part of the growth in expenditure reflected increased transfers to the rest of the public sector related to the implementation of investment programs included in the PIN. As a result, capital expenditure grew from 2.1 per cent of GDP in 1979 to 3.4 per cent in 1981,^{1/}

In 1980, current expenditure also grew in relation to GDP, mostly because of an increase in transfers to the rest of the public sector, and in particular to local authorities. These latter transfers, which have become the single most important item of current expenditure (accounting for about 30 per cent of current outlays in 1981), are largely outside the direct control of the Government, as they are in the form of automatic transfers of earmarked revenues to specific entities. Thirty per cent of the revenues from sales tax are automatically transferred to the Municipalities and the Pension Funds of the Departments and Municipalities; 15 per cent of all current revenues--net of the amount transferred to Municipalities and local Pension Funds--is transferred to local entities which operate in the fields of health and education. (Other cases of earmarking of tax revenues are indicated in Appendix II). Moreover, in 1980 and 1981 the transfers to local authorities exceeded the amounts earmarked because of a policy aimed at strengthening the supply of health and education services, which are mostly the responsibility of local entities. In 1981 the rate of

^{1/} According to preliminary estimates, during the period 1980-81, about 40 per cent of Central Administration investment was directed toward the electricity and mining sector, and infrastructure, including communications, and the rest toward social programs.

growth of total current expenditures slowed down somewhat, due to tight control on expenditures for goods and services, and wages and salaries. The Government established an upper limit of 20 per cent on the rate of growth of purchases of goods and services, while outlays for remunerations showed no change in real terms, and social security payments declined in relation to GDP. The slower growth of these components of government spending compensated for the continuing strong rise of transfers to local authorities and interest payments on public debt, about 80 per cent of which represented interest on foreign debt.

Table 13. Colombia: Central Administration Expenditure

(As per cent of GDP)

	1977	1978	1979	1980	Est. 1981
<u>Total expenditure</u>	<u>8.0</u>	<u>8.5</u>	<u>9.3</u>	<u>10.5</u>	<u>11.3</u>
<u>Current expenditure</u>	<u>6.2</u>	<u>6.7</u>	<u>7.2</u>	<u>7.8</u>	<u>7.9</u>
Wages and salaries	2.3	2.3	2.5	2.6	2.5
Remuneration	(1.6)	(1.8)	(1.9)	(1.9)	(1.9)
Social security contributions	(0.7)	(0.5)	(0.6)	(0.7)	(0.6)
Other goods and services	0.4	0.7	0.6	0.5	0.5
Transfers	2.9	3.3	3.6	4.1	4.2
Rest of consolidated					
public sector	(1.1)	(1.1)	(1.2)	(1.5)	(1.4)
Local governments	(1.7)	(2.1)	(2.0)	(2.3)	(2.4)
Other	(0.1)	(0.1)	(0.4)	(0.3)	(0.4)
Interest and commissions	0.5	0.4	0.5	0.5	0.7
<u>Capital expenditure</u>	<u>1.8</u>	<u>1.8</u>	<u>2.1</u>	<u>2.7</u>	<u>3.4</u>
Fixed investment	0.3	0.2	0.1	0.3	0.2
Capital grants	1.5	1.6	2.0	2.4	3.2
Rest of consolidated					
public sector	(1.4)	(1.5)	(1.9)	(2.3)	(3.1)
Other	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)

Sources: Statistical Appendix Tables 42 and 61.

In late 1981 the Government presented to the Congress a number of measures aimed at controlling the growth of current transfers. The measures fix limits to the amount of some transfers, and better specify the types of expenditures for which the transfers can be utilized. In order to increase the financial self-sufficiency of the local authorities, and decrease their dependence on Government transfers, a municipal tax was introduced in September 1981. The tax is levied on local branches of financial and insurance companies and banks.

d. The deficit and its financing

In 1980 the increase in the Central Administration capital expenditure was largely covered by an increase in overall savings, as sharply increased revenues from the special exchange account more than offset the increase in current expenditures. As a result, the overall position of the Central Administration deteriorated only marginally. However, the Central Administration's net foreign financing was positive for the second year in a row. The Central Government contracted a US\$350 million syndicated loan with foreign private banks to finance investment projects. Delays in foreign loans utilization resulted in an overall excess financing of the Government, leading to an increase in the Government's deposits in the Banco de la Republica of Col\$10.5 billion (Statistical Appendix Table 59).

In 1981, savings of the Central Government did not increase, and the rise in capital expenditure therefore was fully reflected in an increase of the overall Central Government deficit. This deficit was financed in part through further recourse to the international financial markets (two syndicated loans provided US\$400 million) and use of multi-lateral and bilateral project loans; the net position of the Central Administration with respect to the banking system is estimated to experience little change in 1981.

3. The rest of the public sector

The rest of the public sector, as consolidated in Table 14 and in Table 62 of the Statistical Appendix, is composed of approximately 120 entities.^{1/}

In 1980, current revenues of the rest of the public sector increased by about 1/2 per cent of GDP to 9.1 per cent of GDP because of higher transfers from the Central Administration; revenues from sales of goods and services grew in line with GDP. In 1981, as transfers from the Central Administration grew less rapidly, current revenues are estimated to have remained unchanged in real terms, notwithstanding a marginal increase in revenues from sales of goods and services. The sales of goods and services of the rest of the public sector benefitted from the policy of indexing public tariffs.^{2/} During 1981 the tariffs of many public entities were raised in real terms in order to generate internal resources for financing their investment programs thus, for instance, telephone tariffs were raised by 70 per cent in 1981

^{1/} The consolidation is based on the Annual Report of the Controller General. The entities included in the report are mainly public institutions and public enterprises at national level. Most of the entities at department and municipal levels are excluded from consolidation.

^{2/} Tariff levels of public utilities are administered by a Tariff Committee, which evaluates on a case by case basis the appropriateness of the tariff level of each company, on the basis of the cost structure and investment program of the company.

Table 14. Colombia: Operations of the Rest of the Public Sector

(As per cent of GDP)

	1977	1978	1979	1980	Est. 1981
<u>Current revenue</u>	<u>6.9</u>	<u>8.4</u>	<u>8.8</u>	<u>9.1</u>	<u>9.1</u>
Net sales of goods and services	<u>2.7</u>	<u>3.9</u>	<u>4.2</u>	<u>4.2</u>	<u>4.3</u>
Social security contributions of private sector	1.4	1.5	1.7	1.6	1.7
Transfers from Central Government	1.7	1.8	1.8	2.2	2.0
Other revenue	1.1	1.2	1.1	1.1	1.1
<u>Current expenditure</u>	<u>5.5</u>	<u>6.7</u>	<u>6.4</u>	<u>6.5</u>	<u>6.7</u>
Wages and salaries	<u>2.4</u>	<u>2.9</u>	<u>2.9</u>	<u>2.8</u>	<u>2.8</u>
Other purchases of goods and services	1.5	1.8	1.6	1.4	1.4
Interest payments	0.7	0.9	0.8	1.0	1.2
Transfers	0.9	1.1	1.1	1.3	1.3
<u>Current account surplus</u>	<u>1.4</u>	<u>1.7</u>	<u>2.4</u>	<u>2.6</u>	<u>2.4</u>
<u>Capital transfers</u>	<u>1.4</u>	<u>1.6</u>	<u>1.9</u>	<u>2.3</u>	<u>3.1</u>
<u>Capital expenditure</u>	<u>4.1</u>	<u>4.5</u>	<u>4.9</u>	<u>5.7</u>	<u>6.4</u>
<u>Overall deficit (-)</u>	<u>-1.3</u>	<u>-1.2</u>	<u>-0.6</u>	<u>-0.8</u>	<u>-0.9</u>
<u>Financing</u>	<u>1.3</u>	<u>1.2</u>	<u>0.6</u>	<u>0.8</u>	<u>0.9</u>
Long-term external (net)	<u>0.8</u>	<u>0.6</u>	<u>0.6</u>	<u>0.4</u>	<u>0.8</u>
Banking system (net)	0.7	0.2	--	--	0.1
Others	-0.2	0.4	--	0.4	--

Sources: Statistical Appendix Tables 42 and 62.

In 1980 and 1981 current expenditure of the rest of the public sector grew marginally faster than GDP, as increased interest payments and transfers to the private sector (mainly social security payments) were partly offset by a slower growth in wage, salary, and general expense outlays. The current account surplus increased only marginally from 2.4 per cent of GDP in 1979 to 2.6 per cent of GDP in 1980 but declined to 2.4 per cent of GDP in 1981, or the same level as in 1979. Investment of the rest of the public sector increased steadily from about 5 per cent of GDP in 1979 to 6.4 per cent in 1981. The investment efforts were directed to the priority fields specified in the PIN: electricity and mining, communications, telecommunications, transportation, and infrastructure for social services. In 1980, last year for which

data are available, about 60 per cent of the Col\$88.8 billion investment effort of decentralized entities was undertaken by some key enterprises. The Road Fund invested Col\$15 billion for road construction, ECOPETROL, the state oil company invested about Col\$9.5 billion in oil exploration and in infrastructure for the exploitation of the existing oil fields. Some major electric companies carried out different important projects of electric generation totaling about Col\$20.6 billion. The state telecommunication enterprise, TELECOM, invested about Col\$5 billion in the extension of telephone and telecommunications services. Overall, the rate of execution of investment projects, which in the past ranged around 65-70 per cent of the budgeted investment, accelerated in 1980 and it is expected to remain high in 1981.

During 1980-81 the increased investment outlays of the rest of the public sector were mainly financed by larger capital transfers from the Central Government. Nevertheless, the overall deficit rose from 0.6 per cent of GDP in 1979 to 0.9 per cent of GDP in 1981, but it was mainly financed by net use of project loans from multilateral financial institutions and foreign governments.

Among the major entities, ECOPETROL, which had registered current deficits for a few years, registered a current surplus in 1980. The turnaround was due to the increases in the price of gasoline which took place during the last few years (Statistical Appendix Table 63). The financial situation of ECOPETROL deteriorated somewhat in 1981, as gasoline prices in peso terms remained unchanged throughout most of the year, while interest payments rose. In 1981, ECOPETROL received an extraordinary transfer of US\$100 million from the Central Government to finance the amortization of external debt. Among the other entities, the situation of IDEMA, the Agricultural Marketing Agency, has been basically satisfactory since 1978, due to some streamlining of its operations. TELECOM, the state telephone and telecommunication company, registered surpluses on current account both in 1980 and 1981 thanks to substantial increases in telephone rates. These surpluses allowed TELECOM to finance its investment program mainly with its own resources.

IV. Financial Intermediation

1. Overall view

Monetary developments in the last two years have been characterized by a sharp increase in operations channeled through the organized financial system, primarily in response to policies aimed at increasing the efficiency of financial intermediation. Over the period 1976-79, and in order to moderate the impact on the domestic economy of the large increase in earnings from coffee and other exports, strict controls were imposed on the growth of monetary aggregates through high reserve requirements and the use of prior import deposits and other instruments as a means of absorbing liquidity; at the same time, operations by financial intermediaries remained subject to interest rate ceilings. By 1979 it was apparent that this strategy had led to a substantial shift of financial transactions to unsupervised markets. To reverse the trend, the authorities in 1980 reduced legal reserve requirements, eliminated interest rate ceilings on a number of operations in the formal market, and abolished the penalty on the immediate conversion of coffee export proceeds, reducing it in the case of emerald and invisible exports.^{1/} At the same time, primarily to cushion the impact of these measures on the money supply, Banco de la Republica pursued an aggressive open market policy throughout the year.

This mixture of policies succeeded in increasing transactions in the organized financial market. Financial system liabilities to the private sector rose by almost 50 per cent in 1980, after increasing at an annual average rate of slightly over 30 per cent in the previous two years (Table 15). Net domestic assets of the financial system expanded by 40 per cent in 1980, as compared with less than 20 per cent a year during 1978-79,^{2/} this rate of increase still permitting substantial growth in the banking system's net international reserves. With the public sector continuing to accumulate funds in the domestic banking system, credit to the private sector rose at an even more rapid pace.

In 1981, with the bulk of the reintermediation process having been accomplished and the balance of payments returning almost to equilibrium, the net placement of short-term notes by Banco de la Republica was discontinued. The growth of financial system liabilities to the private sector is estimated to have slowed to somewhat less than 30 per cent, virtually all of which was rechanneled to the private sector. For the first time in several years, the public sector did not accumulate funds in the domestic banking system.

^{1/} See Appendix IV for a discussion on the penalty of immediate conversion of coffee export proceeds.

^{2/} Measured in relation to the stock of liabilities to the private sector at the beginning of the period.

Table 15. Colombia: Summary Accounts of the Financial System

	1977	1978	1979	1980	June 1981	Est. 1981
<u>(Percentage change over preceding 12 months)1/</u>						
<u>Net international reserves</u>	<u>17.2</u>	<u>9.6</u>	<u>15.4</u>	<u>10.9</u>	<u>5.9</u>	<u>0.9</u>
<u>Net domestic assets</u>	<u>21.0</u>	<u>21.9</u>	<u>16.8</u>	<u>37.6</u>	<u>33.2</u>	<u>26.2</u>
Central Administration (net)	-1.3	-2.0	-7.3	-2.2	-1.7	-0.1
Rest of public sector (net)	3.9	-2.0	-1.5	-0.9	-0.6	0.1
Official capital and surplus	-1.7	-1.6	-1.2	-2.2	-1.6	-1.5
Private sector	24.5	24.9	24.0	38.9	35.1	27.2
Interbank float and unclassified assets (net)	-4.4	2.6	2.8	4.0	2.0	0.5
<u>SDR allocation and valuation adjustment</u>	<u>—</u>	<u>-1.0</u>	<u>-0.4</u>	<u>-2.4</u>	<u>-2.9</u>	<u>-2.2</u>
<u>Medium- and long-term foreign liabilities</u>	<u>0.6</u>	<u>1.3</u>	<u>1.0</u>	<u>1.4</u>	<u>0.8</u>	<u>0.4</u>
<u>Liabilities to the private sector</u>	<u>37.6</u>	<u>31.2</u>	<u>31.6</u>	<u>49.5</u>	<u>41.2</u>	<u>28.9</u>
Broad money supply (M-2)	26.0	27.9	18.2	33.7	34.1	27.8
Narrow money supply (M-1)	(14.3)	(13.5)	(10.7)	(11.6)	(9.5)	(7.6)
Quasi-money	(11.7)	(14.4)	(7.5)	(22.1)	(24.6)	(20.2)
Bonds and certificates	4.1	0.5	3.9	4.9	2.6	-0.1
Advance import deposits	2.6	0.3	1.4	0.7	0.1	-0.1
Other liabilities	4.9	2.5	8.1	10.2	4.4	1.3
<u>(End of period, as per cent of GDP)</u>						
<u>Liabilities to the private sector</u>	<u>32.3</u>	<u>33.2</u>	<u>33.6</u>	<u>38.7</u>	<u>38.1</u>	<u>38.2</u>
Broad money supply (M2)	24.2	26.0	24.6	27.7	28.3	29.5
Money	(14.4)	(14.7)	(14.0)	(13.8)	(12.8)	(12.8)
Quasi-money	(9.8)	(11.3)	(10.6)	(13.9)	(15.5)	(16.7)
Other liabilities	8.1	7.2	9.0	11.0	9.8	8.7

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

1/ Measured in relation to liabilities to the private sector at the beginning of the period.

2. Financial system flows

The ratio of financial system liabilities to the private sector to GDP rose from about 34 per cent at the end of 1979 to almost 40 per cent at the end of 1980, and is estimated to have declined only slightly in 1981. With inflationary expectations apparently following a stable pattern, the significant real increase in recorded holding of financial assets appears primarily to have reflected the return of funds previously operating in the informal market. This shift from the informal to the formal financial market was brought about by the liberalization of interest rates on certificates of deposit and the relaxation of bank reserve requirements.

Savings included in the official definition of the broad money supply (M2) rose at an annual average rate of more than 40 per cent during 1980-81 (Table 16).^{1/} Other liabilities, comprising bonds and certificates issued by the monetary authority, advance import deposits and other nondeposit liabilities (including private capital of financial intermediaries) grew more rapidly than M2 in 1980 but rose only marginally in 1981. The strong increase in these liabilities in 1980 was mainly the result of (i) an aggressive open market policy by the Banco de la Republica to attract funds from the unregistered market and at the same time soak up excess liquidity stemming from the reduction of reserve requirements, and (ii) the continued growth of broker operations carried out by financial intermediaries to avoid legal reserve requirements. In 1981, the outstanding amount of the chief open market instrument, participation bonds, rose rapidly early in the year but declined afterward as the authorities sharply increased the price of new offerings. At the same time, the incentive to banks to carry out broker operations virtually disappeared after the end of 1980, when such operations became subject to a reserve requirement similar to that imposed on demand deposits for banks, and to that of term deposits for nonbank intermediaries.

Largely reflecting the public's growing preference for interest-yielding financial assets, monetary holdings, which increased by 24 per cent in 1979, rose by 28 per cent in 1980 and are estimated to have risen by only 21 per cent in 1981, with the slight decline in the currency-deposit ratio after 1979 probably reflecting the reduction in reserve requirements. On the other hand, quasi-money, which had increased by less than 22 per cent during 1979 as a result of a widening interest rate differential vis-a-vis the unsupervised market, rose by 70 per cent in 1980 and by an estimated 57 per cent in 1981 as interest rate ceilings on certificates of deposits of 90 days or more issued by banks and investment corporations were eliminated in January 1980 and those on indexed certificates issued by savings and loan corporations shortly

^{1/} Included in this definition are currency in circulation, demand deposits, savings and term deposits at commercial banks and investment corporations, and indexed and other deposits at the housing credit system.

Table 16. Colombia: Financial System Liabilities to the Private Sector

	1977	1978	1979	1980	Prel. June 1981	Est. Dec. 1981	December 1976	1979	Est. Dec. 1981
	<u>(Percentage change over previous 12 months)</u>								<u>(Percentage structure)</u>
Liabilities to the private sector	37.6	51.2	31.6	49.5	41.2	23.9	100.0	100.0	100.0
Broad money supply (M2)	33.8	37.3	23.2	46.0	48.1	38.9	76.9	73.3	77.1
Narrow money supply (M1)	(30.4)	(30.3)	(24.2)	(27.9)	(25.0)	(21.2)	(47.0)	(41.8)	(33.6)
Currency in circulation	/40.6/	/32.0/	/25.2/	/24.6/	/40.4/	/20.7/	/17.0/		/13.0/
Demand deposits	/24.6/	/29.3/	/23.6/	/30.0/	/19.6/	/21.5/	/30.0/		/20.6/
Quasi-money	(39.3)	(47.5)	(21.9)	(70.0)	(74.8)	(56.5)	(29.9)	(31.5)	(43.5)
Savings deposits	/42.9/	/51.6/	/25.6/	/26.8/	/29.1/	/24.6/	/10.0/		/9.4/
Certificates of deposit	/64.5/	/47.8/	/-15.6/	/170.6/	/177.6/	/93.3/	/7.8/		/18.2/
UPAC deposits and certificates of deposits, and nonindexed deposits									
at housing credit system	/19.9/	/43.2/	/52.2/	/56.5/	/57.0/	/52.6/	/12.1/	/26.7/	/15.9/
Bonds and certificates	137.6	10.1	90.7	77.7	33.6	-1.7	3.0	6.3	6.5
Advance import deposits	480.5	12.2	70.7	25.8	5.0	-5.7	0.5	2.5	1.6
Other liabilities	24.9	14.4	52.6	57.4	23.5	6.9	19.6	17.9	14.8

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

afterward. The level of term deposits--which had been severely affected by interest rate ceilings in 1979--started to rise at a sustained pace beginning in March 1980, and the increase accelerated sharply after September of that year, as the authorities began to impose reserve requirements on broker operations. Deposits in savings and loan corporations meanwhile, continued to rise at the 1979 rate of about 54 per cent.

Measured against its own level at the beginning of the period, the growth rate of net domestic credit of the financial system accelerated from an annual average of about 23 per cent during 1977-79 to 50 per cent in 1980, and remained close to 45 per cent for the 12 months ended June 1981 (Table 17). This acceleration reflected both the progressive disappearance of domestic surplus of the public sector and an increased rechanneling of resources to the private sector following the relaxation of credit controls in 1980. For the same reasons the rate of contraction of the Banco de la Republica's net domestic assets declined gradually.

3. Operations of the Banco de la Republica and monetary policy

In late 1979, with a view to increasing real savings and at the same time reversing the process of disintermediation, the authorities started to place in the market short-term, high-yield participation bonds, with the intention of (a) smoothing out seasonal variations in currency issue; (b) attracting resources from the informal market; and (c) facilitating the dismantling of other instruments of monetary control. In January 1980 funds fulfilling the 100 per cent marginal reserve requirement imposed since January 1977 on demand deposits were frozen and a new marginal requirement of 50 per cent was introduced. At the same time, interest rate ceilings on certificates of deposit of 90 days or more issued by banks and intermediaries and on lending operations with such resources were abolished, the legal reserve requirement on term deposits was lowered from 25 per cent to 15 per cent, and interest paid on reserve deposits fulfilling these requirements was increased (see Appendix III). Complementing these measures, the outstanding amount of participation bonds doubled within the first six months of 1980. Also, the rediscount rate on resources channeled through some of the specialized funds of the Banco de la Republica (especially through the Electricity Development Fund) was raised.

With a view to further reducing distortions in the allocation of financial resources, the authorities in September 1980 reduced the marginal reserve requirement on demand deposits from 50 per cent to 45 per cent and that on certificates of deposits of banks and liabilities of investment corporations from 15 per cent to 10 per cent; at the same time, broker operations (whose volume had increased significantly over previous months) were made subject to reserve requirement. Finally, in October, the penalty imposed on the immediate conversion of coffee export proceeds--which had led to an increase in the public's holdings of exchange certificates--was abolished.

In large part reflecting the substantial net placement of participation bonds, the Banco de la Republica's liabilities to the private sector--which had risen by almost 40 per cent in 1979--increased at a similar pace in 1980 (Table 18). Meanwhile, and largely in response to the continued net accumulation of deposits by the public sector, the bank's net domestic assets fell by almost 30 per cent in 1980, after a contraction of more than 50 per cent the previous year.^{1/} The accumulation of net official international reserves amounted to US\$1.3 billion in 1980.

In early 1981, after increasing nearly fourfold over the 14-month period ended February 1981 (equivalent to 25 per cent of the stock of the Banco de la Republica's liabilities to the private sector at the end of 1979), the outstanding amount of participation bonds started to decline as open market operations were brought to a halt after the first quarter. To a large extent, this policy shift was dictated by the fact that, with reintermediation having run its course after 1980, participation bonds were thought to be primarily competing with other paper issued by financial intermediaries and giving rise to an excessive absorption of funds by the monetary authorities.

As a result of this and of the reduction in the growth of currency in circulation, Banco de la Republica liabilities to the private sector are estimated to have risen by only 13 per cent in 1981. At the same time, the decline in the bank's net domestic assets was limited to an estimated 10 per cent of the starting stock of liabilities to the private sector, as both the accumulation of deposits by the public sector and the net absorption of resources from financial intermediaries were modest.^{2/} Consistent with these developments, net official international reserves increased by only US\$170 million.

^{1/} Measured in relation to the stock of the bank's liabilities to the private sector at the beginning of the period.

^{2/} Selective credit operations carried out through special funds administered by Banco de la Republica at below market interest rates were somewhat stepped up last year; however, the flow of resources into these funds--the bulk of which is in the form of forced investments by financial intermediaries and interest-yielding deposits in fulfillment of reserve requirements other than those on demand deposits--continued to outpace the growth in credit operations (see Statistical Appendix Table 72). A detailed description of the nature of these funds is provided in Appendix IV of SM/80/40.

Table 18. Colombia: Summary Accounts of the Banco de la Republica

(Percentage change over the previous 12 months)^{1/}

	December				June	Est. Dec.
	1977	1978	1979	1980	1981	1981
<u>Net international reserves</u>	<u>63.3</u>	<u>40.8</u>	<u>86.1</u>	<u>53.5</u>	<u>34.8</u>	<u>7.1</u>
<u>Net domestic assets</u>	<u>-1.3</u>	<u>-19.6</u>	<u>-53.0</u>	<u>-29.0</u>	<u>-24.1</u>	<u>-10.1</u>
Central administration (net)	-6.6	-7.5	-29.6	-10.0	-8.7	-0.8
Rest of public sector (net)	-0.4	-0.5	0.1	0.2	--	0.3
Commercial banks (net)	-2.5	-19.6	-18.4	-21.8	-15.2	-14.0
Assets	(34.9)	(7.1)	(5.5)	(0.2)	(3.3)	(2.4)
Liabilities	(-37.4)	(-26.7)	(-23.9)	(-22.0)	(-18.5)	(-16.4)
Specialized banks (net)	3.8	5.9	-7.3	-1.5	-6.3	-1.9
Assets	(18.1)	(13.2)	(-3.4)	(1.9)	(3.3)	(4.9)
Liabilities	(-14.3)	(-7.3)	(-3.9)	(-3.4)	(-9.6)	(-6.8)
Credit to private sector	1.9	1.3	2.4	--	3.4	5.5
Net unclassified assets	2.5	0.8	-0.2	4.3	2.7	0.8
<u>SDR allocation and valuation adjustment</u>	<u>-5.6</u>	<u>-6.3</u>	<u>-8.4</u>	<u>-16.6</u>	<u>-19.5</u>	<u>-17.0</u>
<u>Medium- and long-term foreign liabilities</u>	<u>1.9</u>	<u>3.3</u>	<u>1.8</u>	<u>2.4</u>	<u>2.3</u>	<u>0.9</u>
<u>Liabilities to the private sector</u>	<u>65.7</u>	<u>24.2</u>	<u>39.7</u>	<u>38.7</u>	<u>27.9</u>	<u>13.1</u>
Currency in circulation	31.3	21.0	17.5	15.1	17.3	11.6
Advance import deposits	12.0	1.1	5.6	2.5	0.6	-0.5
Bonds and certificates	19.0	2.0	15.9	18.6	11.6	-0.5
Swaps and other liabilities, including demand deposits	3.4	0.1	0.7	2.5	-1.6	2.5

Sources: Statistical Appendix Table 67; and Fund staff estimates.

^{1/} In relation to the stock of liabilities to the private sector at the beginning of the period.

4. Interest rates

The maintenance of interest ceilings on operations channeled through the formal financial market was, by the end of 1979, one of the foremost reasons for the growth of the unsupervised market.^{1/} At that time, the highest authorized borrowing rates were those on indexed deposits in savings and loan corporations (a monetary correction ceiling of 19 per cent per annum plus interest rates of up to 7 per cent, which translated into effective annual rates of 26-27 per cent). Meanwhile, interest rates in the extra banking market were reported to be in the range of 3-4 per cent per month.

In the last quarter of 1979, the Banco de la Republica started to place in the market participation bonds with maturities ranging from 15 to 90 days yielding effective annual interest rates of up to 36-1/2 per cent (Table 19). Soon afterward, at the end of January 1980, the ceilings on interest payable by banks and investment corporations on certificates of deposits of 90 days or more, and on lending operations with these resources, were lifted, and a few months later a similar measure was introduced regarding indexed certificates of deposit issued by the housing credit system. As mentioned before, the elimination of interest rate ceilings and the reduction of reserve requirements produced a substantial growth in operations carried out through the formal market. By the end of 1980, effective loan interest rates stood about 37 per cent per annum, reflecting mostly the domestic rate of inflation and the level of interest rates abroad.

In March 1981, with the intention of lowering lending and borrowing interest rates, major banks reached a "gentleman's agreement" to limit the nominal annual rate on borrowing operations to 29 per cent and on lending operations to 34 per cent, effective immediately, (given advance quarterly interest payments, these nominal rates implied effective annual rates of 35.2 and 42.6 per cent, respectively). In addition, they agreed that the lending rate would be lowered to 32 per cent per annum (39.6 per cent effective rate) after 60 days. However, given market conditions, interest rates failed to decline and the agreement became inoperative.

As of September 1981 the effective annual interest rate on 90-day certificates of deposit issued by banks and investment corporations stood at 38-1/2 per cent, and the typical lending rate charged by these intermediaries was reportedly in the neighborhood of 45 per cent. Apart from the cost of borrowed funds, the high lending rate may be attributed in large measure to the still considerable level of reserve requirements on demand deposits (50 per cent basic requirement, 100 per cent on the

^{1/} Even though interest rates on lending operations by banks with resources captured through demand deposits had been legally freed in mid-1975, such operations were de facto barred by the existence of an 100 per cent marginal reserve requirement on demand deposits since January 1977.

growth of deposits between January 1977 and January 1980, and 45 per cent on the growth of deposits since January 1980), as well as to a number of forced investments with which commercial banks have to comply (Statistical Appendix Table 71).

Table 19. Colombia: Interest Rates

(Effective annual rates)

	Participation Bonds 1/			90-Day Certificates of Deposit 2/
	30 days	60 days	90 days	
<u>1979</u>				
October	28.7	31.5	33.6	...
November	34.5	35.3	36.1	...
December	33.2	34.0	36.6	...
<u>1980</u>				
January	32.5	32.7	33.6	...
February	32.5	32.7	33.6	...
March	32.5	32.7	33.6	...
April	32.5	32.7	33.6	...
May	31.8	32.5	31.4	...
June	33.2	33.4	36.0	33.9
July	32.5	33.4	34.2	35.1
August	32.5	33.4	31.2	36.9
September	31.9	32.8	33.6	34.8
October	31.9	32.8	33.6	34.9
November	31.9	32.8	33.6	37.7
December	34.5	35.4	36.1	37.4
<u>1981</u>				
January	34.5	35.3	36.1	36.6
February	34.5	35.3	36.1	36.8
March	29.3	30.2	31.1	35.3
April	29.3	30.2	31.1	35.1
May	29.3	30.2	31.1	36.3
June	29.5	30.3	31.1	37.1
July	29.5	30.3	31.1	38.0
August	29.3	30.2	31.1	38.0
September	29.3	30.2	31.1	38.4
October	29.3	30.2	31.1	...

Source: Banco de la Republica.

1/ Corresponds to direct purchases from the Banco de la Republica. Effective annual yield.

2/ Effective annual yield implicit on new certificates issued by banks and finance corporations in Bogota according to weekly surveys.

V. Developments in the External Sector

1. Overall balance of payments developments

During 1975-79, Colombia's balance of payments registered rising surpluses with net international reserves of the Banco de la Republica increasing by a record US\$1.6 billion in 1979 (Table 20). The balance of payments surplus was mostly attributable to current account surpluses up to 1978; in addition, during these years Colombia was a net importer of capital, that in 1979 amounted to about two thirds of the increase in net international reserves. A rising volume of coffee exports and a broadly based expansion of minor exports were behind the surpluses on current account; imports meanwhile, increased steadily, benefiting from a gradual relaxation of import policy. In 1980, a large import rise resulting from increased investment and import liberalization efforts almost eliminated the trade surplus and, combined with a higher deficit on service transactions, resulted in the first current account deficit since 1975, equivalent to 0.6 per cent of GDP. The balance of payments still registered a large surplus during the year, US\$1.3 billion, on the basis of a substantial increase in net capital receipts.

In 1981, a sharp deterioration in the current account almost halted the trend of increasing international reserves. The trade deficit exceeded US\$1 billion, as a result of a drop in coffee earnings and stagnation in noncoffee exports which, combined with a doubling of the deficit on service account, resulted in a current account deficit equivalent to 4.7 per cent of GDP. Net capital receipts, although expanding by about a third during the year, were barely sufficient to finance the current account deficit, and the balance of payments registered a surplus of less than US\$200 million (see Table 20). At the end of 1981, net international reserves of the Banco de la Republica were equivalent to approximately 14 months of 1981 imports (Statistical Appendix Table 78).

2. Exchange and trade policies

For some years now, the Colombian authorities have followed the policy of adjusting the value of the peso vis-a-vis the U.S. dollar in small amounts at relatively short intervals of time, taking into account the movements of Colombian prices versus the prices of its major trading partners, balance of payments trends and the level of international reserves. The exchange rate has also been used to counteract the effects of developments in the coffee market on aggregate demand. After a 11.4 per cent real effective appreciation of the peso in 1977 ^{1/} (Statistical Appendix Table 73), Colombia's exchange rate policy essentially maintained the value of the peso in real effective terms during 1978-80. During the first eight months of 1981, however, at a time when world

^{1/} Defined in terms of a basket of currencies of the 18 most important trading partners of Colombia versus the Colombian peso adjusted for relative price changes of the 18 trading partners and of Colombia.

inflation decelerated and the U.S. dollar strengthened, the peso appreciated by 14.2 per cent in real effective terms. This trend was reversed in the last four months of the year when the depreciation pace was accelerated and the dollar weakened in world markets, leading to a depreciation of 10.6 per cent in real effective terms between August and December 1981.^{1/}

Table 20. Colombia: Summary Balance of Payments

(In millions of U.S. dollars)

	1977	1978	1979	Prel. 1980	Est. 1981
<u>Current account</u>	455	386	565	-195	-1,694
<u>Trade balance</u>	748	706	585	96	-1,095
Exports, f.o.b.	(2,727)	(3,270)	(3,581)	(4,428)	(3,755)
Coffee	/1,606/	/1,951/	/2,105/	/2,310/	/1,622/
Other ^{1/}	/1,121/	/1,319/	/1,476/	/2,118/	/2,133/
Imports, f.o.b.	(-1,979)	(-2,564)	(-2,996)	(-4,332)	(-4,850)
<u>Services</u>	-339	-393	-121	-414	-749
Transportation (net)	(-93)	(-116)	(-96)	(-198)	(-318)
Investment income (net)	(-272)	(-301)	(-255)	(-260)	(-351)
Other services (net)	(26)	(24)	(230)	(44)	(-80)
<u>Transfers (net)</u>	46	73	101	123	150
<u>Capital account</u>	-14	150	937	1,353	1,840
<u>Nonfinancial private sector</u>	-30	14	30	388	981
<u>Nonfinancial public sector</u>	172	40	480	751	702
Disbursements	(353)	(271)	(910)	(985)	(1,135)
Amortization	(-181)	(-231)	(-430)	(-234)	(-433)
<u>Financial system</u>	-156	96	427	214	157
<u>Net errors and omissions</u>	226	131	113	143	--
<u>SDR allocation</u>	--	--	24	24	24
<u>Net international reserves</u>					
(-increase)	-667	-667	-1,639	-1,325	-170

Source: Statistical Appendix Table 76.

^{1/} Includes nonmonetary gold.

^{1/} These 1981 effective exchange rate changes are different from those described in SM/82/17 because they have been calculated on the basis of more up-to-date data.

The Colombian authorities have a number of exchange instruments and regulations which control foreign exchange receipts and payments. Colombia issues certificates of exchange negotiable in the stock exchange against surrender of exports and invisible receipts with a maximum maturity of 720 days. In 1977 these certificates were made subject to a discount if they were redeemed against domestic currency before 120 days after issue, unless they were for nontraditional exports. This requirement has been now waived for all exports except those of pearls and emeralds but still applies to most invisible receipts. Coffee exports are subject to a minimum exchange surrender requirement, the minimum of foreign currency which coffee exporters must surrender per 70 kilogram bag exported; a retention quota, which is tax paid by private exporters, expressed as a share of the volume exported and payable principally in untreated coffee; and an ad valorem tax, paid upon surrender of foreign exchange receipts by exporters. Export subsidies are given to various noncoffee exports in the form of tax credit certificates in amounts of 5 per cent, 9 per cent or 12 per cent of the f.o.b. export value.^{1/} Two types of advance import deposits, amounting together to 95 per cent of the foreign exchange payment, have to be made as a requirement for obtaining an exchange license--one at the time of customs clearance and one before applying for an exchange license.

In the mid-1970s, the Colombian authorities embarked on a program of opening up the economy and simplifying the import regime. Most of the efforts were directed to liberalizing the import licensing system. In Colombia there are two main import regimes: one applying to freely importable goods subject only to registration requirements and one applying to imports subject to prior approval, for which import licenses are required. To liberalize the import licensing system, the authorities have transferred custom positions from the category of subject to prior approval to the freely importable category. In 1975, about 75 per cent of the custom positions required prior licensing. After only marginal progress during 1976-79, the liberalization of the import licensing system was accelerated in 1980 and 1981 and, at this writing only 35 per cent of the custom positions were subject to prior authorization. In addition, a more flexible policy regarding the granting of import licenses in the cases where they were required was implemented in 1980 and the administrative procedures for applying for import licenses were simplified in 1981. However, because of recessionary conditions in the manufacturing sector, the more liberal granting of licenses was, in certain important cases, shelved in 1981.

To bring the Colombian customs tariffs into conformity with the Andean Common External Tariff, import duty reductions averaging 3 percentage points were carried out in September 1979. Since then marginal tariff changes have been made in response to specific circumstances. At the present time the average unweighted import duty is about 25 per cent.

^{1/} Beginning in 1982 a 4 per cent rate will apply for certain exports.

3. Trade account 1/

a. Exports

Despite a modest 10 per cent expansion in coffee earnings for a second year in a row in 1980, total export earnings increased by 24 per cent during the year mostly on account of agricultural exports which benefited from both higher international prices and production levels (Tables 21 and 22). Contributing also to the 1980 export expansion were gold exports (purchases by the Banco de la Republica) which experienced a fourfold increase, and fuel oil exports which increased by 64 per cent.

The value of coffee shipments amounted to US\$2.3 billion in 1980, slightly more than 50 per cent of export earnings. The increase in coffee exports was due to the higher international prices which prevailed during the first six months of 1980 when approximately 60 per cent of coffee exports was shipped. The International Coffee Organization (ICO) indicator price for Colombian mild Arabica coffee averaged US\$1.94 per pound during the first six months of 1980, or 25 per cent higher than what they averaged in 1979. The average price declined to US\$1.84 in the third quarter and to US\$1.44 in the fourth quarter. The volume of registered exports stayed at almost the same level as the previous year, 11.1 million bags of 60 kilograms, because of weaker demand conditions, notwithstanding a 3 per cent increase in production in 1980 (Table 32). In October 1980 export quotas for the members of the International Coffee Agreement were negotiated and Colombia and the other members of the Bogota Group of Western Hemisphere Coffee producers agreed to dissolve the Bogota Group which had been created in 1979 to intervene in the market to support coffee prices. The ICA quota assigned to Colombia for the coffee year 1980-81 was set at a level below the exports of Colombia to member countries of the agreement during the previous coffee year.

1/ Colombian foreign trade include data collected in three levels: registration data collected by the Colombian Foreign Trade Institute (INCOMEX); customs data collected at the time of customs clearance and published by Departamento Administrativo Nacional de Estadística (DANE); and payments data collected by the Banco de la Republica. Registration data are available sooner than customs data but have the disadvantage for analytical purposes that not all the export or import registrations are carried out. In this Section, the discussion is based on registration data in some instances when customs data were not readily available.

Table 21. Colombia: Exports

(In millions of U.S. dollars)

	1977	1978	1979	Prel. 1980	Est. 1981
Total	<u>2,728</u>	<u>3,273</u>	<u>3,581</u>	<u>4,428</u>	<u>3,755</u>
Coffee					
Value	1,606	1,954	2,105	2,310	1,622
Recorded ^{1/}	(1,485)	(1,884)	(2,012)	(2,241)	(1,497)
Unrecorded	(121)	(70)	(93)	(69)	(125)
Volume (in thousands of 60 kg. bags)					
Recorded	5,323	9,035	11,130	11,102	8,961
Unit value (US\$ per pound of recorded shipment)	2.11	1.58	1.37	1.53	1.27
Petroleum products (value)	<u>105</u>	<u>124</u>	<u>146</u>	<u>239</u>	<u>...</u>
Minor exports (value)	<u>1,004</u>	<u>1,131</u>	<u>1,256</u>	<u>1,564</u>	<u>1,893</u> ^{2/}
Recorded ^{3/}	(191)	(211)	(126)	(269)	(...)
Unrecorded ^{4/}	(813)	(920)	(1,130)	(1,295)	(...)
Nonmonetary gold	<u>13</u>	<u>64</u>	<u>74</u>	<u>315</u>	<u>240</u>

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

^{1/} Export shipments as reported by the National Federation of Coffee Growers with valuation and timing adjustment for balance of payments purposes.

^{2/} Includes the estimate for petroleum product exports.

^{3/} Customs figures as reported by the Departamento Administrativo Nacional de Estadística.

^{4/} Including coverage adjustment for balance of payments purposes.

Minor exports increased by 25 per cent in 1980 (see Table 22), the increase occurring exclusively in agricultural exports. Domestic quotas and restrictions were eased for agricultural products, leading to a sharp expansion in exports of sugar, cotton, and bananas; exports of shrimp and shellfish, and flowers also rose sharply. Sugar exports benefited from more than a trebling of international prices and cotton exports also benefited from higher prices. Improved marketing efforts, particularly in European markets, also contributed to this better export performance. The exceptions were cattle, exports of which were affected by a drop in Venezuelan demand, and tobacco, which suffered from poor demand conditions in Europe. Exports of manufactured products

Table 22. Colombia: Export Data with Balance of Payments Adjustment

(In millions of U.S. dollars)

	1977	1978	1979	Prel. 1980	Est. 1981
<u>Total exports, f.o.b. 1/</u>	<u>2,714</u>	<u>3,206</u>	<u>3,507</u>	<u>4,113</u>	<u>3,449</u>
<u>Coffee exports 2/</u>	<u>1,526</u>	<u>1,994</u>	<u>2,024</u>	<u>2,375</u>	<u>...</u>
<u>Noncoffee exports 3/</u>	<u>917</u>	<u>1,044</u>	<u>1,276</u>	<u>1,534</u>	<u>...</u>
Balance of payments adjustments	271	168	207	204	...
Valuation adjustment 4/	(40)	(-43)	(-16)	(-134)	(...)
Timing adjustment 4/	(-81)	(-67)	(4)	(--)	(...)
Other adjustments 5/	(311)	(278)	(219)	(338)	(...)
Noncoffee exports 3/	917	1,044	1,276	1,534	802 6/
Fuel oil	105	124	146	239	129 6/
Cotton	161	87	102	165	29 6/
Sugar	2	19	50	161	56 6/
Bananas	46	59	79	134	37 6/
Cattle	21	6	5	--	- 6/
Tobacco	19	19	22	24	15 6/
Leather and skins	8	5	8	6	2 6/
Cement	15	21	30	35	13 6/
Other exports	540	704	834	770	521 6/

Source: Banco de la Republica.

1/ Does not include nonmonetary gold purchases by the Banco de la Republica.

2/ As reported by the National Federation of Coffee Growers.

3/ As reported by the Departamento Administrativo Nacional de Estadística.

4/ Adjustments made to the coffee export data by the Banco de la Republica for balance of payments purposes.

5/ Other balance of payments adjustments refer to both coffee and non-coffee exports.

6/ First six months of 1981 as reported by the Departamento Administrativo Nacional de Estadística.

meanwhile, slumped with export registration data showing no effective change from 1979 to 1980 (Statistical Appendix Table 79). The slowdown of the world economy in 1980 and the decline of productivity in certain industries were negative factors which reportedly hampered the growth of manufactured product exports. Protectionist actions of industrialized countries do not seem to have played a role in limiting the growth of manufactured product exports; for example, the Colombian textile quotas under the Multifiber Agreement were not filled in 1980. The rates and the coverage of tax credit certificates (CATs) granted to exports other than coffee, hides or petroleum products were not changed in 1980 and in 1981 and did not play a role in determining the performance of petroleum and minor exports.

In 1981, export earnings fell 15 per cent to US\$3,755 million, mostly as a result in the decline of coffee earnings. Coffee production increased by some 10 per cent in 1981 but, because of quota limitations, the volume of registered coffee shipments dropped by 20 per cent to a level of 9 million 60-kilogram bags. As a result registered stocks expanded sharply (estimated to have increased by almost 75 per cent in coffee year 1980-81). Prices continued their downward trend during the first half of 1981 and only started recovering in the third quarter of the year.

Noncoffee exports stagnated in 1981. Fuel oil exports declined by some 25 per cent because of difficulties encountered in early 1981 in arranging long-term crude oil purchases. Gold purchases by the Banco de la Republica fell by US\$75 million. The effective appreciation of the peso during 1981 reduced further the competitiveness of the manufacturing sector, especially of the clothing and textile industries whose investments in new plants and equipments had not yet come into stream (Statistical Appendix Table 79). Agricultural exports expanded at a much slower pace in 1981. The drop in sugar prices reduced the value of sugar exports, and tobacco exports continued to be affected by poor demand conditions.

b. Imports

Increased investment and the import liberalization process resulted in a sharp expansion of imports during 1980. The transfer of custom positions to the freely importable list, the simplification of the administrative procedures for applying for import licenses, and the increased flexibility in the granting of import licenses contributed to the expansion of imports. Of particular significance was the granting of more licenses for imports of fully assembled automobiles and jeeps and the approval of a package of import licenses for buses and other commercial vehicles. Requirements for the granting of licenses for imports of clothing and textiles also reportedly were relaxed. In addition, the continued application of an import duty rate of 5 per cent

for imports of capital goods not produced within the Andean Group and ad hoc tariff reductions in response to specific requests facilitated the implementation of investment projects and resulted in higher imports.^{1/}

Import payments continued to be subject to two advance import deposits in 1980 and 1981 with the stated purpose of encouraging prompt payment. Prior to customs clearance an advance import deposit equivalent to 35 per cent of the payment, the rate prevailing since 1979, has to be instituted. An advance exchange license deposit has to be made prior to the issuance of an exchange license for 95 per cent of the payment, also the rate prevailing since 1979, with the advance deposit requirement being considered part of the advance exchange license deposit. No minimum terms are required for these deposits. Maximum import payment terms of five months continued to be applied to imports of most consumer goods and intermediate goods and raw materials, and of three years for most capital goods imported under individual licenses.

Import registrations increased by 34 per cent in 1977, by 28 per cent in 1978, and by 36 per cent in 1979 (Table 23). More than two thirds of the 1979 increase in registration was of registrations of reimbursable imports ^{2/} requiring an import license. The cumulative increase in import registrations during 1977-79 resulted in a 45 per cent increase in import arrivals in 1980, after a more modest increase of 17 per cent in 1979 (Table 24).^{3/} Capital goods imports increased by almost 80 per cent in 1980 due to the modernization and expansion plans of Colombian industry and to the efforts to improve the transportation facilities of the country. Imports of intermediate goods expanded about one third, the increase being led by industrial inputs and petroleum products. Consumer goods imports remained about stable in 1980 despite the increase in imports of fully assembled automobiles.

Import arrivals on an f.o.b. basis are estimated to have increased by only 12 per cent in 1981, because of the slowdown in activity and the implementation of a more restrictive import licensing policy. Registrations of imports subject to prior authorization actually declined by 25 per cent during the first seven months of 1981 compared with the same period in 1980 (see Table 23). Transportation equipment imports are estimated to have experienced almost no growth in 1981, and intermediate goods imports to have expanded by only 10 per cent reflecting the lower level of economic activity; consumer good imports grew by

^{1/} The National Tariff Policy Council reviews requests for both increases or reductions for import duties. The Council's decisions have also led to some import duty increases in 1980 and 1981.

^{2/} Reimbursable imports are imports that must be paid for within certain time limits, i.e., for raw materials and consumer goods, 150 days, and for capital goods, from three to five years.

^{3/} Statistical analysis suggest that the value of import arrivals of any given year are determined by the import registrations during the year and of the previous eight quarters or so.

5 per cent only. In addition, the expansion of petroleum imports was limited to 15 per cent in 1981 versus 80 per cent in 1980 because of increased domestic production.

Table 23. Colombia: Import Registrations, Arrivals, and Payments

(In millions of U.S. dollars)

	1977	1978	1979	1980	Preliminary	
					Jan.-July	
					1980	1981
Registrations	2,666	3,413	4,630	5,413	3,189	3,658
Nonreimbursable	406	658	429	727	409	624
Reimbursable	2,260	2,755	4,201	4,686	2,780	3,034
Free imports	(1,074)	(1,427)	(2,034)	(2,363)	(1,344)	(1,941)
Prior license	(1,186)	(1,328)	(2,167)	(2,323)	(1,436)	(1,093)
Arrivals 1/	1,979	2,564	2,996	4,332	1,398	2,909
Payments 2/	1,843	2,170	2,636	3,612	1,976	2,297
Petroleum companies 3/	71	77	78	108	79	47
Other	1,772	2,093	2,558	3,504	1,897	2,250
Cash	(1,398)	(1,611)	(1,884)	(2,695)	(1,435)	(1,768)
Bilateral payments agreements	(77)	(106)	(146)	(71)	(40)	(23)
Multilateral clearing accounts	(210)	(280)	(398)	(574)	(334)	(365)
Special import/export systems	(51)	(55)	(66)	(93)	(50)	(59)
Other	(36)	(41)	(64)	(71)	(38)	(35)

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

1/ Imports, f.o.b., as estimated by the Banco de la Republica for balance of payments purposes.

2/ Payments data as registered in exchange balance table.

3/ Foreign exchange payments for domestic oil and gas purchases from petroleum companies.

Table 24. Colombia: Imports by Economic Category

(In millions of U.S. dollars)

	1977	1978	1979	Prel. 1980	Est. 1981
<u>Imports, c.i.f.^{1/}</u>	<u>2,028</u>	<u>2,836</u>	<u>3,233</u>	<u>4,660</u>	<u>5,194</u> ^{2/}
Valuation adjustments	-203	-291	-339	-480	...
Adjustments for balance payments purposes	154	19	102	152	...
<u>Imports, f.o.b.^{3/}</u>	<u>1,979</u>	<u>2,564</u>	<u>2,996</u>	<u>4,332</u>	<u>4,850</u>
<u>Imports, c.i.f.</u>	<u>2,028</u>	<u>2,836</u>	<u>3,233</u>	<u>4,660</u>	<u>5,194</u>
<u>Consumer goods</u>	<u>287</u>	<u>503</u>	<u>451</u>	<u>44</u>	<u>727</u> ^{2/}
Durable goods	157	316	254	293	...
Nondurable goods	130	187	197	154	...
<u>Intermediate goods</u>	<u>1,076</u>	<u>1,435</u>	<u>1,705</u>	<u>2,269</u>	<u>2,701</u> ^{2/}
Fuel and petroleum products	136	205	322	587	...
Agricultural inputs	70	104	96	116	...
Industrial inputs	870	1,126	1,287	1,566	...
<u>Capital goods</u>	<u>665</u>	<u>898</u>	<u>1,077</u>	<u>1,925</u>	<u>1,766</u>
Construction industry	26	45	63	61	...
Agricultural industry	44	54	40	112	...
Manufacturing industry	388	517	603	960	...
Transportation equipment	207	282	371	792	...
<u>Miscellaneous</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>19</u>	<u>...</u>

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

^{1/} Customs data of the Departamento Administrativo Nacional de Estadística.

^{2/} Fund staff estimate.

^{3/} As reported by the Banco de la Republica, except 1981, which is a staff estimate. Figures include adjustments for balance of payments purposes.

c. Direction of Trade

Traditionally, the United States has been the most important supplier of Colombian imports, exporting to Colombia wheat, soybean, petroleum, and manufactured products. The share of North American countries of Colombian imports declined from 44 per cent in 1979 to 40 per cent in 1980 (Statistical Appendix Table 81). The LAIA countries ^{1/} replaced the EEC as the second most important supplier. The relative increase in importance of the LAIA countries was due to the petroleum purchases made by Colombia in Venezuela. In addition to the EEC, Japan, Panama, and Aruba are the other important sources of imports for Colombia. Import registration data for the first six months of 1981 show no significant change in the relative ranking of the suppliers of Colombian imports.

The EEC has been the most important destination of Colombian exports in recent years on account of coffee exports; Colombian exports to the EEC amounted to 32 per cent of total exports in 1980. North American countries are the second most important destination for Colombian exports with minor exports playing a more important role in this case. The share of Colombian exports going to the LAIA (including the Andean Group countries) declined from 19 per cent in 1979 to 15 per cent in 1980 due mostly to the drop in Venezuelan demand for Colombian exports associated with the recession in that country. The export registration data for the first six months of 1981 show an improvement in the importance of Andean Group markets as a destination of Colombian exports, with the Venezuelan demand for Colombian exports recuperating.

Colombia uses its bilateral payments agreements with Eastern European countries to finance mostly its sales of coffee, rice, and bananas to these countries. In 1980 its creditor position rose from US\$75 million in 1979 to US\$129 million (Statistical Appendix Table 86). Its creditor position had increased further to US\$142 million by the end of September 1981. On the other hand, Colombia is a net debtor country in the multilateral clearing arrangement of the LAIA (Statistical Appendix Table 87).

4. Services and transfers

In 1980 the deficit on service account increased by more than threefold to more than US\$400 million. The deficit on transportation services increased from about US\$100 million in 1979 to US\$200 million in 1980 because of rising freight payments linked to the sharp expansion in imports and to higher expenditures in other categories (Statistical Appendix Table 76). The deficit on investment income account did not increase significantly in 1980 but an almost US\$200 million drop in the surplus in other services contributed to the widening of deficit in the service account. In 1981, the deficit on service account almost doubled,

^{1/} Formerly LAFTA countries.

generating about 45 per cent of the current account deficit. The deficit on transportation services increased by some US\$100 million because of an increase in payments while receipts increased very little from their 1980 levels. Net investment income payments rose mainly because of higher interest payments and there was an almost US\$125 million swing in other services from a surplus of US\$44 million in 1980 to a US\$80 million deficit in 1981. It is believed that an undetermined part of "other service" receipts actually corresponds to capital inflows and unrecorded export proceeds; the latter are believed to have dropped in 1981. Net transfer receipts continued to rise steadily in 1980 and 1981.

5. Capital transactions

Net capital receipts increased from some US\$940 million in 1979 to some US\$1.3 billion in 1980 (see Table 20). The 1980 increase in net foreign borrowing by the nonfinancial private sector was mostly due to direct investment, which rose to US\$234 million because of increasing foreign investment in petroleum, nickel, and coal projects (Statistical Appendix Table 76). There was also a relatively greater increase in import financing than export credit financing which resulted in net short-term capital receipts of almost a US\$100 million. Net foreign borrowing by the nonfinancial public sector amounted to US\$750 million in 1980. The Central Government borrowed some US\$400 million from commercial banks a second year in a row to accelerate the implementation of investment projects and to cover some foreign debt amortization. Also some US\$130 million was borrowed from international lending agencies for specific development projects (Statistical Appendix Table 83). International organizations and commercial banks were also the main sources of foreign financing in the case of departments and municipalities. Net borrowing by the financial sector declined by some US\$200 million in 1980 as the commercial banks reduced their borrowing abroad.

In 1981 net capital receipts increased further to US\$1.8 billion. Net borrowing by the nonfinancial private sector more than doubled because of a further expansion of direct investment and long-term borrowing associated with the development of mining projects; the use of trade financing also increased sharply during the year, undeterred by the high interest rates abroad. Net foreign borrowing by the nonfinancial public sector declined slightly to some US\$700 million in 1981; US\$500 million was borrowed from commercial banks and some US\$190 million from international organizations. Borrowing by the financial system also declined somewhat.

6. External debt

a. External debt management

Colombia's external public debt management is centered in the Ministry of Finance. In the course of the budget preparation, the Ministry determines the foreign borrowing requirement of the public

sector for the year. This is mostly a function of the investment plans of the public sector. The Ministry of Planning also plays a role in external debt management in that it allocates the overall investment budget of the public sector to the different ministries and public sector agencies. The Office of Public Credit of the Ministry of Finance has the responsibility of negotiating foreign credits for both the Central Government and state enterprises. Every foreign credit transaction requires a Presidential decree which establishes limits regarding the terms and conditions of the operation.

In the case of a public sector borrowing from foreign commercial banks, the Ministry of Finance invites the banks to bid for the foreign credit after the Presidential decree is issued. Once the loan contract is negotiated by the Ministry of Finance on behalf of the public body in question the contract has to be approved by the Monetary Council, the Economic and Social Council, and a bipartisan congressional commission. This approval procedure applies to all types of public sector foreign borrowing. The Colombian authorities believe that by centralizing the negotiation of foreign financing they have been able to obtain better financial terms and gain the confidence of the international financial community.

In recent years, Colombia's external public debt management has been based on the principle that foreign borrowing should be used to finance only the foreign component of investment projects. The exception to this rule has arisen in the case of human resource projects financed by international organizations where the foreign component of the projects is relatively small. During 1979-81, the Central Government did engage in some general purpose borrowing from commercial banks. The decision was taken to obtain these general purpose credits because of the time lag between the decision to accelerate public investment in 1979-80 and the negotiation of loans from suppliers and official lenders; the authorities have now announced that they will limit general purpose borrowing to US\$200 million in 1982. In general, state enterprises are not supposed to borrow abroad on a short-term basis. One exception is made in the case of ECOPETROL which, because of the nature of its business, carries out many short-term operations, or for some specific and large investment projects where short-term financing might be desirable like the Cerrejon coal project.

External borrowing operations of the private sector are to be registered with the Banco de la Republica; private sector loans guaranteed by the state must, in addition, go through the same approval process which applies to external credits for the public sector. The Colombian authorities have also announced that the Government in the future will not guarantee loans of the private sector or state enterprises to ensure that foreign loans are granted only on the basis of the creditworthiness of the projects.

b. Outstanding levels and borrowing terms

Colombia's outstanding external debt as a percentage of GDP has been relatively stable in recent years. After reaching 14.2 per cent of GDP in 1977, medium- and long-term external public debt outstanding stayed within the 12-13 per cent level amounting to 12.5 per cent of GDP, or US\$4.5 billion, in the middle of 1981 (Table 25). Medium- and long-term external debt of private nonbank borrowers fluctuated between 1.6 per cent and 2.4 per cent of GDP during 1977-81 and was equivalent to 2.4 per cent of GDP in the middle of 1981 (Table 26).^{1/} In relation to exports of goods and services, the external public debt, however, increased from approximately 80 per cent at the end of 1979 and 1980 to 100 per cent in the middle of 1981, as exports have grown very slowly.

Private banks, foreign governments, the World Bank, and the Inter-American Development Bank have been the main sources of foreign financing for the public sector in recent years (Statistical Appendix Table 83). The bulk of external public sector borrowing has been done for the power and industrial sectors (Statistical Appendix Table 82). The average interest rate at which new public sector loans were contracted rose during 1979-81 reflecting the increases in the international market rates, while the average maturity of the loans stayed at 12-13 years.

In 1980, 80 per cent of foreign borrowing by private nonbank borrowers originated in the United States (Statistical Appendix Table 85). Nevertheless, as of the end of 1980, 56 per cent of this private external debt had originated in the United States and 18 per cent in Europe. Most of the borrowing by private nonbank sector has been done by the industrial sector with the textile and chemical industries being the two most important borrowers. Next in importance are the mining sector, the construction sector, and the transportation and communications sectors.

^{1/} No data is available on the external debt of the banking system.

Table 25. Colombia: External Public Debt, 1977-81 1/

(In millions of U.S. dollars)

	1977	1978	1979	1980	Jan.-June 1981
Drawings	409	369	1,027	1,083	529
Debt service payments	338	407	694	514	298
Amortization <u>2/</u>	(197)	(244)	(461)	(234)	(128)
Interest	(141)	(163)	(233)	(280)	(170)
New loans contracted	527	764	1,353	1,530	1,115
Disbursed debt outstanding at end of period	2,842	2,962	3,524	4,243	4,550
Undisbursed balances at end of period	1,105	1,584	1,909	2,492	3,096
<u>Memorandum items</u>					
Debt outstanding as a percentage of GDP	14.2	12.2	12.3	13.2	12.5
Debt outstanding as a percentage of exports <u>3/</u>	82.5	73.3	79.4	78.9	100.2
Debt service as a percent- age of exports <u>3/</u>	9.8	10.1	15.6	10.0	13.0 <u>4/</u>
Average interest rate on debt outstanding <u>5/</u>	5.1	5.5	7.2	7.2	10.2 <u>4/</u>
Average interest rate on new loans contracted	7.0	8.0	8.7	10.7	11.7
Average maturity of new loans contracted (in years)	17.0	14.0	13.5	12.0	13.0

Sources: Banco de la Republica; Statistical Appendix Table 83; and Fund staff estimates.

1/ Medium- and long-term debt including publicly guaranteed debt.

2/ Includes amortization of some short-term debt.

3/ Ratio to exports of goods and nonfactor services.

4/ Estimated on an annual basis.

5/ Interest payments as a percentage of the average disbursed debt outstanding at the beginning and end of period.

Table 26. Colombia: Operations of Private Medium- and Long-Term External Debt Outside the Banking System 1/

(In millions of U.S. dollars)

	1977	1978	1979	1980	Jan.-Aug. 1981
Loans registered during period <u>2/</u>	55	65	151	70	382
Amortization during period	61	97	48	13	75
Interest payments during period	24	33	44	34	75
Outstanding at end of period <u>3/</u>	435	399	502	559	866
<u>Memorandum item</u>					
Debt outstanding as a percent- age of GDP	2.2	1.6	1.7	1.7	2.4

Source: Banco de la Republica.

1/ Includes private debt with public guarantee.

2/ Loan disbursements registered with the Exchange Office of the Banco de la Republica.

3/ Outstanding balances at the end of the year reflect not only the net transactions of the year but also valuation adjustments.

c. Debt service payments

After reaching a peak of 15.6 per cent in 1979 because of some debt prepayment, the ratio of debt service payments to exports of goods and nonfactor services declined to 10 percent in 1980, the level prevailing in 1977 and 1978 (see Table 25). In 1981 the debt service ratio increased to 13 per cent because of almost a US\$200 million increase in amortization payments, higher interest payments and the decline in exports. Statistical Appendix Table 84 shows that debt service payments on medium- and long-term debt outstanding at the end of 1980 were not projected to increase significantly in 1982 and 1983.^{1/} If consideration is taken of the borrowing by the public sector in 1981 and of the average maturity and average interest rates of the loans contracted during the first half of 1981 (Statistical Appendix Table 82) debt service payments are likely to rise by about one third in 1982 and 1983 from the levels projected based on the public debt outstanding at the end of 1980.

1/ In the case of foreign debt at floating interest rates, the projection assumes that the interest rate remains at the level which prevailed at the time the credits were contracted.

Developments in Coffee Policy in 1980 and 1981

1. World coffee output and prices

World exportable coffee production increased only by an average of 2 per cent a year during 1979-80 and 1980-81, a much smaller rate of expansion than that of the previous two coffee years (Table 27). The smaller gain in exportable production was partly due to declining world prices and partly to the result of bad weather conditions in some producing countries. Despite the slowdown in the growth of exportable coffee production, world stocks rose to approximately 29 million 60-kilogram bags by the end of September 1981 because world exports declined by 4 per cent during 1979-80 and again in 1980-81, reflecting sluggish world demand. International coffee prices steadily declined between the end of 1979 and June 1981 at which time they were at their lowest level since 1976, reflecting the stock accumulation which occurred during this period and the expectation of a large crop in the 1981-82 coffee year (Table 28). This expectation was partially reversed by a frost in Brazil's coffee producing areas which generated a gradual price recovery beginning in July 1981.

Table 27. Colombia: World Coffee Stocks, Production, and Exports

(In millions of 60 kilo bags)

Coffee Years	Opening Stocks	Production		Exports
		Total	Exportable	
1973-74	49.1	66.6	47.6	60.6
1974-75	36.1	82.9	63.8	55.6
1975-76	44.3	73.0	54.2	59.6
1976-77	38.9	61.9	43.9	57.2
1977-78	25.6	71.8	53.0	48.6
1978-79	30.0	79.6	60.3	64.7
1979-80	25.6	82.1	62.2	62.1
1980-81	25.7	83.3	62.9	59.4
1981-82 (Prel.)	29.2	94.8	73.6	62.9

Sources: U.S. Department of Agriculture; and Fund staff estimates.

Table 28. Colombia: World Price of Colombian Coffee ^{1/}
(In U.S. cents per pound)

	1978	1979	1980	1981
<u>Monthly averages</u>				
January	206.60	166.50	184.2	... ^{2/}
February	199.20	136.90	184.2	... ^{2/}
March	185.60	134.90	205.2	... ^{2/}
April	193.80	141.88	192.5	140.8
May	192.20	153.22	202.1	139.4
June	192.70	197.32	192.2	129.4
July	174.90	210.50	180.3	142.3
August	177.40	208.54	185.0	153.9
September	181.40	221.08	189.9	143.2
October	173.67	214.39	152.2	149.9
November	172.73	211.26	147.0	156.4
December	172.20	204.47	133.5	152.7
<u>Quarterly averages</u>				
First quarter	197.13	146.10	191.2	... ^{2/}
Second quarter	192.90	164.14	195.6	136.5
Third quarter	177.90	213.37	184.2	146.5
Fourth quarter	172.87	210.04	144.2	153.0
<u>Annual average</u>	<u>185.20</u>	<u>183.41</u>	<u>178.8</u>	<u>145.3</u>

Source: International Coffee Organization (ICO).

^{1/} As measured by the ICO Indicator Price for Colombian mild Arabica coffee.

^{2/} There was no spot quotation at this time.

In spite of the recent Brazilian frost, world coffee production is expected to increase substantially in the immediate future. Exportable production is expected to total 74 million 60-kilogram bags in the 1981-82 coffee year, when world export volume will reach an estimated 63 million bags, so that by the end of September 1982, reserve stocks could rise to 40 million bags, or about one half of the world's projected consumption, the highest proportion in the last five years. The June 1981 Brazilian frost will not affect world supply during the 1981-82 coffee year because most of the coffee crop had already been harvested when the frost occurred. However, the 1982-83 Brazilian production will be affected by the frost and also to an extent by the

drought conditions which existed in Brazil from August to October 1981; the market already is reacting to this development with the result that prices are expected to remain at the average levels reached in the second half of 1981.

An International Coffee Agreement between the major coffee producers and consumers was signed in September 1976. The Agreement contained price stabilization provisions which were to be activated in the case of sharp price fluctuations. However, until October 1980 exporting and importing countries were unable to agree on the price which would trigger the establishment of export quotas. After agreement was reached on the trigger price, member countries of the coffee agreement established an export quota system under the supervision of the International Coffee Organization (ICO) for the 1980-81 coffee year. The overall export quota, initially set at 57.4 million 60-kilogram bags, was reduced to 51.2 million bags during the coffee year because the sharp decline in world coffee prices in the first half of 1981. For the 1981-82 coffee year, the ICO member countries have agreed to a basic export quota of 56 million bags for a price range of US\$1.20 to US\$1.40 per pound. The agreement attempts to stabilize coffee prices within this price range through reductions and increases of the basic quota. The basic quota will change when the 15-day moving average of the indicator composite price ^{1/} declines to US\$1.20 per pound or below or increases to US\$1.40 per pound or above. When the average price reaches a level of US\$1.20 or less, the agreement calls for four quota cuts of 1 million bags each, up to the minimum quota of 52 million bags. If the 15-day moving average of the indicator composite price remains at or below US\$1.15 per pound 15 market days after the third cut, the Executive Board of the International Coffee Council will meet to review the operation of the quota system. These four quota cuts will be restored in two steps: when the average price recovers to the US\$1.20 per pound level and again at the US\$1.30 per pound level. Similarly, when the average price reaches a level of US\$1.40 or higher the agreement calls for four quota increases of 1 million bags each up to the maximum quota of 60 million bags. Quotas will be suspended if the 15-day moving average of the indicator price remains at or above US\$1.50 per pound for two consecutive periods of 15 market days. Like the Brazilian frost, the announcement of the quota agreement for the 1981-82 coffee year appears to also have had a positive effect on coffee prices.

2. Colombian output and exports

Colombia's registered coffee production increased from 12.3 million 60-kilogram bags in the 1979-80 coffee year to 13.3 million bags in 1980-81 and is expected to reach 13.7 million bags in 1981-82 (Table 29). The output increase in recent years came about primarily because of improved yields; the cultivated area has remained essentially unchanged. Coffee farms cover about 20 per cent of Colombia's cultivated land,

^{1/} The indicator price is based on daily spot quotations for the "other milds" coffee and "robusta" coffee in the major markets.

Table 29. Colombia: Coffee Stocks, Production, and Exports

(In thousands of 60-kilo bags)

	1976-77	1977-78	1978-79	1979-80	Prel. 1980-81	Est. 1981-82
<u>Opening registered stocks</u>	<u>1,812</u>	<u>3,999</u>	<u>5,601</u>	<u>4,765</u>	<u>3,761</u>	<u>6,550</u>
<u>Derived production 1/</u>	<u>8,784</u>	<u>10,580</u>	<u>12,233</u>	<u>12,264</u>	<u>13,300</u>	<u>13,700</u>
<u>Domestic consumption 2/</u>	<u>1,305</u>	<u>1,420</u>	<u>1,638</u>	<u>1,728</u>	<u>1,480</u>	<u>1,500</u>
<u>Exportable production</u>	<u>7,479</u>	<u>9,160</u>	<u>10,970</u>	<u>10,976</u>	<u>12,175</u>	<u>12,650</u>
<u>Registered exports</u>	<u>5,292</u>	<u>7,558</u>	<u>11,431</u>	<u>11,540</u>	<u>9,031</u>	<u>9,463</u>
Change in registered stocks	2,187	1,602	-836	-1,004	2,789	2,737
<u>Memoranda</u>						
<u>Nonregistered production</u>	516	470	367	448	700	...
Contraband	(560)	(735)	(700)	(700)	(700)	(...)
Change in nonregistered stocks	(16)	(-265)	(-333)	(-252)	(--)	(...)

Sources: National Federation of Coffee Growers; International Coffee Organization; U.S. Department of Agriculture; and Fund staff estimates.

1/ Exportable production plus domestic consumption.

2/ Registered domestic sales of semiprocessed coffee by the Coffee Federation.

with over 300,000 individual farms growing coffee in 16 departments of the country. About one third of the coffee acreage is cultivated with modern technology and supplies 60 per cent of overall output.

After reaching a peak in the 1979-80 coffee year, when 11.5 million 60-kilogram bags were shipped, registered exports declined to 9 million bags in 1980-81, due to the cut of 1.4 million bags in Colombia's original quota under the International Coffee Agreement and to the decline in sales to non-ICO countries. Exports during the 1981-82 coffee year are expected to amount to 9.5 million bags, including 8.6 million bags to ICO members under the quota agreed in September 1981 and 900,000 bags to nonmembers. Stocks held by the National Federation of Coffee Growers declined by approximately 1 million bags in 1979-80 as a result of the extraordinary export performance during two years in a row. In 1980-81, however, Colombian coffee stocks increased by 2.8 million bags as production growth accelerated while exports and domestic consumption declined. Coffee stocks are expected to increase by an estimated 2.7 million bags in 1981-82, raising Colombia's reserve stocks to 9.3 million bags by the end of the current coffee year. This level represents approximately 70 per cent of the country's average annual production in recent years.

With the existing coffee production trend in Colombia and the current world market conditions, both the Government and the National Federation of Coffee Growers advocate a policy of reducing world coffee production with a view to stabilizing prices at remunerative levels for producers. This advocacy is based on the belief that world coffee demand is highly price inelastic and that the release of present production into world markets therefore would lead to a disastrous drop in prices. As a means of achieving this policy objective, the Colombian authorities are implementing a program of agricultural diversification in the country's coffee growing regions, with a view to adjusting the growth of domestic production in the near future to the projected increase in demand.

3. Coffee policy management in Colombia

Colombian coffee policy is determined by the Government in collaboration with the National Federation of Coffee Growers, an autonomous entity which represents the coffee growing regions and to whose governing committee the Government appoints seven of the fifteen directors. The National Federation of Coffee Growers is directly responsible for the management of domestic and external marketing of Colombia's coffee, including the enforcement of quality control, the provision of storage facilities, the representation of Colombia in the international coffee forums, and the promotion of Colombian coffee sales abroad. In addition, the Coffee Federation is entrusted with the management of the resources of the National Coffee Growers' Fund, which is the main recipient of Colombian coffee taxes and which channels a proportion of its resources to infrastructure investment in the coffee growing regions.

Coffee policy has as its aim the stabilization of coffee growers' income at a level consistent with the long-run equilibrium price of coffee in the world market. To this end, the four main instruments of coffee policy used by the authorities are the domestic support price, the minimum foreign exchange surrender requirement, the ad valorem coffee export tax, and the retention quota. To guarantee the domestic coffee grower a minimum price (net of all taxes and charges) the Coffee Federation stands ready to purchase from coffee growers any amount of untreated coffee (pergamino) at the domestic support price. While the Federation stands ready to purchase any amount of coffee offered to it, the domestic coffee grower does have the option of selling output to private exporters who, depending on the world market price and the level of the coffee taxes described below, may be in a position to offer a price above the support price. The minimum amount of foreign exchange to be surrendered by coffee exporters at the Banco de la Republica for each 70-kilogram bag of coffee exported is set by the Monetary Board at infrequent intervals. The minimum exchange surrender requirement serves as the base to which the ad valorem coffee export tax is applied. Although there is no automatic adjustment formula for setting the minimum exchange surrender requirement, the Government generally keeps it broadly in line with international coffee prices, after making due allowance for shipment costs. The ad valorem export tax is the Central Government's main source of revenue from coffee exports and is collected at the time the foreign exchange is surrendered to the Banco de la Republica. The proceeds of this tax are shared by the National Coffee Fund which receives 4 percentage points, and the Central Government, which receives the remainder. The retention quota, which accrues in its entirety to the National Federation of Coffee Growers, is a fixed amount of coffee that must be delivered to the Federation for each 100 bags of coffee exported.

Responding to the sharp drop in world coffee prices in 1980 and 1981, the authorities lowered the minimum surrender requirement, the retention quota, and the ad valorem coffee tax. The coffee surrender price was reduced twice in 1980 and maintained roughly at the level which existed at the end of 1980 during the first ten months of 1981 (Table 30 and 39 of Appendix III). The retention quota was lowered first from 62 per cent to 25 per cent in October 1980, and to 15 per cent in December 1980. However, it was gradually increased to 30 per cent in the second half of 1981 as prices bounced back. The ad valorem tax, which stood at 16 per cent since 1978, was reduced to 13 per cent in December 1980 and to 12 per cent in September 1981. The receipts of the Central Government from the ad valorem coffee tax declined from Col\$10 billion in 1980, or 6 per cent of its overall revenue, to Col\$6.9 billion in 1981, or 3 per cent, as a result both of the rate reduction and the lower level of coffee exports (Table 31 and Statistical Appendix Table 60). The changes in these three coffee policy instruments, jointly with the elimination of the penalty on the immediate conversion of coffee export proceeds, allowed private exporters to compete for the domestic crop. Thus, the share of private exporters rose from less than 2 per cent in 1979-80 to 32 per cent in 1980-81 (Table 32).

Table 30 Colombia International Coffee Prices, Exchange Surrender Requirements, Retention Quotas, and Purchase Prices (Monthly Averages)

		Exchange Surrender			Retention Quota (In per cent)	Purchase Price of Coffee Federation (In Colombian pesos per 125 kilogram load)	Internal Price Offered by Private Exporters
		International Coffee Prices (In U.S. cents per pound)	Actual (In U.S. dollars per 70 kilogram bag)	Requirement Indicated on Basis of World Price 1/ (In U.S. dollars per 70 kilogram bag)			
1975	March	69.4	103.2	100.5	30.0	2,500	2,354
	June	72.6	95.5	105.4	35.0	2,350	2,510
	September	90.7	117.0	133.2	35.0	3,000	3,405
	December	94.0	117.0	138.3	30.0	3,250	3,926
1976	March	106.5	143.0	157.5	30.0	4,120	4,430
	June	183.6	255.9	275.8	85.0	6,078	6,695
	September	181.2	259.3	272.1	85.0	6,560 2/	6,271
	December	209.8	287.6	316.0	80.0	6,876 3/	7,201
1977	March	313.0	440.6	473.5	80.0	6,934 3/	7,541
	June	268.7	440.8	405.5	80.0	7,238 3/	6,524
	September	193.1	313.8	289.4	80.0	7,233 3/	6,869
	December	207.5	313.8	311.5	80.0	7,240 3/	6,848
1978	March	185.6	313.8	276.4	80.0	7,224 3/	6,921
	June	192.7	283.0	287.3	80.0	7,200 3/	6,938
	September	181.4	259.0	269.9	80.0	7,250 3/	7,073
	December	172.2	259.0	255.8	80.0	7,139 3/	6,773
1979	March	134.2	188.4	197.1	45.0	6,400 4/	6,150
	June	197.3	246.3	292.9	58.0 5/	6,947 4/	6,955
	September	221.1	251.0	329.4	58.0	7,713 4/	7,759
	December	204.5	251.0	303.9	58.0	8,216	8,185
1980	March	205.2	251.0	303.0	58.0	8,356	8,450
	June	192.2	287.3	283.0	62.0	8,733	8,484
	September	187.3	287.3	275.5	62.0	8,733	8,318
	December	133.5	187.5	192.9	15.0 6/	9,140	8,898
1981	March	...	182.0	...	15.0	9,200	9,036
	June	129.5	186.6	185.8	20.0	9,200	8,893
	September	143.2	186.6	206.8	25.0 8/	9,460	9,310
	December	152.7	206.5 10/	221.4	30.0	10,330	9,948 9/

Sources: Table 28; Banco de la República, National Federation of Coffee Growers; and Fund staff estimates

1/ Assumes freight costs of US\$6.00 in 1975 and 1976; US\$7.00 in 1977; US\$8.50 in 1978; US\$10 in 1979; US\$12.00 in 1980; and US\$13.00 in 1981.

2/ Includes the payment of Col\$1,000 in coffee savings bonds, valued at market price.

3/ Includes the payment of Col\$500 in coffee savings bonds, valued at market price.

4/ No payment in coffee savings bonds.

5/ 55 per cent in May 1979.

6/ 25 per cent until December 10.

7/ There was no spot quotation.

8/ 20 per cent until September 17.

9/ Until December 4.

10/ US\$201.9 until December 14.

Table 31. Colombia: Distribution of Coffee Earnings

	1977	1978	1979	Prel. 1980	Est. 1981
(In millions of U.S. dollars)					
<u>Registered exports</u>	<u>1,525.7</u>	<u>1,993.9</u>	<u>2,024.3</u>	<u>2,375.4</u>	<u>1,497.0</u>
<u>Nonsurrender</u>	<u>78.2</u>	<u>291.4</u>	<u>254.9</u>	<u>394.3</u>	<u>11.2</u>
<u>Exchange surrender</u>	<u>1,447.5</u>	<u>1,702.5</u>	<u>1,769.4</u>	<u>1,981.1</u>	<u>1,485.8</u>
(In millions of Colombian pesos)					
<u>Coffee sales receipts</u>	<u>54,391</u>	<u>67,922</u>	<u>78,183</u>	<u>96,826</u>	<u>84,762</u>
<u>Exchange surrender ^{1/}</u>	<u>53,238</u>	<u>66,568</u>	<u>75,288</u>	<u>93,671</u>	<u>81,362</u>
Domestic sales by Coffee Federation	1,153	1,354	2,895	3,155	3,400
<u>Coffee sales receipts</u>	<u>54,391</u>	<u>67,922</u>	<u>78,183</u>	<u>96,826</u>	<u>84,762</u>
<u>Coffee growers (value of registered production)</u>	<u>48,667</u>	<u>50,108</u>	<u>53,559</u>	<u>64,518</u>	<u>77,299</u>
Central Government (ad valorem tax)	6,604	7,825	8,496	10,152	6,950
Net revenue of Coffee Federation and pri- vate exporters ^{1/}	-880	9,989	16,128	22,156	513
(Percentage structure)					
<u>Coffee sales</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
<u>Coffee growers</u>	<u>89.5</u>	<u>73.8</u>	<u>68.5</u>	<u>66.6</u>	<u>91.2</u>
Central Government	12.1	11.5	10.9	10.5	8.2
Coffee Federation and private exporters ^{1/}	-1.6	14.7	20.6	22.9	0.6
<u>Memorandum item</u>					
<u>Exchange rate (Col\$ per US\$)</u>	<u>36.78</u>	<u>39.10</u>	<u>42.55</u>	<u>47.28</u>	<u>54.76</u>

Sources: National Federation of Coffee Growers; and Fund staff estimates.

^{1/} Gross of discount on early redemption of exchange certificates.

Table 32. Colombia: Coffee Output and Exports
by Calendar and Coffee Years ^{1/}

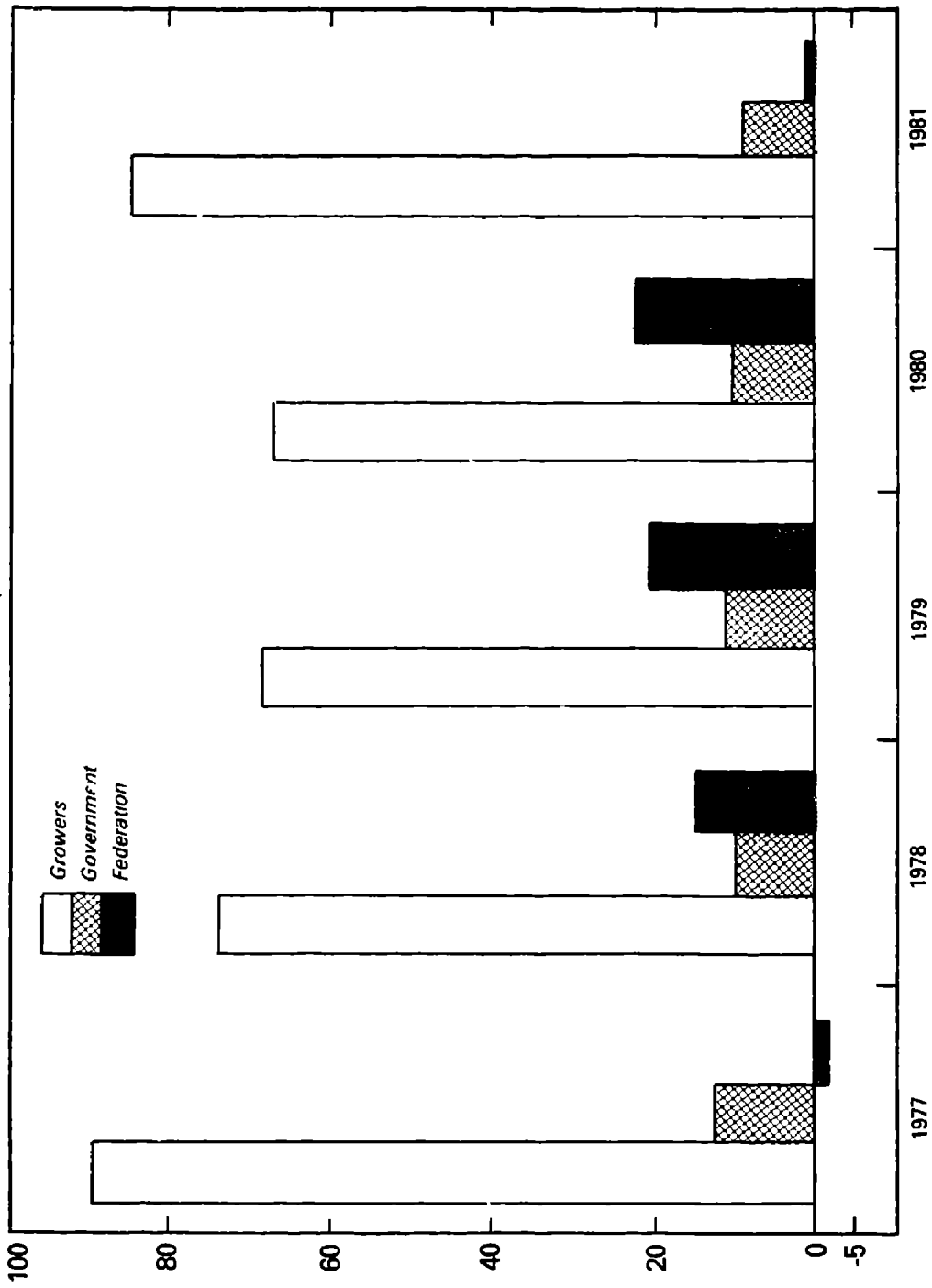
(In thousands of 60-kilo bags)

	Registered Production	Registered Exports		Total
		Coffee Federation	Private Exporters	
1974 - October-December	2,885	539	1,012	1,551
1975 - Year ended September	8,302	3,028	4,514	7,542
October-December	3,183	446	1,738	2,184
Year ended December	8,600	2,935	5,240	8,175
1976 - Year ended September	7,835	1,489	5,534	7,023
October-December	2,048	271	1,179	1,450
Year ended December	6,700	1,314	4,975	6,289
1977 - Year ended September	9,036	1,742	3,550	5,292
October-December	3,826	917	564	1,481
Year ended December	10,814	2,388	2,935	5,323
1978 - Year ended September	10,491	4,786	2,772	7,558
October-December	4,786	1,803	1,154	2,957
Year ended December	11,451	5,672	3,362	9,034
1979 - Year ended September	11,568	8,839	2,592	11,431
October-December	5,043	2,657	--	2,657
Year ended December	11,825	9,693	1,438	11,131
1980 - Year ended September	12,548	11,357	183	11,540
October-December	2,671	1,821	399	2,219
Year ended December	12,176	10,521	581	11,102
1981 - Year ended September	13,236	6,106	2,925	9,031
October-December	4,700	...	...	2,150
Year ended December	13,265	...	...	8,961

Sources: National Federation of Coffee Growers; and Fund staff estimates.

^{1/} The coffee year runs from October 1 of one year to September 30 of the next.

CHART 2
COLOMBIA
DISTRIBUTION OF COFFEE EARNINGS
(In per cent)



At the same time the above-described actions were being taken, the authorities tried to limit the fall in the real income of coffee growers. The domestic support price was increased during 1980 and 1981 from Col\$8,185 per 125 kilogram load of untreated coffee at the end of 1979, to Col\$9,140 at the end of 1980 to Col\$10,330 at the end of the 1981 (see Table 30). As a result of these actions the growers' share in coffee sales proceeds (including those of domestic and external sales by Federation and private exporters) increased from 69 per cent in 1979 and 67 per cent in 1980 to 91 per cent in 1981 (see Table 31 and Chart II). The fall in real income of coffee growers was limited to around 6 per cent in both 1980 and 1981.

The decline in the retention quota, together with a reduction in ad valorem export tax proceeds ^{1/} and the drop in coffee export earnings, weakened the financial situation of the Coffee Fund at a time when it had to accumulate 2.8 million 60-kilogram bags during the 1980-81 coffee year to fulfill its export quota obligations. It is likely that the observance of Colombia's export quota in the 1981-82 coffee year will create a need to increase stocks equivalent to an additional 2.7 million of 60-kilogram bags, further taxing the financial resources of the Coffee Fund. In order to partially finance these purchases, the Coffee Federation was authorized to place an issue of coffee bonds amounting to Col\$10 billion, in the financial market. These bonds (certificados cafeteros valorizables) have an effective annual yield of 33.4 per cent and are negotiable in the stock market. By December 1981, about Col\$4 billion worth of bonds had been placed in the market. Also, to enable the Federation to finance the increase in stocks in a noninflationary manner, and to link domestic pricing policy more closely to world market developments, the authorities have reached an agreement with the Executive Committee of the National Coffee Federation whereby the domestic coffee price will be raised only when the International Coffee Agreement acts to increase Colombia's export quota.

^{1/} The Federation's 4 per cent share of the ad valorem tax stayed unchanged when the tax was reduced to 13 and 12 per cent.

Colombia: Summary of Major Taxes

Nature of Tax	Exemptions and Deductions	Rates
1. Taxes on Net Income and Profits		
1. Tax on business enterprise income (<u>Impuesto a la Renta</u>). Decrees 1979 of 9/18/74, 2053 of 9/30/74, 2247 of 10/21/74, 2310 of 10/28/74, and 2348 of 10/31/74; Law 18 of 1969, Law 49 of 1973, and Law 20 of 4/16/79		
Applies to all forms of enterprises, including corporations (<u>sociedades anónimas</u>), limited liability companies (<u>limitadas</u>), and partnerships (<u>colectivas</u>). The tax is imposed on global net profit of Colombian enterprises including most state enterprises of a commercial or industrial nature) and on all Colombian--source income or foreign enterprises. Net income is presumed to be not less than 10 per cent of the firm's net wealth at end of previous year, unless a lower income can be proven to be due to forces outside the firm's control. All values expressed in domestic currency in the income tax legislation and the value of fixed assets are subject to full adjustment for inflation.	Interest received on government securities issued before 9/30/74. Various tax credits are granted, including credits for taxable CATs received, charitable contributions, foreign tax paid, etc. Net income of municipal and regional enterprises is exempt. Purchase of shares of new or existing corporations if approved by the National Council for Economic and Social Policy. Special exemptions apply to mining activities.	40 per cent on Colombian corporations and all foreign business entities. 20 per cent on all other forms of business organizations, including limited liability companies and partnerships. After-tax income of limited liability companies and partnerships is imputed to owners and taxed as individual income. Entities of at least 51 per cent Colombian ownership have tax liabilities reduced by 8 per cent.
2. Tax on individual income (<u>Impuesto a la Renta</u>). Law 38 of 1969, Decree 2053 of 9/30/74 and 2247 of 10/21/74, Laws 49 of 1973 and 20 of 4/16/79, and Decree 2653 of 9/23/81		
The tax is imposed on global income of Colombian residents and on all Colombian source income of non-residents. Taxes on wage income, interests, and dividends are withheld at source. (Taxpayers with more than 75 per cent of income not subject to withholding make advance payments). Net income is presumed to be not less than 10 per cent of the value of net wealth at end of previous year, unless a lower income can be proven to be due to forces outside the individual's control (e.g., flood, drought). All values expressed in domestic currency in the income tax legislation and the value of fixed assets are subject to full adjustment for inflation.	Various types of income, including sickness and maternity benefits, vacation pay, and interest received on government securities issued before 9/30/74 are exempt. Tax deductions are granted for the taxpayer, spouse, dependent, medical and educational expenses (10 per cent of expense), rents (20 per cent up to Col\$80,000 and 5 per cent above), dividends received (20 per cent up to Col\$160,000 if the recipient's net wealth is below Col\$6.4 million). A deduction of 25 per cent on first Col\$32,000 withheld plus 10 per cent on the rest is also allowed in the case of tax withholding arising from labor income. Total credits cannot exceed gross tax liability.	For the fiscal year 1981, marginal rates range from 10 per cent on taxable income up to Col\$58,000 to 56 per cent on taxable income in excess of Col\$2.3 million. For nonresidents the rate is 40 per cent.

Colombia Summary of Major Taxes (Continued)

Nature of Tax	Exemptions and Deductions	Rates
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3. Tax on irregular income (Ganancias Ocasionales) Decrees 2053 of 9/30/74 and 2274 of 10/21/74, Law 20 of 4/16/79, Decree 3211 of 12/28/79, 727 of 3/26/1980, and 2655 of 9/23/81

The tax is imposed on net capital gains on the sale of assets held for at least two years, on the monetary correction paid to UPAC depositors in excess of 8 per cent, on payments to shareholders beyond earned capital and surplus in liquidation of corporations which have operated for at least two years, on income acquired through inheritance, bequest or gift, net of inheritance and gift taxes, and on prizes obtained in open contests, lotteries, raffles, etc.

In the case of gains arising from the sale of assets, the first Col\$80,000 are exempt. In the case of the sale of an owner-occupied house, the gain is reduced by 10 per cent. In the case of inheritances and bequests, only 80 per cent is subject to tax, and a special exemption of Col\$800,000 applies to the surviving spouse and close relatives. Prizes obtained in certain types of open contests are tax exempt up to Col\$480,000. Additionally, gains from the sale of assets are tax exempt when at least 20 per cent of the sale value is used to purchase bonds of the Industrial Development Institute (IFI) and the rest is used to purchase fixed assets, enlarge plants, or finance agricultural improvements. If only part of the sale is so invested, the exemption is prorated.

Individuals and undivided estates: one half of the average tax rate corresponding to their regular income tax credits, but at least 10 per cent; corporations: 40 per cent; limited liability and partnerships: 20 per cent, prizes of lotteries, raffles, etc. 10 per cent.

II. Social Security Contributions--Decree 770 of 4/30/75

Levied on employers and employees as a percentage of the wage bill.

	Employer (Per cent contributions)	Employee
Sickness and maternity	6.53	3.27
Family medical insurance	4.67	2.33
Disability, retirement, and death	4.20	2.10

III. Property Taxes

1. Net wealth tax (Impuesto al patrimonio). Decree 2053 of 9/30/77, Law 20 of 4/16/79, and Decree 2655 of 9/23/81

Net wealth is defined as the difference between the value of the taxpayer's assets and his indebtedness. Liquid assets are valued at market value, real estate at the greater of cost or assessed value. All values expressed in domestic currency in the property tax legislation and the value of fixed assets are subject to full adjustment for inflation.

Property for agricultural use in specified zones, government securities, shares in mutual funds. The first Col\$230,000 are exempt.

For the fiscal year 1979 marginal rates range from 0.6 per cent on wealth of Col\$230,000 to 2.0 per cent on wealth in excess of Col\$7.2 million.

2. Tax on gifts and inheritance (Impuestos sucesorales). Decree 2143 of 1974

Imposed on the net value of property and rights transferred.

Transfers to spouse, parents, children, governmental agencies, or to nonprofit charitable organizations are exempt. Receipts from life insurance are exempt.

10 per cent on transfers to sisters. 20 per cent on all other transfers. n.b. 80 per cent of all gifts and inheritances are also included as irregular income.

Colombia. Summary of Major Taxes (Concluded)

Nature of Tax	Exemptions and Deductions	Rates
IV. Taxes on Goods and Services		
1. Sales tax (<u>Impuesto a las ventas</u>). Law 21 of 1963, Decree 1988 of 9/20/74, 2368 of 10/31/74, 2803 of 1974, 2810 of 1974, 384 of 4/1/75, and 729 of 3/27/1980		
Operated in general as a value added tax, it includes many services. 30 per cent of the receipts are earmarked for Departments and Municipalities.	Includes foodstuffs, drugs, banks, exports, and agricultural imports. Purchases of higher education, institutions are not subject to the tax.	4 per cent on certain basic petrochemicals. 6 per cent on capital goods most intermediate goods, basic consumption goods, 10 per cent on gasoline. 15 per cent on most consumption products and services. 35 per cent on luxury items.
2. Tax on petroleum products Decree 3083 of 1966		
Imposed on the price at refinery. The proceeds are earmarked for the Road Improvement Fund.		114 per cent on gasoline. 55.5 per cent on diesel oil.
3. Excise taxes		
Liquor produced domestically, beer, amusements, hotel occupancy, and international travel tickets.		Various.
V. Taxes on International Trade and Transactions		
1. Taxes on imports. Decrees 444 of 3/11/67 and 688 of 4/20/67		
Import duties are levied on most products imported into Colombia, the tariff is based on c.i.f. value	Various	Various. Import surcharges of: 5 per cent earmarked for the Export Promotion Fund; 1.5 per cent for general revenue.
2. Taxes on exports. Decrees 444 of 3/22/67 and 2374 of 10/31/74, and Decree 3272 of 12/9/81		
Exports of coffee are subject to an ad valorem tax based on the surrender price, and collected at the time of foreign exchange receipt.		12 per cent of which 4 percentage points are earmarked for the Coffee Federation, the remainder being for general revenue.
3. Tax on transfer of income abroad (<u>Transferencia de ingresos al exterior</u>). Decree 2053 of 9/30/74, Circular 82 of 12/13/74		
On transfer of profits, royalties, pensions, inheritances, and other income.	Dividends and interest payments for trade credits are exempt.	Transfer of profits of local branches of foreign companies, 20 per cent. All other, 12 per cent.
VI. Stamp taxes (Timbre y Papel Sellado). Law 2 of 1976, Law 39 of 1981, and Decree 3212 of 2/28/79		
Many commercial documents and official correspondence are subject to stamp taxes, levied by the affixing of stamps (<u>timbres</u>)	All public agencies and charitable organizations. Checks, bills of exchange, receipts, and similar commercial paper	Various.

Sources Ministry of Finance, and Banco de la Republica.

Colombia: Summary of Monetary Policy Measures of 1980 and 1981

Date	Description of Measure
1980 January	<p data-bbox="466 442 1305 532">Legal reserve requirements on demand deposits and deposits of less than 30 days were modified as follows (MBR 8/80):</p> <p data-bbox="466 570 1305 817">a. The 100 per cent marginal reserve requirement, in place since January 31, 1977, was frozen at the level of January 31, 1980. The total amount of banks' own resources used in operations with financial funds and other forced investments computed as partial fulfillment of the 100 per cent marginal reserve requirement also was frozen at the January 31, 1980 level.</p> <p data-bbox="466 855 1305 1200">b. The basic reserve requirement (except for that of 18 per cent on the first Col\$ 130 million) was increased from 45 to 50 per cent over a three-month period. At the same time, a 50 per cent marginal reserve requirement was imposed on the growth of these deposits over their January 31, 1980 level. A forced investment in government bonds equivalent to 5 per cent of demand deposits, which had been frozen since February, 1977, was reintroduced for the increase in deposits over the level of January 31, 1980.</p> <p data-bbox="466 1238 1305 1874">The legal ceilings on interest rates paid by banks and investment corporations on certificates of deposit, and on interest rates charged by them on loans made with these resources, were eliminated. At the same time, legal reserve requirements on certificates of deposits of banks and investment corporations were reduced from 25 to 15 per cent, to be fulfilled in the form of bearer bonds of Banco de la Republica--whose proceeds are utilized to finance operations of the bank's special funds--and the rate of interest on these bonds was raised. (Previously, virtually all of these reserves requirements were fulfilled by purchases of foreign currency bonds issued by the Banco de la Republica.) Finally, the forced investment required from commercial finance companies (discharged through bearer bonds issued by Banco de la Republica) was lowered from 25 to 15 per cent of funds attracted by these companies (Decree 238, and MBR 9, 10 and 12/80).</p>

Colombia: Summary of Monetary Measures of 1980 and 1981 (Continued)

Date	Description of Measure
April	Interest and rediscount rates charged on operations with resources of the Private Investment Fund (FIP) were raised (MBR 20/80).
May	<p>The ceiling on interest rate paid by savings and loan corporations on UPAC-denominated certificates of deposits was eliminated, and the reserve requirement on these instruments was lowered from a uniform 15 per cent to 6 per cent for six-month certificates of deposit and 3 per cent for one-year certificates of deposit. Also, the share of operations subject to the maximum lending interest rate (9 per cent per year plus monetary correction is allowed) was expanded (Decree 1298).</p> <p>Interest and rediscount rates charged on operations through the Electricity Development Fund and the livestock funds were raised (MBR 23 and 25/80).</p>
August	The interest rate allowed on funds deposited by savings and loan associations in the Banco de la Republica's Housing Fund (FAVI) was increased (MBR 40/80).
September	<p>The marginal reserve requirement imposed on demand deposits and deposits of less than 30 days above the January 31, 1980 level was reduced from 50 to 45 per cent. Also, broker transactions previously not subject to any controls, were brought under the same reserve requirement. (This latter requirement was imposed immediately on the increase of broker transactions over their August 31, 1980 level and, starting January 1, 1981, on the outstanding stock.) Interbank deposits were excluded from the computation of the reserve requirement (MBR 42/80).</p> <p>The basic reserve requirement on certificates of deposits issued by banks and on liabilities of investment corporations and commercial financing companies was lowered from 15 to 10 per cent. Norms regulating the operations of investment</p>

Colombia: Summary of Monetary Measures of 1980 and 1981 (Concluded)

Date	Description of Measure
1980 September (Concluded)	<p>corporations were issued. Broker transactions by investment corporations, commercial financing companies and savings and loan associations were made subject to legal reserve requirements (Decrees 2461, 2474, and 2510, and MBR 43, 44, and 47/80).</p> <p>The maximum interest rate payable on savings deposits was raised from 18 per cent to 21 per cent per year, and the annual monetary correction allowed savings and loan corporations on UPAC deposits was raised from 19 to 21 per cent (Decrees 2473 and 2475).</p>
1981 March	<p>Maximum terms during which banks may have access to ordinary rediscounts within a year were relaxed: from 10 to 15 days each time, and from 60 to 90 days in a year. During the period from the first Wednesday of December and the second Tuesday of January, the maximum term for access to ordinary rediscounts was increased from 20 to 30 days (MBR 6/81).</p> <p>The rediscount rates on operations through the Agricultural Financial Fund were reduced slightly (MBR 10/81).</p>
April	<p>The minimum share of the loan portfolio of savings and loan corporations to be allocated to low- and medium-income housing was increased at the expense of lending for commercial construction (Decree 893). The interest rate allowed on funds deposited by savings and loan corporations with FAVI was reduced (MBR 14/81).</p>
July	<p>The rate charged by Banco de la Republica on the rediscount of warrants and that charged by the Private Investment Fund (FIP) on loans to large firms were increased (MBR 24 and 25/81).</p>
August	<p>Banco de la Republica's credit line to PROEXPO to rediscount export credits was increased from US\$20 million to US\$40 million, and the rediscount rate was raised (MBR 32/81).</p>

Table 33. Colombia: Reserve Requirements in the Institutional Financial System

(As per cent of deposits)

	Dec. 1979	June 1980	Dec. 1980	Sept. 1981
<u>Banking system</u>				
Ordinary legal reserves				
Sight deposits and deposits of less than 30 days ^{1/}	45	50	50	50
Deposits of more than 30 days	29	29	29	29
Sight deposits of public sector entities	80	80	80	80
Savings deposits of private sector	20	20	20	20
Certificates of deposit	25	15	10	10
Foreign currency liabilities ^{2/}	9	9	9	9
Marginal reserve requirements				
Sight deposits and deposits of less than 30 days	100	50 ^{3/}	45 ^{3/}	45 ^{3/}
<u>Investment corporations</u>				
Certificates of deposit and other liabilities	25	15	10	10
Foreign currency liabilities				
Ordinary ^{2/} reserve requirements	9	9	9	9
<u>Savings and housing corporations</u>				
Deposits (nonindexed)	15	15	15	15
Deposits (indexed)	13	13	13	13
Certificates of deposit (indexed)				
Six months	10	6	6	6
One year	10	3	3	3

Source: Banco de la Republica.

^{1/} This reserve requirement applies to the level of deposits reached on January 31, 1977, except for the first Col\$130 million, which are subject to an 18 per cent reserve requirement.

^{2/} 6 per cent on first Col\$2.5 million through April 1978, and on the first US\$4 million through June 1979; 3 per cent on the first US\$2.5 million thereafter.

^{3/} The increase of sight deposits and deposits of less than 30 days between January 31, 1977 and January 31, 1980 continues to be subject to a 100 per cent marginal reserve requirement.

Table 34. Colombia: Rates of Interest and Rediscount on Operations
of the Banco de la Republica

(Nominal rates in per cent per annum)

	As of December 1979		As of June 1980		As of December 1980		As of October 1981	
	Interest	Rediscount	Interest	Rediscount	Interest	Rediscount	Interest	Rediscount
Financial Funds								
FFAP								
Subsistence crops	12	8	12	8	12	8	12	8
Forestry develop- ment	15	12	15	12	15	12	15	12
Cattle fattening	24	23.5	24	23.5	24	23.5	24	23.5
Cattle purchase	18-20	16.2-17.9	18-20	16.2-17.9	18-20	15.5-17.9	18-20	15.5-17.9
Other short term	21	19.3	21	19.3	21	18.3	21	17.7
Other medium term	21	19.1	21 1/	19.1 1/	21 1/	18.5-18.7 1/	21 1/	18 1/
Other long term	21	18.9	21	18.9	21	18.7	21	18.5-19
FIP	19-24	16-21	26-27	23-24	26-27	23-24	26-29	23-27
FFI	21-24	17-21	21-24	17-21	21-24	17-21	24-26	21-23
FAVI 2/	7.5-9	11-16	7.5-9	11-16	7.5-9	11-16	7.5-9	11-16
FDE	23	21.5	28	27	28	27	28	27
PROEXPO	17	14	17	14	17-19	14-16	17-19	14-16
Fondos Canaderos	...	7-12	...	8-13	...	8-13	...	8-13
Rediscount of warrants	17	14	24	20	28	23	30	25
Ordinary rediscount	18	30 3/	18	30 3/	18	30 3/	18	30 3/

Source: Banco de la Republica.

1/ A special credit line in favor of producers affected by adverse weather conditions was introduced in June 1980, with annual interest and rediscount rates of 15 per cent and 14 per cent, respectively.

2/ Net rate excluding monetary correction.

3/ 22 per cent from the first Wednesday of December to the second Tuesday of January.

Table 35. Colombia. Maximum Rates of Interest in the Institutional Financial System

(Nominal rates in per cent per annum)

	As of December 1978		As of December 1979		As of June 1980		As of December 1980		As of November 1981	
	Deposit	Lending	Deposit	Lending	Deposit	Lending	Deposit	Lending	Deposit	Lending
Housing credit system ^{1/}	16.2	16.2	19	19	19	19	21	21	21	21
Monetary correction ^{2/}	4	)	5	)	5	)	5	)	5)
UPAC deposits (net rate)	5	)	6	)	3/	)	3/	)	3/)
Savings account	5	)	7	)	3/	)	3/	)	3/)
Certificates of deposit	...	)	7	)	3/	)	3/	)	3/)
Six months	17.4	)	17.4	)	17.4	)	17.4	)	17.4)
One year										
Ordinary deposits (nonindexed)										
Commercial banks										
Ordinary credits eligible for rediscout	18	18	...	18	...	18	...	18	...	18
Savings account	22	22	18	22	21	22	21	22	21	22
Certificates of deposit	22	27	23	27	...	3/	...	3/	...	3/
Investment corporations										
Certificates of deposit	24	27	23	27	...	3/	...	3/	...	3/

Sources: Banco de la Republica; and Legislacion Economica.

- 1/ Sistema de ahorro y vivienda
2/ I.e., adjustment for inflation.
3/ Freed.

Exchange and Trade System

Although the exchange system of Colombia remains complex, involving multiple currency practices, exchange restrictions, and bilateral payments agreements with Fund members and two prospective members, the changes made to it in 1980 and 1981 were, on balance, of a liberalizing nature. During these two years, the Colombian authorities also liberalized somewhat the trade system by simplifying the administrative procedures for obtaining import licenses, and by shifting customs positions to the freely importable list. In 1980 a more flexible import licensing policy was implemented, but in the second half of 1981 this policy became more restrictive. Section I of this Appendix identifies the practices subject to Fund jurisdiction under Article VIII. Section II describes the main elements of Colombia's exchange and trade system, discussing the main changes which occurred in 1980 and 1981. A more detailed description of the system as of December 31, 1980 is provided in the 1981 Annual Report on Exchange Arrangements and Exchange Restrictions.

1. Exchange restrictions and multiple currency practices

Multiple currency practices subject to Fund jurisdiction under Article VIII, Section 3, arise from the following practices: (1) a 12 per cent tax applied on foreign exchange proceeds from coffee exports; (2) tax credit certificates granted to certain exports at the rates of 5 per cent, 9 per cent, and 12 per cent, and applied in most cases to the amount of foreign exchange surrendered;^{1/} (3) a discount of 5 per cent on the certificates of exchange issued against proceeds from emerald and pearl exports and invisible exports, when they are converted into pesos in less than 120 days; (4) a 20 per cent tax on profit remittances by branches of foreign companies, and a 12 per cent tax on other specified profit and income remittances abroad. Exchange restrictions subject to Fund jurisdiction under Article VIII arise from the following practices: (1) the imposition of an advance import deposit to be constituted prior to customs clearance and an advance exchange license deposit to be effected immediately prior to the issuance of an exchange license;^{2/} (2) a discriminatory limit on the annual remittance of profits to countries outside the Andean Group equivalent to 20 per cent of invested capital except for specified activities; and (3) bilateral payments agreements with Romania and Yugoslavia, the second of which is scheduled to be terminated in June 1982. Colombia also has bilateral payments agreements with two prospective Fund members, Hungary and Poland and these agreements would become subject to Fund jurisdiction under Article VIII, in the event these two countries join the Fund. It also has payments agreements with Bulgaria and the

^{1/} Beginning in 1982 a 4 per cent rate exists for exports of flowers, processed leather, and cacao.

^{2/} These deposits are not subject to any legal minimum retention terms.

German Democratic Republic. The Monetary Board has the power to establish a monthly exchange budget, but none has been prepared in recent years.

2. Summary of exchange and trade system

a. Exchange arrangements

Exchange surrender and foreign payments are generally effected through the medium of exchange certificates (ECs), traded in the official market at the official rate and in the stock exchange at varying rates of discount. Prior to 1980, ECs issued against proceeds from coffee, other specified exports and invisibles were subject to an 8 per cent discount if presented to the banking system before the specified 120-day redemption period. In 1980 as part of the monetary efforts to reverse the process of financial disintermediation, coffee was freed from the early-redemption discount, which also was reduced to 5 per cent. Before 1981, ECs could be redeemed between 120 and 270 days, the normal redemption period, at the exchange rate prevailing on the day of redemption and without discount. Between the next 271 and 720 days, the EC was redeemed at the exchange rate prevailing the day of issue of the EC and subject to a 5 per cent discount. After 720 days, the certificates were no longer redeemable. In 1981 the 5 per cent discount charged when the ECs were redeemed after the first 270 days was eliminated and the normal period of redemption was extended to be between 120 to 690 days from the date of issue. Table 36 provides details of the changes in the legislation affecting ECs during 1980 and 1981.

b. Import registration and licensing

All import transactions other than those classified as minor imports or shipments with an f.o.b. value of less than US\$500 are subject to prior registration with INCOMEX (Colombian Institute of Foreign Trade). Urgently needed spare parts not exceeding US\$10,000 also are classified as minor imports and are not subject to registration. There are two main import regimes: one applying to freely importable goods, not requiring an import license and subject only to the registration requirement, and another applying to imports subject to prior approval and requiring an import license. Within the category of imports subject to prior approval, there are some for which import licenses are granted freely or in a flexible manner, and some for which licenses are granted more restrictively or not at all. In deciding whether to grant an import license for commodities subject to prior approval, INCOMEX takes into account the extent to which domestic demand can be met by Colombian production, whether domestic production is competitive with foreign production in terms of quality and technical specifications, the import duty level, and the basic policy objective of gradually opening up the economy to international competition. The relative importance given to these different factors varies by product.

Table 36. Colombia: Changes in Advance Deposit Requirements--1980 and 1981

(As percentage of value of transaction)

Transaction	Monetary Board Resolution	Advance Import Deposit (Deposito Anticipado)	Advance Exchange License Deposit (Consignacion)	Total Deposit
1. Products for immediate use				
Prevailing end-1979				
1980--January 30	5	35 1/ Excludes imports of immediate goods from Spain financed under a credit line of the Banco de la Republica	95	95
1981: No changes				
2. Capital goods				
Prevailing end-1979				
1980--January 30		35 1/ Excludes imports of capital goods from Spain financed under a credit line of the Banco de la Republica	95	95
1981: No changes				
3. Import freight payments				
Prevailing end-1979				
1980--September 17	45	80 1/ Creates Titulo de Consignacion sobre Fletes de Importacion maintaining the 80 per cent requirement 1/2/	95	95
1981: No changes				
4. Other payments				
Prevailing end-1979				
1980: No changes			95	95
1981: No changes				

Source: Legislacion Economica.1/ Advanced deposit to be instituted only in domestic currency and counted as part of the Consignacion.2/ Commercial banks allowed to finance freight payments by issuing Titulos de Consignacion sobre Fletes de Importacion to borrowers which can use the Titulos to pay the advanced deposits.

On April 22, 1980, Foreign Trade Council Resolution No. 35/80 listed the commodities freely importable according to the revised Colombian tariff schedule; the tariff schedule had been modified in the same month to make it correspond with the Andean Pact tariff schedule. The number of custom positions corresponding to commodities importable without a license amounted to about 3,150 custom positions, roughly the number existing in the second half of 1979, out of a total of about 5,000 custom positions. During 1980 some 400 custom positions covering imports of instrument parts,^{1/} minerals, hydrocarbons, machinery, musical instruments,^{2/} edible oils,^{3/} various oxide products, pharmaceuticals, machinery, toys and various manufactures,^{4/} pumps,^{5/} and steel scrap ^{6/} were transferred to the freely importable list. Only some 25 custom positions were shifted to the import list subject to prior approval; these included some wood and paper products, iron and steel products, and machinery.^{7/} The validity of import licenses was extended from six to nine months in 1980, except for some agricultural products.^{8/} An importer can request an extension of an import license, but in practice the extension is treated as a new request. Also of special significance, a more flexible policy regarding the granting of import licenses in the cases they were required was also implemented in 1980.

In 1981, the administrative procedures for applying for import licenses were simplified ^{9/} and some 150 custom positions were transferred to the freely importable list. The positions shifted covered imports of machinery, cereals, chemicals, and wood products.^{10/} But during the second half of the year, because of the increasing concern with the slowdown in the manufacturing sector, some 50 custom positions were transferred to the import list requiring an import license. Imports affected included resins, bicycles, medical instruments, wire, engine parts, steel plates, and textile products.^{11/} Notwithstanding the custom positions transferred to the prior approval list, by the end of 1981 some 65 per cent of the custom positions were freely importable versus about only 35 per cent in 1978. In terms of import value, the

^{1/} INCOMEX Resolution No. 60/80.

^{2/} INCOMEX Resolution No. 65/80.

^{3/} INCOMEX Resolution No. 74/80.

^{4/} INCOMEX Resolution No. 75/80.

^{5/} INCOMEX Resolution No. 76/80.

^{6/} INCOMEX Resolution No. 84/80.

^{7/} INCOMEX Resolution Nos. 65/80 and 76/80.

^{8/} Foreign Trade Council Resolution No. 66/80.

^{9/} The information required on import license applications was made uniform, the processing time of applications was shortened, an internal auditing service was established in INCOMEX to review complaints of the public, and administrative efforts were concentrated on license applications covering the bulk of Colombian imports.

^{10/} INCOMEX Resolution Nos. 21/81, 25/81, 36/81, and 72/81.

^{11/} INCOMEX Resolution Nos. 21/81, 25/81, 42/81, 48/81, 60/81, 72/81, and 78/81.

shift from the import list subject to prior approval to the freely importable one was more moderate with only about 10 per cent of the value of imports being shifted between the two categories from 1978 to 1981. Concern about the slowdown in the manufacturing sector in 1981, however, reversed somewhat the import liberalization efforts. The import licensing policy became more restrictive with no licenses being granted for various textiles, iron, steel and aluminum products, and electronic products by the end of the year. No import licenses whatever were granted for automobile imports with an f.o.b. value of less than US\$5,000 but licenses were granted freely for automobile imports valued at more than US\$5,000.^{1/}

INCOMEX's practice of monitoring imports not requiring prior licenses for purposes of restricting dumping on the basis of a minimum price list was discontinued in 1981. At that time some of the more sensitive imports, like electronic appliances, which were being so monitored were transferred to the import list subject to prior license; in this way a review of the import price could be done as part of the review of the import license application.

A distinction is made between reimbursable and nonreimbursable imports. Reimbursable imports are those that must be paid with foreign exchange under the control of the Banco de la Republica and within a certain time period, i.e., for raw materials and consumer goods, 150 days, and for capital goods, from three to five years. Nonreimbursable imports consist mainly of aid imports under grants and commodities constituting part of a direct investment.

c. Import duties

In September 1979, there was a general reduction of tariffs in Colombia to bring them in line with the levels agreed for the Common External Tariff under the Andean Pact. As a result of the general reduction the arithmetical average import duty (unweighted) declined from 28.2 per cent prior to the reduction to 25.6 per cent thereafter.^{2/} Since that time only marginal tariff changes have been made in response to specific circumstances and the arithmetic average import duty thus remained at about 25 per cent at the end of 1981. The average effective rate of protection was approximately 60 per cent.

Since 1976 a reduced import duty rate of 5 per cent applies to capital goods imports for the agricultural, textiles, steel, machinery, food processing, chemical, construction and certain other sectors. This reduced duty rate has been renewed annually since 1976, most recently up to June 30, 1982.^{3/} In addition, in 1981 the 5 per cent reduced duty

^{1/} On April 20, 1981, minimum import prices were established for automobile imports for purposes of ad valorem import duties (Custom Department Resolution No. 1063).

^{2/} See Appendix V, pp.77-78 of SM/80/40 for a more complete discussion of this general tariff reduction.

^{3/} Decree No. 1631/81.

rate was made applicable to certain machinery imports to be used outside the cities of Bogota, Medellin, and Cali in order to encourage job creation in other urban areas.1/

The National Tariff Policy Council reviews requests for import duty changes. During 1980 and 1981, import duties were reduced for imports of automobiles, some steel products, pharmaceuticals, machinery, chemicals, electronic equipment, and various other products.2/ Import duties were increased for various iron and steel products and edible oils.3/ Other measures affecting import duties were the extension of the 1 per cent import duty on imports of antipollution equipment until December 1982 4/ and the creation of a 1 per cent import duty to be collected as a stamp tax to substitute for the consular invoice tax of 1 per cent formerly collected by INCOMEX at the time of registration.5/

On May 6, 1981 Congress approved Colombia's membership in the 1980 Montevideo Treaty which replaced the Latin American Free Trade Association (LAFTA) by the Latin American Integration Association (LAIA).6/ Eight days later, on May 14, 1981, Congress approved Colombia's accession to the General Agreement of Tariffs and Trade (GATT).7/

d. Import financing and payment terms

In order to obtain exchange licenses for most import payments, an advance import payment deposit (AID) (deposito anticipado para pago de importaciones) and an advance exchange license deposit (AELD) (consignacion) of the registered amount must be made in Colombian currency. Both deposits originally were introduced to discourage imports in the early 1970s at times of foreign exchange scarcity and had to be made at the time of applying for an import license. These deposits schemes were eliminated in 1975-76 but reintroduced in late 1976 with a different objective. As the foreign exchange situation turned around the AID, combined with the AELD and the time limits for making foreign payments after the receipt of an exchange license, became instruments of monetary control, rather than instruments of foreign exchange control, the idea being that they would serve to accelerate foreign payments to reduce the monetary impact of increasing international reserves and restrict the use of trade credits. Since 1976 the AID must be made prior to the arrival of imports to Colombia.

1/ Decree No. 1643/81.

2/ Decree Nos. 2267/80, 2809/80, 19/81, 20/81, 164/81, 1317/81, 1629/81, 1630/81, 1631/81, 1643/81, 2023/81, and INCOMEX Resolution No. 3108.

3/ Decree Nos. 1942/80, and 2267/80.

4/ Decree No. 1643/81.

5/ Customs Department Resolution No. 935/81.

6/ Law 45/81.

7/ Law 47/81.

During 1980 and 1981, the rate of AID was equivalent to 35 per cent of the registered import value for both imports of products for immediate use and of capital goods. There was also an 80 per cent AID for import freight payments. During these two years the rate of the AELD was 95 per cent of the value of the import; if the transaction also was subject to the AID of 35 per cent, this was counted as part of the deposit for the AELD. No legal minimum retention period exists for these deposits but in practice the AID are held for quite a time, explaining the AID stock in the monetary accounts. Table 37 contains the changes in advance deposit requirements in 1980 and 1981 and Table 38 the advance deposit requirements existing in December 1981.

Table 37. Colombia: Advance Deposit Requirements, December 1981

(As a percentage of payment)

	Advance Import Deposit (<u>Deposito anticipado</u>)	Advance Exchange License Deposit (<u>consignacion</u>)	Total Deposit
Imports	35	95	95 <u>1/</u>
Invisible payments	--	95	95
Import freight	80	95	95 <u>1/</u>

Source: Legislacion Economica

1/ Advance import deposit counted as part of advance exchange license deposit (consignacion).

At the time of payment of the AID, importers receive a non-negotiable interest-free deposit certificate for foreign payments (certificado de deposito anticipado para importaciones), denominated in foreign currency, valid for 6 months, and usable in partial payment of import transactions, within maximum payment terms specified by the Monetary Board for the type of transaction concerned. Prior to 1979 the AID could be constituted with exchange certificates but since 1979 the AID can only be constituted in domestic currency. Imports exempted from AID are those brought into Colombia under special import-export arrangements; foodstuffs for direct consumption, gasoline, imports from countries with which reciprocal credit arrangements are in force, imports financed with loans from international organizations, and imports of printed material. The AID increases the cost to importers and the increased cost gets passed through to the price paid by the final users of imported goods. Estimates of the Banco de la Republica show that

Table 38. Colombia: Measures Relating to Certificates of Exchange ^{1/}

	Monetary Board Resolution Number	Effective Date	Minimum Holding Period		Normal Resolution Period 2/	Redemption Period at Exchange Rate of Date of Issue and at a Discount 3/	
			Term (Days)	Discount (In per cent)			
Prevailing-end-1979			First 119 days	8	Coffee, some minor exports and invisible receipts	120 to 270 days	271 to 720 days <u>4/</u>
1980	13	Feb. 13		7			
	17	Feb. 25		6			
	28	June 11		5			
	37	Aug. 12	Excludes two items from discount regime of exchange certificates making it only applicable to coffee, pearls, and emeralds and invisible receipts.				
	52	Oct. 2	Coffee receipts excluded from discount regime				
1981	3	Jan. 28				The 5 per cent discount was eliminated for certificates whose 271th day of being issued fall after January 30, 1981.	
	29	Aug. 12				Reaffirms Resolution 3 of 1981 and clarifies that the 5 per cent discount will be charged to certificates of exchange which had been issued 270 days prior to January 30, 1981.	
	44	Nov. 25				120 to 690 days. Measure retro-active to certificates of exchange issued from Feb. 25, 1981.	

Source: Monetary Board Resolutions.

- ^{1/} Since 1979 certificates of exchange have not been allowed as part of advance import deposits or advance freight payment deposits.
- ^{2/} Period during which exchange certificates are redeemed at the exchange rate of the day at no discount.
- ^{3/} After 720 days the certificate of exchange cannot be redeemed.
- ^{4/} The discount was equal to 5 per cent.

during 1980 the AID increased importers' costs between 3.4 and 4.1 per cent in the cases of products for immediate use whose payment had to be made within five months and between 15.0 and 15.7 per cent for capital goods whose payments had to be made within 36 months.^{1/}

Only minor changes took place in 1980 and 1981 in the maximum financing terms for most imports. The maximum financing period for imports of raw materials and consumer goods continues to be five months from the day of shipment.^{2/} Imports of printed material may be financed for up to 18 months. Capital goods imported under a regular import license may be financed up to 36 months. Capital goods imported under a global import license ^{3/} may be financed up to a period of 60 months unless foreign lenders offer a longer financing period and it can be verified that the gestation period of the investment project exceeds this time.^{4/} Payments for imports brought into the country by sea may be postponed by 30 days when the merchandise has been delayed for reasons beyond the control of the importer.^{5/} Maximum time limits for the payments of vehicles and vehicle parts continue to apply.

e. Coffee exports

The regulations affecting coffee exports are discussed in Appendix I. Table 39 lists the changes in these regulations affecting coffee during 1980 and 1981.

f. Minor exports

Colombia's export regime classifies exports into three categories: exports freely exportable, exports subject to special regulations or quotas, and prohibited exports. Exports freely exportable include coffee and most minor exports. Exports subject to special regulations or quotas are mostly exports of commodities which are regulated for purposes of ensuring an adequate domestic supply or to protect exhaustible resources. Prohibited exports are flora and fauna products which require special protection. Some changes occurred during 1980 and 1981

^{1/} Sergio Claviño, "Los Depósitos Previos de Importación: Su Operatividad y Comportamiento Reciente," Revista del Banco de la República, June 1981.

^{2/} MBR No. 45/79.

^{3/} A global import license allows an investor to import capital goods for a new production facility or for an expansion of an existing one. It is usually extended for a year but it is renewable upon request. It has the advantage that the investor is guaranteed that he will be able to import all the capital goods needed for the investment program; that the investor has longer import payment terms; that imports are exempted from the AID; and that the holding of a global import license makes it easier to bring the capital goods into the country at the 5 per cent duty rate.

^{4/} MBR No. 2/80.

^{5/} MBR No. 37/81.

Table 39. Colombia: Coffee Prices, Taxes, and Retention Rates

	Monetary Board Resolution Number	Ministry of Finance and Public Credit Decree	Minimum Surrender Price per 70 kg. Bag (US\$)	Retention Rate (In per cent)	Ad Valorem Tax (In per cent)	Discount on Early Surrender of Exchange Certificates	
						Waiting Period (Days)	(In per cent)
Prevailing end-1979			251.00	58	16	120	8
1980							
February 13	13						7
February 25	17						6
May 7	22		287.32	62 1/			
June 11	28						5
October 2	51		201.00				
October 2	52			25			
November 5	55						Eliminated
			Rules established for surrender price for soluble coffee exports				
December 5	61		181.95				
December 9		3272		15	13		
1981							
April 22	13		186.55				
April 23		1019		20			
September 1					12 2/		
September 17		2563		25			
November 5	43		201.90	30			

Sources: Monetary Board Resolutions; and Decrees of the Ministry of Finance and Public Credit.

1/ Cash option of the retention quota was eliminated.

2/ Decree 3272 of December 9, 1980 had stipulated that the ad valorem tax would be reduced to 12 per cent in September 1981.

with regard to the products subject to special regulations and quotas. The export of some fish products and frozen vegetables was made subject to prior authorization in 1980.^{1/} Sugar trade continued to be regulated and in January 1981 the Ministry of Agriculture was empowered to establish quotas for the sale of sugar in the domestic market to ensure an adequate domestic supply of sugar. Sugar exports continued to be registered with INCOMEX. In 1980, export procedures were simplified by introducing a new single export form.^{2/} In 1981 the existing export regulations were codified into a new export regime and these were made available to exporters in one document.^{3/} Certain modifications were also made to the regime regulating special export and import categories (Plan Vallejo) including an expansion of the criteria considered by INCOMEX in deciding upon the approval of these special contracts, a classification of which firms could enter these contracts and a revision of the regulations governing the importation of raw materials to be processed in Colombia and later exported.^{4/}

On surrendering their export proceeds to the Banco de la Republica, exporters of commodities other than coffee, hides, or petroleum and petroleum products receive tax credit certificates (certificados de abono tributario or CATs) in an amount corresponding to a specified percentage of the total earnings surrendered. These certificates, which are freely negotiable and are quoted on the stock exchange, are accepted at par by tax offices three or six months ^{5/} after issuance for the payment of income tax, customs duties and sales taxes. In recent years, the CAT rate structure has consisted of four rates: a 12 per cent rate granted to exports of products with a high degree of domestic value added facing strong foreign competition abroad such as leather goods, footwear and clothing; a 9 per cent rate applied mostly to exports of semimanufactures like chocolate, tobacco and fishery products; a 5 per cent rate for exports of primary products subject to domestic mass consumption; and a 0.1 per cent rate applied to highly competitive exports or to exports which did not respond strongly to the existence of the tax incentive.

Late in 1979 the existing rate structure of CATs of 0.1, 5, 9, and 12 per cent of the export value was extended to 1980.^{6/} The CAT rates on exports under special export-import regime (Plan Vallejo) were reduced to 0.1 per cent of the f.o.b. value; previously, CATs on Plan Vallejo exports had been granted on the domestic value added at higher rates. Only exports under special assembly contracts were exempted from the rate reduction. But on January 16, 1980 the existing CAT procedures with regard to exports manufactured under the Vallejo Plan

^{1/} FTC Resolution No. 003/80.

^{2/} Customs Department Regulation No. 335/80.

^{3/} INCOMEX Resolution No. 011/81.

^{4/} Decree No. 992/81 Ministry of Economic Development.

^{5/} The waiting period was made equal to three months for all products starting in 1982; see discussion below.

^{6/} Decree No. 2380/79 Ministry of Finance and Public Credit.

were modified again and it was determined that the payment of the CAT was to be based on the value added of each particular product.^{1/} In August 1980 the CAT rates of 12, 9, and 5 per cent were ratified for 1981 but the 0.1 per cent rate was eliminated.^{2/} With this decree, the CAT rates stayed unchanged for the exports receiving them during the three-year period ended in 1981. Certain modifications were introduced in the CAT system in August 1981 for the year 1982. The CAT rates for exports of unwoven fabrics, pipes, and citric acid were increased from 9 to 12 per cent; for cotton and sesame exports from 5 to 9 per cent; for pulses and vegetable exports from 0 to 9 per cent; and for flowers, processed leather, and cacao exports from 0 to a new rate of 4 per cent. On this date, the CATs also were eliminated for exports of metallic and ceramic statues and other ornaments, for exports of platinum and other unprocessed metals, and for exports of carton boxes. They were reduced from 12 to 9 per cent for exports of stamps and industrial gloves, and the waiting period for the use of the CATs was reduced to three months for all products. Table 40 shows that the value of CATs issued as a percentage of the exchange surrender of minor exports has averaged between 4 and 7 per cent in recent years.

Decree 444 of 1967 established the Export Promotion Fund (PROEXPO) to promote Colombia's foreign trade and to diversify exports. PROEXPO carries out a number of functions in the fields of financing, export promotion and marketing assistance in the case of minor exports. PROEXPO has three principal lines of credit: one to finance the acquisition of fixed assets by exporting firms; a second to finance the working capital of exporting firms; and a third to finance export transactions in foreign exchange. Up to 90 per cent of the cost of acquiring fixed assets destined for export production can be financed under the first line of credit at an annual rate of interest of 14 per cent. Up to 80 per cent of the exportable production can be financed under the second line of credit with the credits being granted for six months at an annual rate of interest of 19 per cent. The total value of the export transaction can be financed under the export financing line of credit as long as the Colombian producer grants an export credit to the foreign buyer.^{3/} The export credit line is for 180 days in the case of consumer goods with the possibility of its being extended in the case of capital goods exports. PROEXPO rediscounts bank letters of credit to exporters at the Banco de la Republica, which has opened a line of credit to PROEXPO for this purpose. In August, 1981 the Banco de la Republica increased this credit line from US\$20 million to US\$40 million and raised its rediscount rates from a range of 2 to 4 per cent to a range of 4 to 6 per cent.^{4/} At that time PROEXPO reduced its own rediscount rate from 20 to 16 per cent.^{5/}

^{1/} MBR No. 1/80.

^{2/} Decree No. 2310/80 Ministry of Finance and Public Credit.

^{3/} Exports of coffee, gold, petroleum, and its derivatives are not eligible for these lines of credit.

^{4/} MBR No. 32/81.

^{5/} PROEXPO Resolution No. 6/81.

Table 40. Colombia: Tax Credit Certificates (CATs)

(In millions of Colombian pesos and in per cent)

	Value of CATs Issued	Minor Export Exchange Surrenders	Average CAT 1/ (In per cent)
<u>1976</u>	<u>1,010</u>	<u>25,342</u>	<u>4.0</u>
I	274	5,406	5.1
II	224	6,086	3.7
III	314	6,480	4.9
IV	232	7,371	3.2
<u>1977</u>	<u>934</u>	<u>22,478</u>	<u>3.3</u>
I	261	6,814	3.8
II	225	6,854	3.3
III	194	6,933	2.8
IV	254	7,878	3.2
<u>1978</u>	<u>1,568</u>	<u>33,580</u>	<u>4.7</u>
I	252	6,461	3.9
II	330	6,892	4.8
III	482	8,642	5.6
IV	505	9,585	5.3
<u>1979</u>	<u>2,992</u>	<u>54,016</u>	<u>5.5</u>
I	579	10,215	5.7
II	699	14,327	4.9
III	943	14,004	6.7
IV	770	15,470	5.0
<u>1980</u>	<u>3,576</u>	<u>66,005</u>	<u>5.4</u>
I	812	13,247	6.1
II	778	16,186	4.8
III	953	16,822	5.1
IV	1,033	20,016	5.2
<u>1981</u>	<u>...</u>	<u>...</u>	<u>...</u>
I	852	15,833	5.4
II	808	19,060	4.2
III	1,189	17,324 ^{2/}	6.9 ^{2/}
IV	...	...	...

Source: Banco de la Republica.

^{1/} Value of CATs issued divided by the value of exchange surrenders of minor exports.

^{2/} Preliminary.

g. Current Invisibles

In 1980 and 1981 invisible payments continued to be subject to an AELD prior to the issuance of an exchange license equivalent to 95 per cent of the value of the payment, the same rate existing at the end of 1979. Import freight payments are also subject to a 95 per cent AELD with the 80 per cent AID requirement being counted as part of the AELD. Commercial banks were allowed to finance freight payments in 1980.^{1/} Importers have to make the AID for freight payments 20 days after obtaining bank financing and the remittance abroad has to be made within five months (the same time as for import payments).

In 1980 restrictions on invisible payments abroad were eliminated, except as regards profit remittances outside the Andean region. In April 1980, the limit of US\$250 a month on outward remittances for family maintenance abroad was lifted. In June of the same year, the ceilings on travel allowances were lifted for trips deemed beneficial to the country, and at the present time travel allowances are freely granted upon request.^{2/} In June 1980, the limits on remittances of student allowances were also eliminated.

Current invisible receipts are converted against exchange certificates, which are subject to a discount on immediate surrender (see Table 36). As mentioned above, in 1980 the discount rate was reduced from 8 per cent to 5 per cent; it since has stayed at this level.

h. Direct foreign investment

No changes were made in the regulations affecting direct foreign investment during the period under review. In Colombia foreign direct investment regulations are in accordance with the provisions of Decisions Nos. 24 and 103 of the Cartagena Agreement, which govern foreign investment within the countries of the Andean Pact. Investors from the Andean Group member countries must be treated as domestic investors, provided that the profit and capital remittances are transferred to the country of origin and shares are not sold outside the area. The annual limit on profit remittances is 20 per cent of capital; a maximum additional reinvestment of 7 per cent of profits is authorized; profits in excess of remittable limits may be considered as reinvestments whenever at least 50 per cent of the amount is reinvested in bonds issued by the Industrial Promotion Institute.

All foreign direct investments must be registered with the Exchange Office; capital imports require prior approval by the National Planning Department, and capital for the petroleum industry or for other mineral explorations in addition requires approval by the Ministry of Mines and Energy. Registration entitles the investor to export profits up to the existing limits and to repatriate capital. All foreign banks and their

^{1/} MBR No. 45/80.

^{2/} MBR No. 27/80.

branches must have Colombian majority participation. Participants from member countries of the Andean Pact are treated as Colombian participants. New foreign direct investment in banks, insurance companies, and other financial institutions is restricted to investors from member countries of the Andean Pact and to national or mixed companies.^{1/}

Special legal regimes exist for direct foreign investment in the petroleum, nickel, coal, and uranium sectors. The 20 per cent limit of invested capital to the transfer of profits is waived for direct foreign investment in the nickel, coal, and uranium sectors.

1. Foreign borrowing

Colombian legislation envisions three types of foreign borrowing. One type of foreign borrowing is for working capital financing with a minimum overall maturity of five years, with one third of the payment not being made before 24 months, two thirds before 28 months, and the totality not before 60 months. Since 1976, these types of loans have not been permitted except in the case of the mining sector and companies carrying out public works of national interest. In 1980, working capital loans also were permitted for nonprofit organizations in the health and educational sectors ^{2/} and for equipment manufacturers selling equipment to the public sector.^{3/} The second type of foreign borrowing envisioned in Colombian legislation is import financing for capital goods imports. As discussed in Section d, import financing for capital goods imports can be of up to three years under an ordinary import license, up to five years under a global import license, and more than five years if the financing is provided by an international organization, or under specified circumstances. The third type of foreign borrowing is trade financing, which has a maximum period of five months. This financing is used mostly to finance imports of raw materials and intermediate products. Foreign loans contracted by private Colombian individuals or firms are subject to an interest rate ceiling of 2 per cent over the New York prime rate or the London interbank offered rates.^{4/}

During 1980 foreign borrowing regulations were eased for some industries. In the case of private nonprofit organizations in the fields of health and education, endorsements and guarantees in foreign currency issued by domestic credit institutions for the financing of capital goods imports under a global license were exempted from the ceilings on total guarantees for those financial institutions.^{5/} The Banco de la Republica was empowered to authorize the renewal or postponement of registered foreign loans obtained by the textile and steel industries

^{1/} Companies with both national and foreign participation.

^{2/} MBR No. 3/80.

^{3/} MBR Nos. 14/79 and 41/80.

^{4/} Originally established by Circular No. 41/80, of the Foreign Exchange Department of the Banco de la Republica.

^{5/} MBR No. 24/80.

for investment purposes.1/ The Banco de la Republica could also authorize certain textile enterprises that had imported capital goods to obtain foreign loans for working capital purposes.2/

Another 1980 regulation affecting foreign borrowing had to do with a change in the maximum period that a loan could be rolled over, which was reduced from five to two years, subject to the requirement that 10 per cent of the principal outstanding be repaid.3/

j. Other regulations

In 1980, the opening of current deposit accounts in foreign currency--which was previously limited to credit institutions, insurance companies, transportation, and export firms, and other specified entities--was extended to all residents, subject to the prior authorization of the Banco de la Republica. Also, in 1980 the travel tax for travelers leaving Colombia was doubled and collected in U.S. dollars instead of pesos, as was done previously.

1/ MBR No. 30/80 and MBR No. 36/80.

2/ MBR No. 35/80.

3/ MBR No. 14/80.

Table 41. Colombia: National Accounts at Current Prices

(In millions of Colombian pesos)

	1977	1978	1979	1980	Est. 1981
<u>Consumption</u>	<u>525,421</u>	<u>682,834</u>	<u>905,384</u>	<u>1,182,238</u>	<u>1,588,657</u>
Private sector	477,267	621,110	818,468	1,064,167	1,433,214
Public sector	48,154	65,724	86,916	118,071	155,443
<u>Gross investment</u>	<u>169,140</u>	<u>208,942</u>	<u>261,473</u>	<u>383,546</u>	<u>529,194</u>
<u>Fixed capital formation</u>	<u>134,784</u>	<u>187,721</u>	<u>247,376</u>	<u>360,999</u>	<u>492,521</u>
Private fixed capital formation	(102,214)	(144,907)	(186,338)	(266,196)	(357,190)
Public fixed capital formation	(32,570)	(42,814)	(61,038)	(94,803)	(135,331)
Change in stocks	34,356	21,221	14,097	22,547	36,673
<u>Foreign sector balance</u>	<u>23,914</u>	<u>20,784</u>	<u>26,767</u>	<u>-17,915</u>	<u>-96,657</u>
Exports of goods and nonfactor services	122,794	150,215	190,236	243,032	246,294
Imports of goods and nonfactor services	-98,880	-129,431	-163,469	-260,947	-342,951
<u>GDP at market prices</u>	<u>718,475</u>	<u>916,560</u>	<u>1,193,624</u>	<u>1,547,869</u>	<u>2,021,194</u>
Less: net factor payments abroad	-9,738	-11,375	-10,583	-12,488	-19,554
<u>GNP at market prices</u>	<u>708,737</u>	<u>905,185</u>	<u>1,183,041</u>	<u>1,535,381</u>	<u>2,001,640</u>
Less: depreciation allowance	-60,822	-80,181	-114,368	-158,856	-201,993
<u>NNP at market prices</u>	<u>649,915</u>	<u>825,004</u>	<u>1,068,673</u>	<u>1,376,525</u>	<u>1,799,647</u>
Less: indirect taxes net of subsidies	-55,861	-75,404	-112,741	-154,004	-199,435
<u>National income</u>	<u>592,054</u>	<u>749,600</u>	<u>955,932</u>	<u>1,222,521</u>	<u>1,600,212</u>

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

Table 42. Colombia: National Accounts at Constant Prices

(In millions of 1970 Colombian pesos)

	1977	1978	1979	1980	Est. 1981
<u>Consumption</u>	<u>155,204</u>	<u>169,708</u>	<u>178,455</u>	<u>187,994</u>	<u>196,453</u>
Private sector	141,217	154,363	162,301	170,701	178,417
Public sector	13,987	15,345	16,154	17,293	18,036
<u>Gross investment</u>	<u>42,020</u>	<u>42,647</u>	<u>42,226</u>	<u>48,119</u>	<u>53,514</u>
<u>Fixed capital formation</u>	<u>34,487</u>	<u>38,737</u>	<u>40,240</u>	<u>45,145</u>	<u>49,053</u>
Private fixed capital formation	(25,536)	(29,722)	(30,119)	(33,146)	(35,416)
Public fixed capital formation	(8,951)	(9,015)	(10,121)	(11,999)	(13,637)
Change in stocks	7,533	3,910	1,986	2,974	4,461
<u>Foreign sector balance</u>	<u>-5,057</u>	<u>-2,986</u>	<u>-675</u>	<u>-7,308</u>	<u>-13,840</u>
Exports of goods and nonfactor services	21,248	27,114	31,397	38,200	40,536
Imports of goods and nonfactor services	-26,305	-30,100	-32,072	-45,508	-54,376
<u>GDP at market prices</u>	<u>192,167</u>	<u>209,369</u>	<u>220,006</u>	<u>228,805</u>	<u>236,127</u>
Less: net factor payments abroad	-2,591	-2,645	-2,076	-2,310	-3,174
<u>GNP at market prices</u>	<u>189,576</u>	<u>206,724</u>	<u>217,930</u>	<u>226,495</u>	<u>232,953</u>
Less: depreciation allowance	-14,782	-16,118	-17,783	-20,597	-20,852
<u>NNP at market prices</u>	<u>174,794</u>	<u>190,606</u>	<u>200,147</u>	<u>205,898</u>	<u>212,101</u>
Less: indirect taxes, net of subsidies	-13,861	-14,994	-16,143	-17,336	-17,539
Plus: terms of trade effect	11,410	7,809	5,746	2,903	-2,675
<u>National income</u>	<u>172,343</u>	<u>183,421</u>	<u>189,750</u>	<u>191,465</u>	<u>191,887</u>

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

Table 43. Colombia: Aggregate Supply and Demand

	1977	1978	1979	1980	Est. 1981
<u>(In millions of 1970 Colombian pesos)</u>					
<u>Aggregate supply</u>	<u>218,472</u>	<u>239,469</u>	<u>252,078</u>	<u>274,313</u>	<u>290,503</u>
GDP	192,167	209,369	220,006	228,805	236,127
Imports of goods and nonfactor services	26,305	30,100	32,072	45,508	54,376
<u>Aggregate demand</u>	<u>218,472</u>	<u>239,469</u>	<u>252,078</u>	<u>274,313</u>	<u>290,503</u>
Consumption expenditure	155,204	169,708	178,455	187,994	196,453
Gross domestic investment	42,020	42,647	42,226	48,119	53,514
Exports of goods and nonfactor services	21,248	27,114	31,397	38,200	40,536
<u>(In millions of Colombian pesos)</u>					
<u>Aggregate supply</u>	<u>817,355</u>	<u>1,045,991</u>	<u>1,357,093</u>	<u>1,808,816</u>	<u>2,364,145</u>
GDP	718,475	916,560	1,193,624	1,547,869	2,021,194
Imports of goods and nonfactor services	98,880	129,431	163,469	260,947	342,951
<u>Aggregate demand</u>	<u>817,355</u>	<u>1,045,991</u>	<u>1,357,093</u>	<u>1,808,816</u>	<u>2,364,145</u>
Consumption expenditure	525,421	686,834	905,384	1,182,238	1,588,657
Gross domestic investment	169,140	208,942	261,473	383,546	529,194
Exports of goods and nonfactor services	122,794	150,215	190,236	243,032	246,294

Sources: Statistical Appendix Tables 41 and 42.

Table 44. Colombia: Savings and Investment
(In millions of Colombian pesos at current market prices)

	1977	1978	1979	1980	Est. 1981
<u>Gross domestic investment</u>	<u>169,140</u>	<u>208,942</u>	<u>261,473</u>	<u>383,546</u>	<u>529,194</u>
Fixed capital formation	134,784	187,721	247,376	360,999	492,521
Private sector	(102,214)	(144,907)	(186,338)	(266,196)	(357,190)
Public sector	(32,570)	(42,814)	(61,038)	(94,803)	(135,331)
Change in stocks	34,356	21,221	14,097	22,547	36,673
<u>Gross domestic savings</u>	<u>185,429</u>	<u>223,529</u>	<u>284,950</u>	<u>374,180</u>	<u>434,821</u>
Public sector savings	29,636	41,527	56,254	32,919	103,775
Central government	(19,591)	(25,537)	(27,889)	(41,966)	(54,310)
Rest of public sector	(10,045)	(15,990)	(28,365)	(40,953)	(49,465)
Private sector savings	155,793	182,002	228,696	291,261	331,046
<u>Foreign savings = current account deficit</u>	<u>-16,289</u>	<u>-14,587</u>	<u>-23,477</u>	<u>9,366</u>	<u>94,373</u>

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

Table 45. Colombia: Real GDP at Market Prices by Sectorial Origin
 (In millions of 1970 Colombian pesos)

	1977	1978	1979	1980	Est. 1981
Total GDP	192,167	209,369	220,006	228,805	236,127
Agriculture	44,107	48,635	50,713	51,981	53,644
Mining	2,079	2,171	2,155	2,315	2,407
Manufacturing	37,047	40,192	42,055	43,149	42,502
Construction	7,109	7,379	7,249	7,383	7,590
Commerce	32,895	35,739	36,993	38,140	38,712
Transport	12,591	13,814	14,621	15,313)	
Public administration	11,786	12,678	13,338	14,298)	91,272
Other	44,553	48,761	52,882	56,226)	

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

Table 46. Colombia: Value of Agricultural Production

(In millions of Colombian pesos at 1970 prices)

	1977	1978	1979	1980	1981
<u>Total</u>	<u>22,115</u>	<u>24,882</u>	<u>25,923</u>	<u>26,686</u>	<u>27,687</u>
<u>Exportable products</u>	<u>11,521</u>	<u>12,247</u>	<u>12,852</u>	<u>13,829</u>	<u>14,577</u>
Coffee	7,404	8,396	8,983	9,478	10,113
Cotton	1,888	1,298	1,106	1,388	1,437
Bananas	1,097	1,324	1,392	1,468	1,528
Sugar	794	954	1,019	1,215	1,209
Tobacco	338	275	352	280	290
<u>Products for domestic consumption</u>	<u>10,594</u>	<u>12,635</u>	<u>13,071</u>	<u>12,857</u>	<u>13,110</u>
Corn	1,122	1,285	1,297	1,272	1,311
Rice	2,418	3,172	3,575	3,326	3,338
Potatoes	1,681	2,085	2,055	1,804	2,195
Wheat	75	73	81	88	121
Barley	129	189	218	174	90
Yucca	1,758	1,821	1,701	1,916	1,916
Brown sugar	1,246	1,436	1,464	1,469	1,390
Plantains	1,405	1,670	1,704	1,789	1,829
Cocoa	395	453	472	503	593
Sesame	62	66	75	61	65
Soybean	303	385	429	455	262

Sources: Banco de la Republica, Ministry of Agriculture; and Fund staff estimates.

Table 47. Colombia: Minimum Prices for Agricultural Products

(Annual percentage change)

	1977		1978		1979		1980		1981	
	Semester I	Semester II	Semester I	Semester II	Semester I	Semester II	Semester I	Semester II	Semester I	Semester II
Sesame	--	--	121.0	1/ 94.9	1/ 13.4	8.2	30.8	20.9	--	4.0
Rice	24.1	47.3	18.7	8.9	8.9	21.6	50.2	37.8	20.5	20.8
Beans	--	8.3	14.5	13.3	11.1	7.4	7.1	29.3	35.0	20.0
Corn	30.4	54.7	37.2	15.6	1.5	16.2	38.3	41.8	38.4	35.7
Sorghum	22.1	26.7	26.1	12.5	1.8	24.6	49.1	38.0	33.0	34.7
Soybean	--	32.0	1/ 64.3	1/ 35.3	10.4	7.2	17.6	19.4	42.0	50.0
Wheat	--	10.0	10.0	3.9	6.5	25.0	46.3	40.0	29.2	25.0
Barley	--	--	--	41.7	1/ 70.0	1/ 5.9	15.3	16.7	32.6	42.9

Source: Banco de la Republica.

1/ Change after three years.

Table 48. Colombia: Industrial Production

(Annual percentage change)

	1977	1978	1979	1980	Est. 1981	1/
Total industrial production	3.7	8.1	4.7	1.2	-2.3	
Food products	-9.7	12.8	8.1	0.7	-6.4	
Drinks	13.8	11.8	8.8	12.4	-1.9	
Tobacco	-13.0	-6.9	1.8	7.0	26.0	
Textiles	10.7	-0.6	-12.4	-3.7	4.2	
Footwear and clothing	4.5	5.1	3.7	5.2	1.5	
Wood industry	6.9	8.5	-3.9	-7.1	9.6	
Wood furniture	8.7	-1.2	-2.6	7.7	-6.9	
Paper and paper products	4.9	4.6	9.1	3.8	-1.0	
Printing and related products	-1.1	0.8	-2.1	1.6	-10.5	
Leather goods	14.1	-3.9	11.2	-3.6	2.6	
Rubber goods	8.6	-16.1	13.4	4.3	3.0	
Chemicals	4.6	6.7	8.4	0.5	-9.3	
Petroleum derivatives	9.4	-2.6	-6.4	8.9	12.5	
Nonmetal minerals	1.8	3.1	3.3	1.2	-2.9	
Basic metals	11.8	-8.1	-4.8	-2.0	5.6	
Metallic goods	13.3	15.2	1.4	-4.8	-6.3	
Machinery	29.9	11.9	-2.4	10.8	4.2	
Electric machinery	17.3	16.3	16.2	-3.9	8.9	
Transport equipment	-3.2	39.5	1.5	-15.1	-18.0	
Small industry and artisan goods	14.3	14.4	12.4	9.3	-3.7	

Sources: Banco de la Republica; Departamento Administrativo Nacional de Estadística; and Fund staff estimates.

1/ Percentage change from January-September 1980 to January-September 1981.

Table 49. Colombia: Mining Production

	1977	1978	1979	1980	Est. 1981	Jan.-Sept. 1980 1981	
	(In physical units)						
Petroleum (thousand barrels)	50,222	47,742	45,298	45,944	47,765	35,113	35,325
Gold (troy ounces)	263,487	257,632	265,609	497,028	528,489	345,184	390,259
Platinum (troy ounces)	17,315	14,911	12,933	14,345	14,714	10,633	11,103
Silver (troy ounces)	91,420	83,398	93,488	140,476	126,715	100,912	92,047
Iron ore (tons)	459,901	453,537	377,508	491,288	427,681	385,582	320,768
Salt (tons)1/	1,202,710	954,409	742,747	837,585	826,452	571,979	517,994 2/
	(Percentage change from preceding year)						
Petroleum	-5.9	-4.9	-5.1	1.5	4.0	0.6	3.6
Gold	-12.3	-2.2	3.1	87.1	6.3	82.6	13.1
Platinum	3.2	-13.9	-13.3	10.9	2.6	9.6	4.4
Silver	-14.4	-8.8	12.1	50.3	-9.8	41.5	-8.8
Iron ore	-7.7	-1.4	-16.8	30.1	-12.9	48.7	-16.8
Salt	-12.9	-20.7	-22.2	12.8	-1.3	34.4	-9.4

Sources: Banco de la Republica; and Ministry of Mines and Energy.

^{1/} Includes both rock salt and sea salt.^{2/} Includes only sea salt.

Table 50. Colombia: Production, Exports, and Imports of
Crude Petroleum and Petroleum Derivatives

(In thousands of 42-gallon barrels)

	1977	1978	1979	1980	Est. 1981	Jan.-Sept. 1980	1981
<u>Crude oil</u>							
Domestic production	50,222	47,742	45,298	45,944	47,765	34,113	35,325
Exports	--	--	--	--	--		
Imports	9,405	8,834	8,995	7,339	7,479	5,566	5,750
<u>Petroleum derivatives</u>							
Domestic refining	60,364	57,452	59,246	63,245	63,102	47,154	47,724
Exports of refined products	8,621	11,080	8,967	9,469	9,325	6,376	5,937
Imports of refined products	3,764	7,784	10,341	12,997	11,080	9,150	8,333
Apparent consumption of petroleum derivatives	55,507	54,156	60,620	66,773	64,857	49,930	49,620

Sources: Banco de la Republica; and Ministry of Mines and Energy.

Table 51. Colombia: Structure of Regular Gasoline Prices

	1977		1978		1979		1980		1981	
	Jan.	Oct.	Jan.	Oct.	Mar.	July	Oct.	May	Oct.	Dec.
(In Colombian pesos per gallon)										
Prices to public	10.00	10.00	12.00	16.00	20.00	26.00	26.00	34.00	44.00	55.00
Price at refinery	3.03	3.03	3.46	5.06	5.06	5.06	5.06	8.07	10.45	11.95
Taxes	4.03	4.03	4.65	6.65	7.03	7.57	7.57	11.62	15.03	17.31
Highway tax	(3.39)	(3.39)	(3.88)	(5.69)	(5.69)	(5.69)	(5.69)	(9.10)	(11.79)	(13.50)
Sales tax	(0.60)	(0.60)	(0.73)	(0.92)	(1.30)	(1.84)	(1.84)	(2.48)	(3.20)	(3.77)
Department tax	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)
Transport charge	2.06	2.06	2.82	3.04	6.41	11.65	11.65	12.05	15.62	22.02
(In U.S. cents per gallon)										
Price to public	27.5	26.8	31.5	39.8	47.6	60.8	60.1	73.2	89.4	93.1

Source: Ministry of Mines and Energy.

Table 52. Colombia: Sale to the Public of Principal Refined Petroleum Products

	1977	1978	1979	1980	Est. 1981
(In millions of barrels)					
<u>Total sales of refined products</u>	<u>62.4</u>	<u>64.8</u>	<u>68.7</u>	<u>71.8</u>	<u>72.3</u>
Gasoline	23.5	25.0	26.3	27.1	28.1
Diesel fuel oil	7.6	7.9	8.6	9.3	9.2
Kerosene	3.1	3.1	3.0	2.7	2.7
Fuel oil	17.5	19.0	16.6	16.3	15.3
Other products	10.7	10.9	14.2	16.4	17.0
(Percentage change from preceding year)					
<u>Total sales of refined products</u>	<u>5.2</u>	<u>3.8</u>	<u>6.0</u>	<u>4.5</u>	<u>0.7</u>
Gasoline	8.3	6.4	5.2	3.0	3.7
Diesel fuel oil	1.3	3.9	8.9	8.1	-1.1
Kerosene	6.1	--	-3.2	-10.0	--
Fuel oil	-0.6	8.6	-12.6	-1.8	-6.1
Other products	16.3	1.9	30.3	15.5	3.7

Sources: Banco de la Republica; and Ministry of Mines and Energy.

Table 53. Colombia: Terms of Trade Index

(1970 = 100)

	1977	1978	1979	1980	Est. 1981
<u>Exports of goods and services</u> <u>(in U.S. dollars)</u>	<u>297.3</u>	<u>270.0</u>	<u>273.9</u>	<u>272.9</u>	<u>260.6</u>
Exports of goods	336.9	274.6	268.5	262.6	...
Exports of services	204.0	242.3	280.1	333.9	...
<u>Imports of goods and services</u> <u>(in U.S. dollars)</u>	<u>193.4</u>	<u>209.6</u>	<u>231.6</u>	<u>253.6</u>	<u>279.0</u>
<u>Terms of trade index</u>	<u>153.7</u>	<u>128.8</u>	<u>118.3</u>	<u>107.6</u>	<u>93.4</u>

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

Table 54. Colombia: Minimum Wage

	Nominal Values (Col\$ per day)			Real Index Dec. 1978=100 1/		
	Nonprimary Sector			Nonprimary Sector		
	Metro- politan 2/	Rest of Country	Primary Sector 3/	Metro- politan 2/	Rest of Country	Primary Sector 3/
<u>1978</u>						
December	86.0	80.5	73.5	100.0	100.0	100.0
<u>1979</u>						
January	115.0	105.0	105.0	129.2	126.0	138.1
March	115.0	105.0	105.0	122.0	119.0	130.4
June	115.0	105.0	105.0	114.8	111.9	122.7
September	115.0	105.0	105.0	109.1	106.4	116.6
December	115.0	105.0	105.0	103.1	100.5	110.1
<u>1980</u>						
January	150.0	140.0	140.0	131.3	131.0	143.5
March	150.0	140.0	140.0	127.4	127.0	139.2
June	150.0	140.0	140.0	116.5	116.2	127.3
September	150.0	140.0	140.0	112.7	112.4	123.2
December	150.0	140.0	140.0	106.2	105.9	116.0
<u>1981</u>						
January	190.0	177.0	177.0	131.7	131.1	143.6
March	190.0	177.0	177.0	124.7	124.1	135.9
June	190.0	177.0	177.0	115.1	114.5	125.4
September	190.0	177.0	177.0	110.8	110.3	120.8
December	190.0	177.0	177.0	106.2	105.7	115.8
<u>1982</u>						
January	247.0	234.0	234.0	...	...	...

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

1/ Deflated with consumer price index for low-income groups.

2/ Bogota, major cities, and selected municipalities.

3/ Composed of agriculture, livestock raising, forestry, and fishing.

Table 55. Colombia: Nominal and Real Wage Indicators
in Manufacturing, Middle-Income Groups

	Nominal Wage	Real Wage 1/	Nominal Wage	Real Wage
	(Index: March 1974 = 100)		(Percentage change over 12 months)	
<u>1976</u>				
March	141.9	97.3	21.0	2.6
June	148.1	96.6	19.1	0.6
September	153.9	94.5	19.5	-2.4
December	164.7	96.5	20.9	-3.6
<u>1977</u>				
March	171.5	91.7	20.9	-5.8
June	183.3	86.9	23.8	-10.0
September	188.9	87.8	22.7	-7.1
December	206.2	94.8	25.2	-1.8
<u>1978</u>				
March	214.1	92.6	24.8	1.0
June	226.3	92.1	23.5	5.9
September	236.5	95.0	25.2	8.2
December	256.3	98.4	24.3	3.8
<u>1979</u>				
March	268.7	94.4	25.2	1.9
June	283.9	95.3	25.5	3.5
September	298.7	95.0	26.3	--
December	324.9	98.6	26.8	0.2
<u>1980</u>				
March	336.3	96.4	25.2	2.1
June	360.2	96.1	26.9	0.8
September	381.6	98.0	27.8	3.2
December	401.4	97.9	23.5	-0.7

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

1/ Nominal wage index deflated by cost of living index for middle-income groups.

Table 56. Colombia: Consumer Goods Subject to Price Controls

	Relative Weight in CPI 1/ October 1977		Relative Weight in CPI 1/ October 1979	
	Direct Control	Indirect Control	Direct Control	Indirect Control
<u>Total</u>	<u>33.40</u>	<u>3.71</u>	<u>36.15</u>	<u>3.43</u>
<u>Food</u>	<u>1.09</u>	<u>2.04</u>	<u>1.09</u>	<u>1.47</u>
Sugar 2/	--	0.97	--	0.97
Salt	0.11	--	0.11	--
Coffee	0.98	--	0.98	--
Chocolate	--	0.57	--	--
Carbonated beverages	--	0.50	--	0.50
<u>Housing items</u>	<u>25.80</u>	<u>0.09</u>	<u>25.31</u>	<u>0.21</u>
Rent 3/	20.97	--	20.97	--
Gasoline-diesel	0.43	--	0.12	--
Public utilities	3.83	--	4.22	--
Other housing items	0.57	0.09	--	0.21
<u>Other goods</u>	<u>6.51</u>	<u>1.58</u>	<u>9.75</u>	<u>1.75</u>
Buses	1.98	--	1.98	--
Taxes	0.62	--	0.62	--
Cigarettes and beer	--	1.27	--	1.27
Movies	2.01	--	2.01	--
Boarding houses and tuition	--	--	3.19	--
Gasoline	--	--	0.63	--
Automotive oil	--	--	--	0.17
Other goods	1.90	0.31	1.32	0.31

Source: Banco de la Republica.

1/ Relative weights used in CPI for middle-income groups.

2/ Includes both refined and unrefined sugar.

3/ A partial rent decontrol was implemented at the end of 1980. The present rent adjustment system establishes an annual correction of 10 per cent for existing leases and releases new rents from any controls.

Table 57. Colombia: Wholesale Prices 1/

	Total Index	Consumption Goods	Raw Materials	Capital Goods
<u>(Average annual percentage change)</u>				
1977	26.9	40.8	18.3	18.2
1978	17.6	17.4	16.4	25.1
1979	25.6	29.9	26.9	22.9
1980	24.2	30.4	19.5	19.9
1981	24.1	28.7	18.8	26.5
<u>(Percentage change over 12 months)</u>				
<u>1977</u>				
December	19.2	30.1	10.6	19.4
<u>1978</u>				
December	21.6	19.9	21.7	27.4
<u>1979</u>				
March	25.3	28.1	23.3	23.1
June	27.9	27.7	29.5	22.3
September	31.2	34.6	29.9	23.5
December	29.0	35.6	25.6	18.7
<u>1980</u>				
March	24.0	25.7	23.6	18.7
June	24.4	32.8	17.1	22.0
September	22.3	29.5	16.2	19.9
December	25.4	29.9	21.4	23.6
<u>1981</u>				
March	25.6	30.8	20.4	26.9
June	23.8	27.3	19.5	26.4
September	23.8	28.7	18.3	26.1
December	23.5	31.2	15.3	24.1

Source: Banco de la Republica.

1/ The wholesale price index has 1970 as its base year with consumption goods having a weight of 37.89 per cent; raw materials, 49.07 per cent; and capital goods, 13.04 per cent.

Table 58. Colombia: Public Sector Operations 1/

(In millions of Colombian pesos)

	1977	1978	1979	1980	Est. 1981
<u>Current revenue</u>	<u>100,816</u>	<u>146,997</u>	<u>196,351</u>	<u>270,112</u>	<u>358,335</u>
Tax revenue	59,407	78,016	96,329	128,184	159,450
Social security contributions of private sector	10,021	14,073	19,735	25,751	34,715
Net sales of goods and services <u>2/</u>	19,498	35,927	50,860	64,869	86,400
Other revenue	11,890	18,981	29,427	51,308	77,770
<u>Current expenditure</u>	<u>71,180</u>	<u>105,470</u>	<u>140,097</u>	<u>187,193</u>	<u>254,560</u>
Wages and salaries	29,290	41,412	56,934	70,810	94,100
Other purchases of goods and services <u>2/</u>	14,060	22,942	25,799	31,564	39,500
Interest payments	8,212	11,289	15,673	23,829	38,010
Transfers <u>3/</u>	19,618	29,827	41,691	60,990	82,950
<u>Current surplus</u>	<u>29,636</u>	<u>41,527</u>	<u>56,254</u>	<u>82,919</u>	<u>103,775</u>
<u>Capital expenditure</u>	<u>32,570</u>	<u>42,814</u>	<u>61,038</u>	<u>94,803</u>	<u>135,331</u>
Fixed capital investment	31,385	42,194	59,227	92,803	133,331
Capital transfers <u>3/</u>	1,185	620	1,811	2,000	2,000
<u>Overall deficit (-)</u>	<u>-2,934</u>	<u>-1,287</u>	<u>-4,784</u>	<u>-11,884</u>	<u>-31,556</u>
<u>Financing</u>	<u>2,934</u>	<u>1,287</u>	<u>4,784</u>	<u>11,884</u>	<u>31,556</u>
Long-term external (net)	4,391	3,214	22,950	23,560	29,735
Disbursement	(9,173)	(9,196)	(37,915)	(32,728)	(47,425)
Amortization	(-4,782)	(-5,982)	(-14,965)	(-9,168)	(-17,690)
Banking system	2,720	-2,823	-22,401	-10,160	1,821
Banco de la Republica	(-2,446)	(-4,877)	(-22,270)	(-10,276)	(-688)
Rest of banking system	(5,166)	(2,054)	(-131)	(116)	(2,509)
Other <u>4/</u>	-4,177	896	4,235	-1,516	--

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

1/ Estimates are on a cash basis. The public sector includes the Central Administration, the Social Security funds, the nonfinancial public enterprises, and a large number of decentralized agencies including rotating funds.

2/ Net of purchases of goods and services by nonfinancial public enterprises.

3/ Mainly transfers to regional and local governments and Social Security payments to the private sector.

4/ Includes external financing of less than one year.

Table 59. Colombia: Operations of the Central Administration ^{1/}

(In millions of Colombian pesos)

	1977	1978	1979	1980	Est. 1981
<u>Current revenue</u>	<u>63,852</u>	<u>86,894</u>	<u>113,942</u>	<u>163,229</u>	<u>214,760</u>
Taxes on income and property	24,534	31,345	39,030	49,149	56,700
Taxes on goods and services	17,289	23,683	31,983	42,979	62,800
Taxes on international trade and transactions	16,490	21,491	25,463	35,513	40,240
Other ^{2/}	5,539	10,375	17,466	35,588	55,020
<u>Current expenditure</u>	<u>44,261</u>	<u>61,357</u>	<u>86,053</u>	<u>121,263</u>	<u>160,450</u>
Wages and salaries	16,734	20,838	30,134	39,427	49,700
Other goods and services	3,108	6,191	6,992	9,895	11,500
Current transfers	21,181	30,811	43,312	63,674	84,300
Interest payments	3,238	3,517	5,615	8,267	14,950
<u>Current account surplus or deficit (-)</u>	<u>19,591</u>	<u>25,537</u>	<u>27,889</u>	<u>41,966</u>	<u>54,310</u>
<u>Capital expenditure</u>	<u>13,060</u>	<u>16,694</u>	<u>25,955</u>	<u>41,954</u>	<u>68,590</u>
<u>Overall surplus or deficit (-)</u>	<u>6,531</u>	<u>8,843</u>	<u>1,934</u>	<u>12</u>	<u>-14,280</u>
<u>Financing</u>	<u>-6,531</u>	<u>-8,843</u>	<u>-1,934</u>	<u>-12</u>	<u>14,280</u>
External (net)	-1,631	-2,193	15,473	16,644	14,713
Disbursement	(978)	(1,297)	(18,805)	(20,575)	(19,913)
Amortization	(-2,609)	(-3,490)	(-3,332)	(-3,931)	(-5,200)
Banking system	-2,066	-4,673	-22,261	-10,048	-433
Banco de la Republica	(-2,306)	(-4,588)	(-22,348)	(-10,490)	(-1,190)
Rest of banking system	(240)	(-85)	(87)	(442)	(757)
Other	-2,834	-1,977	4,854	-6,608	--

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

^{1/} On a cash basis. The Central Administration (Gobierno Nacional) includes the legislative, judicial and executive branches of the Government, government ministries and departments, and the police.

^{2/} Includes deduction for CATs and CDTs (Certificados de Abono Tributario and Certificados de Desarrollo Turistico)

Table 60. Colombia: Central Administration Revenue

(In millions of Colombian pesos)

	1977	1978	1979	1980	Est. 1981
<u>Total cash revenue</u>	<u>63,852</u>	<u>86,894</u>	<u>113,942</u>	<u>163,229</u>	<u>214,760</u>
<u>Taxes paid with CATs and CDTs</u>	<u>1,094</u>	<u>1,390</u>	<u>2,840</u>	<u>3,310</u>	<u>3,990</u>
<u>Total revenue including CATs and CDTs</u>	<u>64,946</u>	<u>88,284</u>	<u>116,782</u>	<u>166,539</u>	<u>218,750</u>
<u>Taxes on income and property</u>	<u>24,534</u>	<u>31,345</u>	<u>39,030</u>	<u>49,149</u>	<u>56,700</u>
Income and net wealth tax	24,403	31,203	38,868	48,950	56,500
Inheritance and gift tax	90	97	108	136	120
Other	41	45	54	63	80
<u>Taxes on international trade</u>	<u>16,490</u>	<u>21,491</u>	<u>25,463</u>	<u>35,513</u>	<u>40,240</u>
Customs and surcharge	9,762	13,566	16,844	25,171	33,050
Coffee export tax	6,604	7,825	8,496	10,152	6,950
Other (remittance tax)	124	100	123	190	240
<u>Taxes on goods and services</u>	<u>17,289</u>	<u>23,683</u>	<u>31,983</u>	<u>42,979</u>	<u>62,800</u>
Sales taxes	12,825	17,835	23,966	31,644	42,900
Gasoline tax	4,464	5,848	8,017	11,335	19,900
<u>Other taxes</u>	<u>2,879</u>	<u>3,809</u>	<u>3,754</u>	<u>4,748</u>	<u>4,700</u>
Stamp taxes	2,176	2,877	3,177	4,732	4,680
Other	703	932	577	16	20
<u>Nontax revenue</u>	<u>3,754</u>	<u>7,956</u>	<u>16,552</u>	<u>34,150</u>	<u>54,310</u>
Fees and fines	1,053	1,812	1,531	2,341	3,500
Exchange profits	1,530	2,475	7,089	18,568	31,250
Net income from exchange	976	3,381	7,451	12,546	18,500
Royalties and contrac- tual income	195	288	481	695	1,060
Petroleum	(59)	(91)	(98)	(143)	(250)
Other	(136)	(197)	(383)	(552)	(810)

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

Table 61. Colombia: Central Administration Expenditure

(In millions of Colombian pesos)

	1977	1978	1979	1980	Est. 1981
<u>Total expenditure</u>	<u>57,321</u>	<u>78,051</u>	<u>112,008</u>	<u>163,217</u>	<u>229,040</u>
<u>Current expenditure</u>	<u>44,261</u>	<u>61,357</u>	<u>86,053</u>	<u>121,263</u>	<u>160,450</u>
Wages and salaries	16,734	20,838	30,134	39,427	49,700
Remuneration	(11,409)	(16,467)	(22,229)	(28,836)	(37,500)
Social security contributions	(5,325)	(4,371)	(7,905)	(10,591)	(12,200)
Other goods and services	3,108	6,191	6,992	9,895	11,500
Transfers	21,181	30,811	43,312	63,674	84,300
Rest of consolidated public sector	(7,562)	(10,216)	(13,853)	(23,004) ^{1/}	(27,900)
Local governments	(12,561)	(19,666)	(24,435)	(35,285) ^{1/}	(48,900)
Other	(1,058)	(929)	(5,024)	(5,385)	(7,500)
Interest payments	3,238	3,517	5,615	8,267	14,950
<u>Capital expenditure</u>	<u>13,060</u>	<u>16,694</u>	<u>25,955</u>	<u>41,954</u>	<u>68,590</u>
Fixed investment	2,053	1,715	1,747	3,995	3,000
Capital grants	11,007	14,979	24,208	37,959	65,590
Rest of consolidated public sector	(9,822)	(14,359)	(22,397)	(35,959) ^{1/}	(63,590)
Other	(1,185)	(620)	(1,811)	(2,000) ^{1/}	(2,000)

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

^{1/} Estimates.

Table 62. Colombia: Operations of the Rest of the Public Sector 1/

(In millions of Colombian pesos)

	1977	1978	1979	1980	Est. 1981
<u>Current revenue</u>	<u>49,815</u>	<u>77,151</u>	<u>105,161</u>	<u>142,115</u>	<u>184,675</u>
Net sales of goods and services <u>2/</u>	19,498	35,927	50,860	64,869	86,400
Social security contributions from private sector	10,021	14,073	19,735	25,751	34,715
Transfers from Central Government <u>3/</u>	12,160	16,126	21,691	34,337	40,100
Other revenue	8,136	11,025	12,875	17,158	23,460
<u>Current expenditure</u>	<u>39,770</u>	<u>61,161</u>	<u>76,796</u>	<u>101,162</u>	<u>135,210</u>
Wages and salaries	17,154	26,484	34,634	42,716	56,600
Other purchases of goods and services <u>2/</u>	10,952	16,751	18,807	21,669	28,000
Interest payments	4,974	7,772	10,058	15,562	23,060
Transfers	6,690	10,154	13,297	21,215	27,550
<u>Current surplus or deficits (-)</u>	<u>10,045</u>	<u>15,990</u>	<u>28,365</u>	<u>40,953</u>	<u>49,465</u>
<u>Capital transfers from Central Government</u>	<u>9,822</u>	<u>14,359</u>	<u>22,397</u>	<u>35,959</u>	<u>63,590</u>
<u>Capital expenditure</u>	<u>29,332</u>	<u>40,479</u>	<u>57,480</u>	<u>88,808</u>	<u>130,331</u>
<u>Overall surplus or deficits (-)</u>	<u>-9,465</u>	<u>-10,130</u>	<u>-6,718</u>	<u>-11,896</u>	<u>-17,276</u>
<u>Financing</u>	<u>9,465</u>	<u>10,130</u>	<u>6,718</u>	<u>11,896</u>	<u>17,276</u>
Long-term external (net)	6,022	5,407	7,477	6,916	15,022
Disbursement	(8,195)	(7,859)	(19,110)	(12,153)	(27,512)
Amortization	(-2,173)	(-2,492)	(-11,633)	(-5,237)	(-12,490)
Banking system	4,786	1,850	-140	-112	2,254
Banco de la Republica	(-140)	(-289)	(78)	(214)	(502)
Rest of banking system	(4,926)	(2,139)	(-218)	(-326)	(1,752)
Other <u>4/</u>	-1,343	2,873	-619	5,092	--

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

1/ Estimates are on a cash basis. The rest of the public sector includes the Social Security Fund, the nonfinancial public enterprises, and a large number of decentralized agencies including rotating funds.

2/ Net of purchases of goods and services by nonfinancial public enterprises.

3/ The figure can differ from the one which can be obtained from Table 61 because of statistical adjustments.

4/ Includes external financing of less than one year.

Table 63. Colombia: Summary Operations of ECOPETROL, IDEMA, and TELECOM

(In millions of Colombian pesos)

	1977	1978	1979	1980	Est. 1981
I. ECOPETROL					
<u>Current revenue</u>	<u>17,684</u>	<u>23,317</u>	<u>37,334</u>	<u>60,787</u>	<u>90,100</u>
Sales of goods and services	17,247	22,732	35,667	58,605	89,100
Other receipts	437	585	667	2,182	1,000
<u>Current expenditure</u>	<u>17,380</u>	<u>24,768</u>	<u>38,334</u>	<u>58,777</u>	<u>91,600</u>
Wages and salaries	2,603	4,009	5,537	7,444	10,050
Other purchases of goods and services	13,651	18,267	28,789	42,205	66,150
Interest payments	919	1,868	3,515	8,022	14,000
Other	197	624	493	1,106	1,400
<u>Current surplus or deficit (-)</u>	<u>314</u>	<u>-1,451</u>	<u>-1,000</u>	<u>2,010</u>	<u>-1,500</u>
<u>Capital expenditure</u>	<u>6,000</u>	<u>6,492</u>	<u>8,350</u>	<u>9,533</u>	<u>12,100</u>
<u>Overall surplus or deficit (-)</u>	<u>-5,686</u>	<u>-7,943</u>	<u>-9,350</u>	<u>-7,523</u>	<u>-13,600</u>
II. IDEMA					
<u>Current revenue</u>	<u>6,909</u>	<u>7,541</u>	<u>9,372</u>	<u>13,339</u>	<u>17,200</u>
Sales of goods and services	6,777	7,377	9,153	13,310	16,950
Transfer from Central Government	--	--	--	--	--
Other receipts	132	164	219	229	250
<u>Current expenditure</u>	<u>7,859</u>	<u>5,667</u>	<u>5,248</u>	<u>8,733</u>	<u>11,930</u>
Wages and salaries	603	591	749	990	1,280
Other purchases of goods and services	6,892	4,662	3,813	6,906	9,600
Interest payments	302	365	603	775	950
Other	62	49	83	62	100
<u>Current surplus or deficit (-)</u>	<u>-950</u>	<u>1,874</u>	<u>4,124</u>	<u>4,806</u>	<u>5,270</u>
<u>Capital expenditure</u>	<u>42</u>	<u>64</u>	<u>88</u>	<u>253</u>	<u>320</u>
<u>Overall surplus or deficit (-)</u>	<u>-992</u>	<u>1,810</u>	<u>4,036</u>	<u>4,553</u>	<u>4,950</u>
III. TELECOM					
<u>Current revenue</u>	<u>4,285</u>	<u>6,125</u>	<u>9,436</u>	<u>12,345</u>	<u>18,250</u>
Sales of goods and services	4,051	5,756	8,819	11,291	16,800
Other receipts	234	369	617	1,054	1,450
<u>Current expenditure</u>	<u>3,214</u>	<u>4,178</u>	<u>6,017</u>	<u>7,461</u>	<u>10,150</u>
Wages and salaries	1,658	2,159	3,006	4,331	5,850
Other purchases of goods and services	1,287	1,650	2,428	2,643	3,670
Interest payments	108	177	292	299	330
Other	161	192	291	188	300
<u>Current surplus or deficit (-)</u>	<u>1,071</u>	<u>1,947</u>	<u>3,419</u>	<u>4,884</u>	<u>8,100</u>
<u>Capital expenditure</u>	<u>1,095</u>	<u>1,388</u>	<u>2,465</u>	<u>5,221</u>	<u>7,745</u>
<u>Overall surplus or deficit (-)</u>	<u>-24</u>	<u>559</u>	<u>954</u>	<u>-337</u>	<u>355</u>

Source: Controller Central; and Fund staff estimates.

Table 64. Colombia: Financial System Credit to the Public Sector

(In millions of Colombian pesos)

	1976		1977		1978		1979		1980		1981	
	Dec.		Dec.		Dec.		Dec.		June		June 1/	
I. Financial System												
Net credit to the public sector	8,381		12,795		3,540		-23,254		-19,925		-30,648	
Central Government (net)	7,911		5,723		1,050		-21,211		-16,993		-28,974	
Credit	(9,881)		(9,785)		(9,421)		(9,301)		(10,678)		(14,492)	
Deposits	(-1,970)		(-4,062)		(-8,371)		(-30,512)		(-27,671)		(-39,466)	
Special exchange account	7,143/		7,576/		7,3,690/		7,3,047/		7,9,946/		7,13,482/	
Other liabilities	7,1,827/		7,3,486/		7,4,681/		7,27,465/		7,17,725/		7,25,984/	
Other public sector (net)	470		7,072		2,490		-2,043		-2,932		-5,674	
Credit	(10,813)		(20,758)		(19,969)		(20,550)		(21,144)		(24,071)	
Deposits	(-10,343)		(-13,686)		(-17,479)		(-22,593)		(-24,076)		(-29,745)	
II. Banking System												
Net credit to the public sector	15,660		18,258		15,435		-6,966		-3,899		-10,479	
Central Government (net)	7,911		5,723		1,050		-21,211		-18,234		-26,213	
Credit	(9,881)		(9,785)		(9,421)		(9,301)		(9,437)		(13,253)	
Deposits	(-1,970)		(-4,062)		(-8,371)		(-30,512)		(-27,671)		(-39,466)	
Special exchange account	7,143/		7,576/		7,3,690/		7,3,047/		7,9,946/		7,13,482/	
Other liabilities	7,1,827/		7,3,486/		7,4,681/		7,27,465/		7,17,725/		7,25,984/	
Other public sector (net)	7,749		12,535		14,385		14,245		14,335		15,734	
Credit	(8,397)		(13,580)		(15,903)		(15,914)		(15,895)		(17,614)	
Deposits	(-648)		(-1,045)		(-1,518)		(-1,669)		(-1,560)		(-1,800)	
III. Banco de la Republica												
Net credit to the public sector	6,352		3,784		-1,093		-23,363		-20,538		-29,645	
Central government (net)	5,680		3,252		-1,336		-23,684		-20,965		-30,054	
Credit	(7,650)		(7,246)		(7,035)		(6,828)		(6,706)		(9,412)	
Deposits	(-1,970)		(-3,994)		(-8,371)		(-30,512)		(-27,671)		(-39,466)	
Special exchange account	7,143/		7,576/		7,3,690/		7,3,047/		7,9,946/		7,13,482/	
Treasury deposits	7,1,144/		7,2,613/		7,3,692/		7,11,137/		7,6,497/		7,9,275/	
Other liabilities	7,683/		7,805/		7,989/		7,16,328/		7,11,228/		7,16,709/	
Other public sector (net)	672		532		243		321		427		409	
Credit	(1,314)		(1,527)		(1,638)		(1,844)		(1,841)		(2,141)	
Deposits	(-642)		(-995)		(-1,395)		(-1,523)		(-1,414)		(-1,732)	

Table 64 Colombia: Financial System Credit to the Public Sector (Concluded)

(In millions of Colombian pesos)

	1976	1977	1978	1979	1980	1981
	Dec.	Dec.	Dec.	Dec.	June	June 1/
IV. Commercial Banks						
Net credit to the public sector	9,308	14,474	16,528	16,397	16,639	19,166
Central Government (net)	2,231	2,471	2,386	2,473	2,731	3,841
Credit	(2,231)	(2,539)	(2,510)	(2,473)	(2,731)	(3,841)
Deposits	(--)	(-68)	(-124)	(--)	(--)	(--)
Other public sector (net)	7,077	12,003	14,142	13,924	13,908	15,325
Credit	(7,083)	(12,053)	(14,265)	(14,070)	(14,054)	(15,473)
Deposits	(-6)	(-50)	(-123)	(-146)	(-146)	(-148)
V. Rest of Financial System						
Net credit to the public sector	-7,279	-5,463	-11,895	-16,996	-16,026	-20,169
Central Government (net)	--	--	--	--	1,241	1,239
Credit	(--)	(--)	(--)	(--)	(1,241)	(1,239)
Deposits	(--)	(--)	(--)	(--)	(--)	(--)
Other public sector (net)	-7,279	-5,463	-11,895	-16,288	-17,267	-21,408
Credit	(2,416)	(7,178)	(4,066)	(4,636)	(5,249)	(6,457)
Deposits	(-9,695)	(-12,641)	(-15,961)	(-20,924)	(-22,516)	(-27,865)

Sources. Banco de la República; and Fund staff estimates

1/ Preliminary.

Table 65. Colombia: Financial System Liabilities to the Private Sector
(In millions of Colombian pesos)

	1976	1977	1978	1979	1980	1981
	Dec.	Dec.	Dec.	Dec.	June	June 1/
Liabilities to the private sector						
Broad money supply (M2)	168,844	232,261	304,702	401,031	469,269	662,564
Narrow money supply (M1)	129,757	173,650	238,374	293,725	332,609	492,621
Currency in circulation	(79,383)	(103,503)	(134,890)	(167,593)	(178,339)	(222,894)
Demand deposits	/28,770/	/40,469/	/53,406/	/66,854/	/46,470/	/65,244/
Quasi-money	/50,605/	/63,035/	/81,484/	/100,739/	/131,869/	/157,650/
Savings deposits	(50,374)	(70,147)	(103,484)	(126,132)	(154,270)	(269,727)
Certificates of deposit	/16,917/	/24,178/	/36,653/	/46,037/	/49,558/	/63,971/
UPAC deposits	/13,108/	/21,561/	/31,875/	/26,891/	/34,320/	/45,272/
Other deposits in CAVs	/19,473/	/22,574/	/29,651/	/50,195/	/66,642/	/107,917/
Bonds and certificates	/876/	/1,834/	/5,305/	/3,009/	/3,750/	/2,567/
Foreign currency bonds	5,054	12,007	13,220	25,205	36,217	48,375
Participation bonds	(3,940)	(62)	(309)	(1,023)	(4,107)	(1,489)
Certificates of exchange	(840)	(—)	(—)	(7,066)	(14,255)	(13,552)
Agro-industrial bonds	(274)	(11,945)	(12,911)	(12,842)	(13,188)	(14,861)
Advance import deposits	(—)	(—)	(—)	(4,274)	(4,667)	(8,473)
Other liabilities	912	5,294	5,939	10,138	13,515	14,190
Other deposits including capital and surplus	33,121	41,310	47,169	71,963	86,929	107,378
Less: Treasury coin	(33,704)	(42,084)	(48,147)	3,151	(88,253)	(109,311)
	(-583)	(-774)	(-978)	1,188	(-1,324)	(-1,933)

Sources. Banco de la República, and Fund staff estimates.

1/ Preliminary.

Table 66. Colombia: Summary Accounts of the Financial System
(In millions of Colombian pesos)

	1976		1977		1978		1979		1980		1981	
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	June 1/
	(Col\$35-US\$1)	(Col\$35-US\$1)	(Col\$38-US\$1)	(Col\$38-US\$1)	(Col\$40-US\$1)	(Col\$43-US\$1)	(Col\$43-US\$1)	(Col\$43-US\$1)	(Col\$43-US\$1)	(Col\$43-US\$1)	(Col\$43-US\$1)	(Col\$43-US\$1)
Net international reserves	18,238	47,204	51,251	73,538	77,408	124,185	133,499	148,652	177,141	197,738	193,778	
Assets	43,312	66,584	72,291	96,672	101,760	168,285	180,906	202,894	237,690	265,328	261,582	
Liabilities	-25,074	-19,380	-21,040	-23,134	-24,352	-44,100	-47,407	-54,242	-60,549	-67,590	-67,794	
Net domestic assets	161,791	197,184	197,184	247,987	247,987	299,025	299,025	350,485	449,937	449,937	506,367	
Central administration (net)	7,911	5,723	5,723	1,050	1,050	-21,211	-21,211	-16,993	-30,012	-30,012	-24,974	
Assets	(9,881)	(9,785)	(9,785)	(9,421)	(9,421)	(9,301)	(9,301)	(10,678)	(13,657)	(13,657)	(14,442)	
Liabilities	(-1,970)	(-4,062)	(-4,062)	(-8,371)	(-8,371)	(-30,512)	(-30,512)	(-27,671)	(-43,669)	(-43,669)	(-39,466)	
Rest of public sector (net)	470	7,072	7,072	2,490	2,490	-2,043	-2,043	-2,932	-5,454	-5,454	-5,674	
Assets	(10,813)	(20,758)	(20,758)	(19,969)	(19,969)	(20,550)	(20,550)	(21,144)	(22,533)	(22,533)	(24,071)	
Liabilities	(-11,343)	(-13,686)	(-13,686)	(-17,479)	(-17,479)	(-22,593)	(-22,593)	(-24,076)	(-27,988)	(-27,988)	(-29,745)	
Official capital and surplus	-7,439	-10,236	-10,236	-14,005	-14,005	-17,793	-17,793	-22,075	-26,520	-26,520	-29,467	
Credit to private sector	153,558	194,993	194,993	252,912	252,912	326,024	326,024	371,430	481,950	481,950	536,092	
Net interbank float	3,096	1,954	1,954	2,207	2,207	3,391	3,391	3,014	5,853	5,853	5,211	
Net unclassified assets	4,195	-2,322	-2,322	3,333	3,333	10,657	10,657	18,041	24,120	24,120	25,179	
SDR allocation and valuation account	2,248	2,194	5,390	2,973	5,485	3,892	11,835	7,500	2,184	19,827	8,632	
Medium- and long-term foreign liabilities	8,937	9,933	10,784	13,850	15,208	18,287	19,658	22,368	25,398	28,352	28,949	
Liabilities to the private sector	168,844	232,261	232,261	304,702	304,702	401,031	401,031	469,269	599,496	599,496	662,564	

Sources: Banco de la Republica, and Fund staff estimates

1/ Preliminary.

Table 67. Colombia. Summary Accounts of the Banco de la República

(In millions of Colombian pesos)

	1976		1977		1978		1979		1980		1981	
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	June
	(Col\$35-US\$1)	(Col\$35-US\$1)	(Col\$38-US\$1)	(Col\$40-US\$1)	(Col\$40-US\$1)	(Col\$43-US\$1)	(Col\$43-US\$1)	(Col\$43-US\$1)	(Col\$43-US\$1)	(Col\$43-US\$1)	(Col\$43-US\$1)	(Col\$43-US\$1)
Net international reserves	40,804	64,037	69,526	94,310	99,274	164,236	176,554	198,275	232,889	259,969	257,856	
Assets	41,004	64,245	69,752	94,718	99,704	164,516	176,855	198,491	233,048	260,147	258,034	
Liabilities	-200	-208	-226	-408	-430	-280	-301	-216	-159	-178	-178	
Net domestic assets	4,191	3,701	3,701	-8,251	-8,251	-48,273	-48,273	-73,647	-78,778	-78,778	-98,930	
Central administration (net)	5,680	3,252	3,252	-1,336	-1,336	-23,684	-23,684	-20,965	-34,174	-34,174	-30,054	
Assets	(7,650)	(7,246)	(7,246)	(7,035)	(7,035)	(6,828)	(6,828)	(6,706)	(9,495)	(9,495)	(9,412)	
Liabilities	(-1,970)	(-3,994)	(-3,994)	(-8,371)	(-8,371)	(-30,512)	(-30,512)	(-27,671)	(-43,669)	(-43,669)	(-39,466)	
Rest of public sector (net)	672	532	532	243	243	321	321	427	535	535	409	
Assets	(1,314)	(1,527)	(1,527)	(1,638)	(1,638)	(1,844)	(1,844)	(1,841)	(2,004)	(2,004)	(2,141)	
Liabilities	(-642)	(-995)	(-995)	(-1,395)	(-1,395)	(-1,523)	(-1,523)	(-1,414)	(-1,469)	(-1,469)	(-1,732)	
Net commercial banks	-13,612	-14,532	-14,532	-26,458	-26,458	-40,367	-40,367	-64,998	-63,431	-63,431	-80,933	
Assets	(14,785)	(27,571)	(27,571)	(31,858)	(31,858)	(35,976)	(35,976)	(36,072)	(38,002)	(38,002)	(39,498)	
Liabilities	(-28,395)	(-42,103)	(-42,103)	(-58,316)	(-58,316)	(-76,343)	(-76,343)	(-101,070)	(-101,433)	(-101,433)	(-120,431)	
Net specialized banks	5,293	6,676	6,676	10,466	10,286	4,788	4,788	377	3,185	3,185	-6,254	
Assets	(13,012)	(19,669)	(19,669)	(27,673)	(27,673)	(25,079)	(25,079)	(23,248)	(27,394)	(27,394)	(26,740)	
Liabilities	(-7,719)	(-12,993)	(-12,993)	(-17,387)	(-17,387)	(-20,291)	(-20,291)	(-22,871)	(-24,209)	(-24,209)	(-32,994)	
Credit to the private sector	2,976	3,659	3,659	4,475	4,475	6,268	6,268	6,723	6,218	6,218	10,276	
Net unclassified assets	3,180	4,114	4,114	4,539	4,539	4,401	4,401	4,789	8,889	8,889	7,626	
SDR allocation and valuation adjustment	3,007	962	5,936	2,083	6,598	290	11,835	7,500	-5,668	19,827	8,632	
Medium- and long-term foreign liabilities	5,306	6,007	6,522	8,529	8,978	10,306	11,079	12,118	13,626	15,211	15,965	
Liabilities to the private sector	36,682	60,769	60,769	75,447	75,447	105,367	105,367	105,010	146,153	146,153	134,329	
Currency in circulation	28,208	39,695	39,695	52,428	52,428	65,666	65,666	45,146	81,606	81,606	63,308	
Demand deposits	41	152	152	130	130	295	295	294	662	662	471	
Advance import deposits	912	5,294	5,294	5,939	5,939	10,138	10,138	13,515	12,752	12,752	14,190	
Bonds and certificates	5,054	12,007	12,007	13,220	13,220	25,205	25,205	36,217	44,793	44,793	48,375	
Swaps and other liabilities	2,467	3,621	3,621	3,730	3,730	4,063	4,063	9,838	6,340	6,340	7,985	

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

Table 68 Colombia Summary Accounts of the Commercial Banks

(In millions of Colombian pesos)

	1976		1977		1978		1979		1980		1981	
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	June
	(Col\$35=US\$1)	(Col\$35=US\$1)	(Col\$38=US\$1)	(Col\$40=US\$1)	(Col\$43=US\$1)	(Col\$48=US\$1)	(Col\$48=US\$1)	(Col\$48=US\$1)	(Col\$48=US\$1)	(Col\$48=US\$1)	(Col\$48=US\$1)	(Col\$48=US\$1)
Net international reserves	-20,668	-14,178	-15,394	-16,617	-17,492	-34,384	-36,963	-39,626	-45,573	-50,872	-50,393	
Assets	2,240	2,240	2,432	1,733	1,824	3,286	3,532	3,449	3,881	4,332	2,538	
Liabilities	-22,908	-16,418	-17,826	-18,350	-19,316	-37,670	-40,495	-43,075	-49,454	-55,204	-52,932	
Net domestic assets	101,852	120,194	120,194	155,339	155,339	208,967	208,967	253,397	318,390	318,390	356,364	
Central administration (net)	2,231	2,471	2,471	2,386	2,386	2,473	2,473	2,731	2,915	2,915	3,841	
Assets	(2,231)	(2,539)	(2,539)	(2,510)	(2,510)	(2,473)	(2,473)	(2,731)	(2,915)	(2,915)	(3,841)	
Liabilities	(--)	(-68)	(-68)	(-124)	(-124)	(--)	(--)	(--)	(--)	(--)	(--)	
Rest of public sector (net)	7,077	12,003	12,003	14,142	14,142	13,924	13,924	13,908	13,598	13,598	15,325	
Assets	(7,083)	(12,053)	(12,053)	(14,265)	(14,265)	(14,070)	(14,070)	(14,054)	(13,744)	(13,744)	(15,473)	
Liabilities	(-6)	(-50)	(-50)	(-123)	(-123)	(-146)	(-146)	(-146)	(-146)	(-146)	(-148)	
Net claims on monetary authorities	16,711	16,218	16,218	28,665	28,665	43,758	43,758	68,012	69,284	69,284	86,144	
Assets	(29,282)	(42,600)	(42,600)	(60,175)	(60,175)	(79,463)	(79,463)	(103,592)	(106,008)	(106,008)	(123,342)	
Liabilities	(-12,571)	(-26,382)	(-26,382)	(-31,510)	(-31,510)	(-35,705)	(-35,705)	(-35,580)	(-36,724)	(-36,724)	(-37,198)	
Net claims on development banks	2,409	1,414	1,414	1,905	1,905	1,668	1,668	2,505	2,147	2,147	865	
Assets	(6,491)	(7,011)	(7,011)	(9,177)	(9,177)	(11,955)	(11,955)	(13,320)	(14,994)	(14,994)	(16,788)	
Liabilities	(-4,082)	(-5,598)	(-5,598)	(-7,272)	(-7,272)	(-10,287)	(-10,287)	(-10,815)	(-12,847)	(-12,847)	(-15,923)	
Official capital and surplus	-1,170	-1,371	-1,371	-1,553	-1,553	-230	-230	-240	-240	-240	-240	
Credit to private sector	73,527	88,644	88,644	107,966	107,966	140,823	140,823	157,677	220,700	220,700	236,736	
Net unclassified assets	1,068	813	813	1,828	1,828	6,551	6,551	8,804	9,986	9,986	13,693	
Valuation account	--	1,235	--	890	--	2,599	--	--	5,323	--	--	
Medium- and long-term foreign liabilities	214	211	230	286	301	268	288	262	209	233	224	
Liabilities to the private sector	80,971	104,570	104,570	137,546	137,546	171,716	171,716	213,509	267,285	267,285	305,747	
Demand deposits	47,386	58,463	58,463	76,465	76,465	93,551	93,551	123,195	121,387	121,387	146,016	
Other sight and short term deposits and liabilities	6,077	8,450	8,450	10,437	10,437	11,713	11,713	11,843	23,185	23,185	15,752	
Savings deposits	9,891	14,414	14,414	21,425	21,425	30,385	30,385	31,534	38,123	38,123	39,804	
Term deposits	9,108	12,790	12,790	16,230	16,230	13,576	13,576	21,751	53,327	53,327	71,669	
Other liabilities, including capital and surplus	8,509	10,453	10,453	12,989	12,989	22,491	22,491	25,186	31,263	31,263	32,506	

Source: Banco de la República; and Fund staff estimates.

Table 69 Colombia Summary Accounts of the Specialized Banks
(In millions of Colombian pesos)

	1976		1977		1978		1979		1980		1981	
	Dec	Dec	Dec	Dec	Dec	Dec	Dec	Dec	Dec	Dec	June 1/	June 1/
	(Col\$35=US\$1)	(Col\$35=US\$1)	(Col\$38=US\$1)	(Col\$38=US\$1)	(Col\$40=US\$1)	(Col\$40=US\$1)	(Col\$43=US\$1)	(Col\$43=US\$1)	(Col\$48=US\$1)	(Col\$48=US\$1)	(Col\$48=US\$1)	(Col\$48=US\$1)
Net international reserves	-1,897	-2,653	-2,880	-4,153	-4,372	-5,667	-6,092	-9,997	-10,175	-11,359	-13,685	-13,685
Assets	70	98	106	220	232	483	519	954	761	849	909	909
Liabilities	-1,967	-2,751	-2,986	-4,373	-4,604	-6,150	-6,611	-10,951	-10,936	-12,208	-14,594	-14,594
Net domestic assets	55,746	73,290	73,290	100,897	100,897	138,331	138,331	170,735	210,325	210,325	248,931	248,931
Central administration (net)	--	--	--	--	--	--	--	1,241	1,247	1,247	1,239	1,239
Assets	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(1,241)	(1,247)	(1,247)	(1,239)	(1,239)
Liabilities	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)
Rest of public sector (net)	-7,279	-5,463	-5,463	-11,895	-11,895	-16,288	-16,288	-17,267	-19,587	-19,587	-21,408	-21,408
Assets	(2,416)	(7,178)	(7,178)	(4,066)	(4,066)	(4,636)	(4,636)	(5,249)	(6,785)	(6,785)	(6,457)	(6,457)
Liabilities	(-9,695)	(-12,641)	(-12,641)	(-15,961)	(-15,961)	(-20,924)	(-20,924)	(-22,516)	(-26,373)	(-26,373)	(-27,865)	(-27,865)
Net claims on monetary authorities	-5,298	-6,408	-6,408	-10,286	-10,286	-4,788	-4,788	-377	-3,185	-3,185	6,254	6,254
Assets	(7,714)	(13,261)	(13,261)	(17,387)	(17,387)	(20,291)	(20,291)	(22,871)	(24,709)	(24,709)	(32,984)	(32,984)
Liabilities	(-13,012)	(-19,669)	(-19,669)	(-27,673)	(-27,673)	(-25,079)	(-25,079)	(-23,248)	(-27,394)	(-27,394)	(-26,740)	(-26,740)
Net claims on commercial banks	-2,409	-1,414	-1,414	-1,905	-1,905	-1,668	-1,668	-2,505	-2,147	-2,147	-865	-865
Assets	(4,082)	(5,598)	(5,598)	(7,272)	(7,272)	(10,287)	(10,287)	(10,815)	(12,847)	(12,847)	(15,923)	(15,923)
Liabilities	(-6,491)	(-7,012)	(-7,012)	(-9,177)	(-9,177)	(-11,955)	(-11,955)	(-13,320)	(-14,994)	(-14,994)	(-16,788)	(-16,788)
Official capital and surplus	-6,269	-8,865	-8,865	-12,452	-12,452	-17,563	-17,563	-21,835	-26,280	-26,280	-29,277	-29,277
Credit to private sector	77,055	102,690	102,690	140,471	140,471	178,933	178,933	207,050	255,032	255,032	289,080	289,080
Net unclassified assets	-54	-7,250	-7,250	-3,036	-3,036	-295	-295	4,448	5,245	5,245	3,860	3,860
Valuation account	-759	--	-546	--	-1,113	1,003	--	--	2,529	--	--	--
Medium and long-term foreign liabilities	3,417	3,715	4,034	5,035	5,929	7,713	8,291	9,988	11,563	12,908	12,760	12,760
Liabilities to the rest of the private sector	51,191	66,922	66,922	91,709	91,709	123,948	123,948	150,750	186,058	186,058	222,488	222,488
Demand deposits	3,178	4,420	4,420	4,889	4,889	6,893	6,893	8,380	8,909	8,909	11,163	11,163
Savings deposits	7,026	9,764	9,764	15,228	15,228	15,652	15,652	18,024	20,262	20,262	24,167	24,167
Certificates of deposit	4,000	8,771	8,771	15,645	15,645	13,315	13,315	12,569	19,453	19,453	23,603	23,603
UPAC deposits	19,473	22,574	22,574	2,651	2,651	50,195	50,195	66,642	80,543	80,543	107,917	107,917
Other deposits in CAVs	876	1,834	1,834	5,305	5,305	3,009	3,009	3,750	2,699	2,699	2,567	2,567
Other liabilities, including capital and surplus	16,638	19,559	19,559	20,991	20,991	34,884	34,884	41,385	54,192	54,192	53,071	53,071

Sources: Banco de la Republica; and Fund staff estimates

1/ Preliminary

Table 70 Colombia Origin, Destination, and Financing of Financial System Credit

(In millions of Colombian pesos)

	1976		1977		1978		1979		1980		1981	
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	June	June
	(Col\$35-US\$1)	(Col\$35-US\$1)	(Col\$38-US\$1)	(Col\$38-US\$1)	(Col\$40-US\$1)	(Col\$40-US\$1)	(Col\$43-US\$1)	(Col\$43-US\$1)	(Col\$48-US\$1)	(Col\$48-US\$1)		
Origin 1/												
Banco de la Republica	161,791	197,184	197,184	197,184	247,987	247,987	299,025	299,025	350,485	449,937	449,937	506,367
Commercial banks	12,310	11,557	11,557	11,557	7,921	7,921	-12,694	-12,694	-9,076	-18,532	-18,532	-11,743
Specialized banks	88,241	105,662	105,662	105,662	128,881	128,881	168,600	168,600	188,399	254,959	254,959	275,431
	61,040	79,965	79,965	79,965	111,185	111,185	143,119	143,119	171,112	213,510	213,510	242,679
Destination												
Central administration (net)	161,791	197,184	197,184	197,184	247,987	247,987	299,025	299,025	350,485	449,937	449,937	506,367
Rest of public sector (net)	7,911	5,723	5,723	5,723	1,050	1,050	-21,211	-21,211	-16,993	-30,012	-30,012	-24,974
	470	7,072	7,072	7,072	2,490	2,490	-2,043	-2,043	-2,932	-5,454	-5,454	-5,674
Private sector	153,558	194,993	194,993	194,993	252,912	252,912	326,024	326,024	371,430	481,950	481,950	536,092
Official capital and surplus	-7,439	-10,236	-10,236	-10,236	-14,005	-14,005	-17,793	-17,793	-22,075	-26,520	-26,520	-29,467
Net interbank float	3,096	1,954	1,954	1,954	2,207	2,207	3,391	3,391	3,014	5,853	5,853	5,211
Net unclassified assets	4,195	-2,322	-2,322	-2,322	3,333	3,333	10,657	10,657	18,041	24,120	24,120	25,179
Financing												
Net international reserves	161,791	197,184	197,184	197,184	247,987	247,987	299,025	299,025	350,485	449,937	449,937	506,367
(increase -)	-18,238	-47,204	-47,204	-51,251	-73,538	-77,408	-124,185	-133,499	-148,652	-177,141	-197,738	-193,778
SDR allocation and valuation	2,248	2,194	2,194	5,390	2,973	5,485	3,892	11,835	7,500	2,184	19,827	8,632
Medium- and long-term foreign	8,937	9,933	9,933	10,784	13,850	15,208	18,287	19,658	22,368	25,398	28,352	28,949
Liabilities												
Liabilities to the private												
sector	167,844	232,261	232,261	232,261	304,702	304,702	401,031	401,031	469,269	599,496	599,496	662,564

Sources Banco de la Republica, and Fund staff estimates

1/ Excludes operations between Banco de la Republica and rest of financial system

Table 71. Colombia: Commercial Banks--Forced Investments and Investments in Fulfillment of Reserve Requirements

(In billions of Colombian pesos)

	End of Period			
	1978	1979	1980	June 1981
<u>Total</u>	<u>21.0</u>	<u>28.0</u>	<u>36.0</u>	<u>43.8</u>
<u>Forced investments</u>	<u>17.3</u>	<u>19.6</u>	<u>25.3</u>	<u>29.4</u>
Agrarian bonds Class "L" (Law 90/48) (5 per cent of demand deposits)	3.7	4.4	5.5	6.1
Internal debt bonds (Law 21/63) (5 per cent of demand deposits)	2.5	2.5	2.9	3.8
Agricultural development bonds (Law 5/73) (16.5 per cent of loan portfolio)	9.7	11.9	16.1	18.7
Housing development bonds (ICT) (44 per cent of savings deposits; frozen at level of June 30, 1974)	1.4	0.8	0.8	0.8
<u>Investments fulfilling reserve requirements</u>	<u>6.7</u>	<u>8.4</u>	<u>10.7</u>	<u>14.4</u>
Mortgage bonds (19.5 per cent of savings deposits)	2.8	3.9	5.1	5.6
Housing development bonds (ICT) (up to 1 per cent of demand deposits)	0.5	1.0	1.1	1.8
Agricultural Development bonds (15 per cent of certificates of deposits during February-September 1980 and 10 per cent thereafter)	--	--	4.4	6.7
Bonds exchangeable for exchange certificates (20 per cent of certificates of deposit until February 1979 and 25 per cent until February 1980)	3.3	3.5	--	--
Other	0.1	--	0.1	0.3

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

Table 72. Colombia: Banco de la Republica--Operations with Financial Funds

(In millions of Colombian pesos)

	December		1979	1980	November 14	
	1977	1978			1980	1981
<u>Net rediscount through Financial Funds</u>	4,372	7,832	241	-6,481	-9,662	-19,053
Gross credit	22,333	33,133	32,523	37,443	33,856	43,780
Forced investments and other resources <u>1/</u>	-17,961	-25,301	32,282	-43,924	-43,518	-62,833
<u>Net rediscount through FFAP</u>	2,575	1,709	-1,334	-975	35	-3,747
Gross credit	10,256	13,696	17,965	22,922	21,633	26,442
Forced investment and other resources <u>1/</u>	-7,681	-11,987	-19,299	-23,897	-21,598	-30,189
<u>Net rediscount through FIP</u>	-8	89	89	-184	-199	-265
Gross credit	2,248	2,640	2,798	3,109	3,018	3,414
Forced investments and other resources <u>1/</u>	-2,256	-2,551	-2,709	-3,293	-3,217	-3,679
<u>Net rediscount through FFI</u>	151	672	-547	-148	-120	-853
Gross credit	1,715	2,911	3,543	3,859	3,806	3,755
Forced investments and other resources	-1,564	-2,239	-4,090	-4,007	-3,926	-4,608
<u>Net rediscount through FAVI</u>	-499	1,208	-2,249	-6,949	-9,500	-11,199
Gross credit	4,601	8,458	2,813	1,661	194	2,389
Forced investments and other resources	-5,100	-7,250	-5,062	-8,610	-9,694	-13,588
<u>Net rediscount through FDE</u>	2,120	4,179	4,217	1,853	90	-3,022
Gross credit	3,270	5,329	5,191	5,696	4,925	7,306
Forced investments and other resources	-1,150	-1,150	-974	-3,843	-4,835	-10,328
<u>Other funds</u>	33	-25	65	-78	32	33
Gross credit	243	99	213	196	280	474
Resources	-210	-124	-148	-274	-248	-441

Source: Banco de la Republica.

1/ Includes foreign financing of FIP and FFAP loans.

Table 73. Colombia: Exchange Rate Indices

	Exchange Rate (\$ per US\$) 1/		Real Effective Rate 2/ (1975=100)		
	Buying Rate	Selling Rate	Export Weighted	Import Weighted	Trade Weighted
<u>1976</u>					
December	36.32	36.47	96.5	95.6	96.0
<u>1977</u>					
December	37.96	38.11	86.4	86.0	86.2
<u>1978</u>					
December	41.00	41.16	90.2	89.9	90.0
<u>1979</u>					
December	44.00	44.18	85.6	84.2	84.9
<u>1980</u>					
January	44.41	44.59	85.9	84.6	85.2
February	44.94	45.12	86.6	85.3	85.9
March	45.62	45.80	84.8	84.1	84.5
April	46.05	46.23	83.2	82.7	82.9
May	46.78	46.97	84.0	83.5	83.7
June	47.32	47.51	85.6	85.3	85.4
July	47.79	47.98	86.4	85.9	86.1
August	48.24	48.43	86.2	86.0	86.1
September	48.92	49.12	86.8	86.8	86.8
October	49.60	49.80	86.4	86.7	86.8
November	50.27	50.47	85.1	85.8	85.4
December	50.92	51.12	84.8	85.9	85.4
<u>1981</u>					
January	51.45	51.66	84.5	86.0	85.3
February	51.96	52.17	81.5	83.3	82.4
March	52.49	52.70	80.9	82.5	81.7
April	52.94	53.15	78.9	80.5	79.8
May	53.57	53.78	76.6	78.6	77.7
June	54.18	54.40	74.3	76.3	75.3
July	54.93	55.15	73.8	75.9	74.9
August	55.68	55.90	73.6	75.9	74.8
September	56.39	56.62	75.9	78.0	77.0
October	57.22	57.45	77.1	78.8	78.0
November	58.09	58.32	77.8	79.6	78.7
December	59.07	59.31	82.7	84.4	83.6

Sources: Banco de la Republica; and staff estimates.

1/ Exchange rate at the end of period.

2/ Index of Colombian pesos per unit of foreign exchange adjusted by exchange rate and price movements in Colombia's 18 major trading partners.

Table 74. Colombia: Exchange Rate Movements and Yields on Certificate of Exchange, 1980-81

	Banking System				Exchange Certificates		Exchange Certificate	
	Buying Rate		Selling Rate 1/		Newly Issued		Yield	
	End of Period	Average	End of Period	Average	End of Period	Average	Market Discount 2/	Actual Yield
	(In Colombian pesos per U.S. dollar)				(In per cent)		(Percentage per annum)	
1980								
January	44.41	44.16	44.59	44.34	41.00	40.87	7.7	48.5
February	44.94	44.68	45.12	44.86	42.36	41.56	5.7	40.5
March	45.62	45.32	45.80	45.50	43.04	42.72	5.7	37.1
April	46.05	45.82	46.23	46.00	43.41	43.23	5.7	37.1
May	46.78	46.44	46.97	46.63	44.18	43.81	5.6	36.0
June	47.32	47.10	47.51	47.29	45.11	44.71	4.7	32.7
July	47.79	47.52	47.98	47.71	45.45	45.31	4.9	35.7
August	48.24	48.02	48.43	48.21	45.98	45.80	4.7	36.0
September	48.92	48.56	49.12	48.75	46.61	46.31	4.7	34.6
October	49.60	49.23	49.80	49.43	47.27	46.94	5.4	36.0
November	50.27	49.93	50.47	50.13	47.78	47.56	5.0	32.7
December	50.92	50.56	51.12	50.76	48.37	48.20	5.0	31.3
1981								
January	51.45	51.08	51.66	51.28	48.97	48.83	4.8	30.6
February	51.96	51.71	52.17	51.92	49.57	49.35	4.6	30.5
March	52.49	52.24	52.70	52.45	49.97	49.80	4.8	32.4
April	52.94	52.71	53.15	52.92	50.45	50.34	4.7	34.6
May	53.57	53.24	53.78	53.45	50.55	50.55	5.6	38.6
June	54.18	53.90	54.40	54.12	51.72	51.47	4.5	35.3
July	54.93	54.57	55.15	54.79	52.48	52.12	4.5	31.8
August	55.68	55.30	55.90	55.52	53.50	52.87	3.9	28.5
September	56.39	56.03	56.62	56.25	54.03	53.69	4.2	...
October	57.22	56.79	57.45	57.02	54.50	54.31	4.7	...
November	58.09	57.66	58.32	57.89	55.20	55.01	5.0	...
December	59.07	58.64	59.31	59.88	56.38	55.97	4.6	...

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

1/ Selling rate exceeds buying rate by 0.4 per cent.

2/ Discount on newly issued certificate as a percentage of official buying rate.

3/ Annual return of certificates bought at the market discount rate (end of period) and sold at maturity four months later.

Table 75. Colombia: Effective Exchange Rates for Selected Foreign Trade Categories ^{1/}
(Colombian pesos per U.S. dollar)

	Nominal Rate		Effective Rates			Effective Exchange Rate Index (end-1976 = 100)		
	Buying	Selling	Coffee	Minor Exports 2/	Imports 3/	Coffee	Minor Exports 2/	Imports 3/
1977								
March	36.59	36.74	30.37	39.52	36.74	102.1	101.7	101.1
June	36.50	36.65	29.82	39.42	36.14	100.2	101.5	99.4
September	37.14	37.29	29.04	40.11	36.40	97.5	103.2	100.2
December	37.96	38.11	29.23	41.00	36.70	98.2	105.5	101.0
1978								
March	38.42	38.57	31.00	43.03	37.95	104.1	110.8	104.4
June	38.87	39.03	30.90	43.53	37.62	103.8	112.0	103.5
September	39.75	39.91	32.12	44.52	38.67	107.9	114.6	106.4
December	41.00	41.16	31.65	45.92	39.76	106.3	118.2	109.4
1979								
March	42.02	42.19	35.30	47.06	42.02	118.6	121.1	115.6
June	42.71	42.88	33.14	47.84	42.71	111.3	123.1	117.5
September	43.00	43.17	33.37	48.16	43.00	112.1	124.0	118.3
December	44.00	44.18	34.08	49.28	44.00	114.5	126.8	121.1
1980								
March	45.62	45.80	36.14	51.09	45.67	121.4	131.5	125.7
June	47.32	47.51	37.88	52.99	47.40	127.2	136.4	130.4
September	48.92	49.12	39.19	54.79	49.00	131.6	141.0	134.8
December	50.92	51.12	42.09	57.03	51.00	141.4	146.8	140.3
1981								
March	52.49	52.70	43.47	58.79	52.60	146.0	151.3	144.7
June	54.18	54.40	45.02	60.68	54.30	151.2	156.2	149.4
September	56.39	56.62	47.53	63.16	56.50	159.6	162.4	154.5
December	59.07	59.31	49.59	66.16	59.07	166.63	170.3	162.6

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

^{1/} Nominal exchange rate vis-a-vis the U.S. dollar adjusted for exchange certificate discounts, exchange tax, and CATs.

^{2/} Assumes industrial exports that qualify for the highest rate of tax credit certificates.

^{3/} Assumes goods for immediate use and disregards the interest cost of advance deposits.

Table 76. Colombia: Balance of Payments

(In millions of U.S. dollars)

	1977			1978			1979		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
<u>Goods and services</u>	<u>3,515</u>	<u>3,106</u>	<u>409</u>	<u>4,171</u>	<u>3,858</u>	<u>313</u>	<u>4,925</u>	<u>4,461</u>	<u>464</u>
Merchandise, f.o.b.	2,714	1,979	735	3,206	2,564	642	3,507	2,996	511
Nonmonetary gold	13	--	13	64	--	64	74	--	74
Freight and insurance	144	95	49	140	121	19	153	126	27
Other transportation	146	288	-142	165	300	-135	182	305	-123
Travel	231	173	58	260	206	54	357	237	120
Interest	65	245	-180	123	295	-172	249	450	-201
Dividends and profits	7	99	-92	9	138	-129	18	72	-54
Government, n.i.e.	28	30	-2	34	35	-1	42	28	14
Other services	167	197	-30	170	199	-29	343	247	96
<u>Transfers</u>	<u>84</u>	<u>38</u>	<u>46</u>	<u>109</u>	<u>36</u>	<u>73</u>	<u>114</u>	<u>13</u>	<u>101</u>
Private	71	31	40	73	29	44	105	7	98
Official	13	7	6	36	7	29	9	6	3
<u>Current account balance</u>			<u>455</u>			<u>386</u>			<u>565</u>
<u>Nonfinancial private sector</u>	<u>98</u>	<u>128</u>	<u>-30</u>	<u>133</u>	<u>119</u>	<u>14</u>	<u>255</u>	<u>225</u>	<u>30</u>
Direct investment	43	--	43	67	--	67	104	--	104
Long-term loans	55	61	-6	66	98	-32	151	47	104
Short-term capital	--	67	-67	--	21	-21	--	178	-178
<u>Official capital</u>	<u>397</u>	<u>196</u>	<u>201</u>	<u>344</u>	<u>250</u>	<u>94</u>	<u>986</u>	<u>466</u>	<u>520</u>
Central Government	68	82	-14	129	116	13	546	190	356
Loans and bonds	(68)	(74)	(-6)	(129)	(98)	(31)	(546)	(187)	(359)
Other	(--)	(8)	(-8)	(--)	(18)	(-18)	(--)	(3)	(-3)
Departments and municipalities	104	46	58	61	59	2	50	75	-25
Rest of Government sector	181	53	128	81	56	25	314	165	149
Banco de la Republica	44	15	29	73	19	54	76	36	40
Long-term loans	(35)	(15)	(20)	(57)	(19)	(38)	(76)	(28)	(48)
Peso deposits	(9)	(--)	(9)	(16)	(--)	(16)	(--)	(8)	(-8)
Other short term	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)
<u>Rest of the banking system</u>	<u>...</u>	<u>...</u>	<u>-185</u>	<u>...</u>	<u>...</u>	<u>42</u>	<u>...</u>	<u>...</u>	<u>387</u>
<u>Net errors and omissions</u>	<u>226</u>	<u>--</u>	<u>226</u>	<u>131</u>	<u>--</u>	<u>131</u>	<u>113</u>	<u>--</u>	<u>113</u>
<u>SDR allocation</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>24</u>	<u>--</u>	<u>24</u>
<u>Net international reserves</u>									
(increase)/			<u>-667</u>			<u>-667</u>			<u>-1,639</u>

Table 76. Colombia: Balance of Payments (Concluded)

(In millions of U.S. dollars)

	1980 (Preliminary)			1981 (Estimate)		
	Credit	Debit	Net	Credit	Debit	Net
<u>Goods and services</u>	5,858	6,176	-318	5,315	7,159	-1,844
Merchandise, f.o.b.	4,113	4,332	-219	3,513	4,850	-1,337
Nonmonetary gold	315	--	315	242	--	242
Freight and insurance	171	201	-30	180	247	-67
Other transportation	182	350	-168	180	431	-251
Travel	356	250	106	300	308	-8
Interest	467	662	-195	630	894	-264
Dividends and profits	16	81	-65	22	109	-87
Government, n.i.e.	48	57	-9	50	70	-20
Other services	190	243	-53	198	250	-52
<u>Transfers</u>	165	42	123	...	...	150
Private	131	34	97	...	...	...
Official	34	8	26	...	...	...
<u>Current account balance</u>			-195			-1,694
<u>Nonfinancial private sector</u>	388	--	388	...	...	981
Direct investment	234	--	234)))
Long-term loans	57	--	57	)	500)
Short-term capital	97	--	97	...	...	481
<u>Official capital</u>	1,030	234	796	...	...	752
Central Government	778	167	611)))
Loans and bonds	(778)	(167)	(611))))
Other	(--)	(--)	(--))))
Departments and municipalities	207	67	140	)	1,135)
Rest of Government sector	--	--	--	)	433)
Banco de la Republica	45	--	45)))
Long-term loans	(32)	(--)	(32)	...	...	50
Peso deposits	(13)	(--)	(13)	(...)	(...)	(...)
Other short-term	(--)	(--)	(--)	(...)	(...)	(...)
<u>Rest of the banking system</u>	...	...	169	...	...	107
<u>Net errors and omissions</u>	143	--	143	--	--	--
<u>SDR allocation</u>	24	--	24	24	--	24
<u>Net international reserves (increase)1/</u>			-1,325			-170

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

1/ Net international reserves of the Banco de la Republica.

Table 77. Colombia: Exchange Balance, 1977-81

(In millions of U.S. dollars)

	1977			1978			1979		
	Receipts	Payments	Net	Receipts	Payments	Net	Receipts	Payments	Net
Current transactions	3,209	2,382	827	3,598	2,778	820	4,623	3,488	1,135
Merchandise, f.o.b.	2,243	1,772	491	2,569	2,093	476	3,044	2,558	486
Gold	10	--	10	34	--	34	74	--	74
Petroleum and gas	33	71	-38	36	77	-41	52	78	-26
Freight, insurance, and transportation	42	85	-43	29	137	-108	33	177	-144
Travel and tourism	464	41	423	474	45	429	690	47	643
Interest	56	236	-180	116	252	-136	79	383	-145
Dividends	--	48	-48	--	54	-54	--	55	-55
Government, n.i.e.	28	24	4	34	26	8	42	34	8
Other services	251	105	146	204	94	110	349	156	193
Transfers	82	--	82	102	--	102	101	--	101
Capital transactions	642	802	-160	894	1,047	-153	1,815	1,335	480
Private capital	235	289	-54	301	365	-64	512	416	96
Direct investment	(42)	(24)	(18)	(29)	(8)	(21)	(78)	(11)	(67)
Loans	(14)	(71)	(-57)	(18)	(90)	(-72)	(39)	(40)	(-1)
Other	(179)	(194)	(-15)	(254)	(267)	(-13)	(395)	(365)	(30)
Official capital	407	513	-106	593	682	-89	1,303	919	384
SDR allocation	--	--	--	--	--	--	24	--	384
Net international reserves (- increase)			-667			-667			-1,639

	1980			1981		
	Receipts	Payments	Net	Receipts	Payments	Net
Current transactions	5,654	4,919	735	4,987	5,633	-646
Merchandise f.o.b.	3,394	3,504	-110	2,926	3,959	-708
Gold	310	--	310	239	--	239
Petroleum and gas	85	107	-22	87	--	87
Freight, insurance and transportation	43	38	-195	--	--	--
Travel and tourism	666	58	608	--	--	62
Interest	460	651	-191	--	--	--
Dividends	--	53	-53	1,736	1,674	62
Government, n.i.e.	48	44	4	--	--	--
Other services	478	264	214	--	--	199
Transfers	170	--	170	--	--	--
Capital transactions	2,116	1,550	566	...	...	792
Private capital	649	493	156	...	...	392
Direct investment	(98)	(13)	(85)	...	...	(184)
Loans	(93)	(47)	(46)	...	...	(193)
Other	(458)	(433)	(25)	...	...	(15)
Official capital	1,467	1,057	410	...	...	400
SDR allocation	24	--	24	24	--	24
Net international reserves (- increase)			-1,325			-170

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

Table 78. Colombia: Net International Reserves of the Banco de la Republica
(In millions of U.S. dollars)

	End of Period			
	1977	1978	1979	1980
1981				
<u>Net international reserves of the</u>				
<u>Banco de la Republica</u>				
Assets	1,829.6	2,496.8	4,135.9	5,461.0
Monetary gold	1,835.6	2,507.6	4,142.9	5,464.7
SDRs	(73.1)	(137.3)	(214.5)	(525.3)
Reserve position in the IMF	(30.8)	(45.5)	(86.8)	(103.1)
Foreign exchange	(90.8)	(82.4)	(87.3)	(138.2)
Other	(806.5)	(1,061.7)	(1,724.9)	(2,271.2)
	(834.4)	(1,180.7)	(2,029.4)	(2,426.9)
Liabilities	-6.0	-10.8	7.0	3.7
				2.7

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

Table 79. Colombia: Minor Export Registrations

(In millions of U.S. dollars)

	1977	1978	1979	1980	January-July	
					1980	1981
<u>Total minor exports</u>	<u>942.8</u>	<u>1,061.8</u>	<u>1,506.8</u>	<u>1,613.0</u>	<u>858.1</u>	<u>874.2</u>
<u>Agricultural products</u>	<u>339.7</u>	<u>352.1</u>	<u>419.1</u>	<u>641.3</u>	<u>314.3</u>	<u>352.6</u>
Sugar	--	21.5	47.3	175.5	60.3	46.7
Bananas	57.3	75.5	84.8	108.2	59.7	75.7
Flowers	38.6	53.4	79.2	101.5	56.0	61.1
Cotton	116.9	72.5	52.2	101.8	64.9	67.3
Beef	34.4	49.4	31.1	33.1	13.4	33.3
Molasses	...	5.6	12.9	26.2	8.1	7.1
Tobacco	24.4	27.5	25.4	24.8	23.8	19.6
Shrimp and other seafood	13.2	20.3	28.8	29.6	16.8	18.3
Rice	0.2	3.4	31.6	14.9	2.0	13.3
Dairy products	6.8	16.3	9.9	13.8	9.3	10.2
Other agricultural products	47.9	6.7	15.9	11.9	...	...
<u>Manufactured products</u>	<u>162.5</u>	<u>220.7</u>	<u>320.0</u>	<u>324.5</u>	<u>146.4</u>	<u>154.9</u>
Clothing and textiles of cotton fabric	68.0	93.5	146.2	143.6	60.1	49.7
Clothing of synthetic fiber	15.3	25.8	37.8	33.9	17.3	16.5
Cement	26.9	38.2	57.7	53.6	23.7	40.4
Paper products	28.6	26.4	31.3	39.6	23.7	27.5
Books and other printed material	7.1	13.0	20.0	28.2	21.6	20.8
Leather products	16.6	23.8	27.0	25.6	...	...
<u>Emeralds</u>	<u>25.4</u>	<u>40.6</u>	<u>93.3</u>	<u>63.4</u>	<u>39.1</u>	<u>29.3</u>
<u>Other minor exports</u>	<u>415.2</u>	<u>448.4</u>	<u>674.4</u>	<u>583.8</u>	<u>358.3</u>	<u>337.4</u>

Source: INCOMEX.

1/ Registration data unadjusted for cancellation and changes in value.

Table 80. Colombia: Export Registration, Exchange Receipts, and Shipments

(In millions of U.S. dollars)

	1977	1978	1979	1980	Jan.-Oct.	
					1980	1981
<u>Total exports</u> <u>1/</u>						
Registrations <u>2/3/</u>	2,312	2,942	3,362	3,810	3,112 <u>4/</u>	2,220 <u>4/</u>
Exchange surrender <u>3/</u>	2,243	2,569	3,043	3,394	2,754	2,282
Exports <u>5/</u>	2,714	3,206	3,507	4,113	...	...
<u>Coffee</u>						
Registrations	1,513	2,027	2,024	2,374	2,027 <u>4/</u>	1,103 <u>4/</u>
Exchange surrender	1,448	1,703	1,274	1,413	1,608	1,178
Exports <u>5/</u>	1,605	1,951	2,105	2,310	...	...
<u>Petroleum products</u>						
Exports <u>6/</u>	105	124	146	239	...	...
<u>Minor exports</u>						
Registrations <u>3/</u>	799	915	1,338	1,436	1,085 <u>4/</u>	1,116 <u>4/</u>
Exchange surrender	795	867	1,274	1,413	1,146	1,104
Exports <u>1/5/</u>	1,108	1,255	1,402	1,803	...	...

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

1/ Excludes nonmonetary gold.2/ Adjusted for changes in value and cancellations.3/ No registration and surrender is required for exports of petroleum products.4/ Up to October 16, 1981.5/ Includes nonregistered exports and balance of payments adjustments.6/ Unadjusted customs figures.

Table 81. Colombia: Import and Export Registrations
by Region and Country

(In per cent of total)

	Imports			Exports		
	1979	1980	1981 1/	1979	1980	1981 1/
<u>Western Hemisphere</u>	64.5	65.2	67.1	50.1	46.9	48.3
North America	43.8	39.9	35.8	27.4	28.4	24.6
CACM and CARICOM	0.2	0.5	0.2	1.1	1.0	1.8
LAIA 2/	15.5	16.6	20.7	18.7	14.5	18.4
Andean Group	(5.9)	(10.2)	(13.3)	(15.6)	(10.5)	(14.4)
Of which: Venezuela	(1.7)	(6.9)	(9.4)	(12.8)	(7.8)	(10.6)
Ecuador	(1.6)	(1.5)	(1.7)	(2.2)	(1.7)	(2.0)
Other	(9.6)	(6.4)	(7.4)	(3.1)	(4.0)	(4.0)
Other Western Hemisphere	5.0	8.2	10.4	2.9	3.0	3.5
<u>Europe</u>	26.8	23.6	24.0	43.6	46.9	44.1
EEC	17.8	14.4	15.5	28.8	31.6	30.7
Bilateral payments agreements	4.6	1.4	1.6	5.9	3.9	3.6
IMF members 3/	(3.5)	(0.5) 4/	(0.4)	(3.8)	(0.8) 4/	(0.6)
Other 5/	(1.1)	(0.9)	(1.2)	(2.1)	(3.1)	(3.0)
Other market economies	3.9	7.3	6.5	8.4	10.9	9.0
Other state trading countries	0.5	0.5	0.4	0.5	0.5	0.8
<u>Asia 6/</u>	8.2	10.9	8.7	5.0	4.4	5.4
<u>Rest of the world</u>	0.5	0.3	0.2	1.3	1.8	2.2

Sources: Banco de la Republica; and INCOMEX.

1/ January-June 1981.

2/ The Association of Latin American Integration which substituted LAFTA.

3/ Spain, Romania, and Yugoslavia.

4/ The bilateral payments agreement with Spain ended in 1980.

5/ Bulgaria, East Germany, Hungary, and Poland.

6/ Includes People's Republic of China.

Table 82. Colombia: External Public Loans Contracted, 1979-81 ^{1/}

	Amounts in Millions of			Average Interest		Average Maturity			
	U.S. dollars			Rate Per Annum		in Years			
	1979	1980	1981 4/ 1979	1980	1981 4/ 1979	1980	1981 4/ 1979		
All loans	1,353.0	1,530.2	1,114.7	8.7	10.7	11.7	13-1/2	12	13
By sector									
Communications	48.1	70.0	15.7	8.3	8.2	8.1	8-1/2	8-1/2	9
Power	363.1	371.5	580.1	9.4	12.4	10.0	11-1/2	12-1/2	13-1/2
Industry	110.0	100.0	150.0	10.0	18.7	17.2	12	10	10
Transportation	55.1	66.6	19.6	8.2	13.3	2.0	11	9	30
Water supply and sewerage	93.8	92.5	--	6.6	7.4	--	17	19-1/2	--
Other	682.9	829.6	349.3	8.4	9.4	12.8	15	12-1/2	14
By borrower									
Central Government	499.9	609.5	428.5	7.0	8.4	10.5	16-1/2	12-1/2	11-1/2
Departments and municipalities	215.3	562.4	298.6	8.8	9.8	10.6	9-1/2	12-1/2	11
Rest of Government sector	557.8	176.3	387.6	9.0	13.4	8.9	12-1/2	10	16-1/2
Private sector with public guarantee	80.0	--	--	7.9	--	--	14	--	--
Banco de la Republica	--	182.0	--	--	8.3	--	--	16-1/2	--

Source: Banco de la Republica.

^{1/} Includes general purpose loans and publicly guaranteed loans.^{2/} The interest cost of loans based on the LIBOR was estimated by the sum of individual interest spread plus the average daily rate for six month deposits in London in the year in the course of which the loan was contracted.^{3/} Rounded to full semesters.^{4/} January-June 1981.

Table 83. Colombia: External Public Debt Operations 1/

(In millions of U.S. dollars)

	Out- standing Dec. 31 1977	Transactions During 1978			Out- standing Dec. 31 1978 2/	Transactions During 1979		
		Draw- ings	Amorti- zation	Inter- est		Draw- ings	Amorti- zation	Inter- est
Total	2,841.7	369.2	243.9	163.4	2,961.8	1,026.6	461.1	233.4
Central government	1,316.7	136.8	98.2	54.9	1,351.9	563.3	187.2	86.7
Foreign government	757.2	61.9	20.8	15.7	795.9	61.0	37.3	20.2
U.S. AID	(690.9)	(15.5)	(10.9)	(12.9)	(696.2)	(4.0)	(16.5)	(15.7)
EXIMBANK	(1.6)	(--)	(0.9)	(0.8)	(0.7)	(--)	(0.5)	(--)
CCC (USDA)	(31.3)	(0.4)	(3.0)	(0.9)	(28.7)	(0.3)	(3.2)	(0.9)
Other	(33.4)	(46.0)	(6.0)	(1.1)	(70.3)	(56.7)	(17.1)	(3.6)
International lending agencies	259.4	31.6	13.5	18.3	276.4	60.0	13.5	21.8
IDB	(89.0)	(19.1)	(4.6)	(4.6)	(103.5)	(21.8)	(4.1)	(4.9)
IBRD	(147.4)	(12.5)	(8.7)	(13.5)	(151.1)	(38.2)	(9.2)	(16.8)
IDA	(22.0)	(--)	(0.2)	(0.2)	(21.8)	(--)	(0.2)	(0.1)
Private banks	239.3	19.1	30.4	19.4	227.1	424.4	112.7	43.1
Bonds	20.0	--	2.0	--	17.9	--	4.5	0.6
Other	41.8	24.2	31.5	1.5	34.6	17.9	19.2	1.0
Departments and municipalities	614.9	69.2	58.4	40.7	625.2	58.9	74.8	54.5
Foreign governments	60.0	9.6	5.7	2.5	63.4	3.0	5.2	2.2
U.S. AID	(4.2)	(--)	(--)	(--)	(3.6)	(--)	(--)	(--)
EXIMBANK	(16.9)	(--)	(--)	(--)	(15.9)	(--)	(1.1)	(0.6)
Kreditanstalt fuer Wiederaufbau	(17.6)	(7.9)	(2.1)	(1.2)	(23.4)	(2.9)	(2.6)	(1.3)
Other	(21.3)	(1.7)	(2.6)	(0.4)	(20.5)	(0.1)	(1.5)	(0.3)
International lending agencies	357.3	34.8	20.2	26.2	371.9	34.1	24.1	30.6
IDB	(103.7)	(15.1)	(6.5)	(8.5)	(112.2)	(12.6)	(9.1)	(9.1)
IBRD	(253.6)	(19.7)	(13.7)	(17.7)	(259.7)	(21.5)	(15.0)	(21.5)
Private banks	73.9	4.9	11.6	6.0	70.0	7.0	14.4	6.4
Bonds	27.8	--	0.3	--	27.5	--	6.9	8.4
Other	95.9	19.9	20.6	6.0	92.4	14.8	24.2	6.9
Rest of government sector	692.2	98.2	55.6	50.7	733.6	327.8	164.5	68.0
Foreign governments	88.5	14.4	6.3	3.1	96.3	15.3	9.6	3.7
U.S. AID	(24.4)	(3.4)	(0.5)	(0.3)	(27.2)	(3.7)	(0.6)	(0.4)
EXIMBANK	(13.3)	(--)	(1.7)	(0.7)	(11.6)	(--)	(1.7)	(1.0)
Kreditanstalt fuer Wiederaufbau	(20.1)	(6.7)	(0.8)	(1.2)	(26.0)	(2.2)	(1.3)	(1.0)
Other	(30.7)	(4.3)	(3.3)	(0.9)	(31.5)	(9.4)	(6.0)	(1.3)
International lending agencies	320.4	35.2	14.4	26.1	340.4	41.6	21.2	28.8
IDB	(151.5)	(27.8)	(8.0)	(11.6)	(170.6)	(21.8)	(14.9)	(13.1)
IBRD	(168.9)	(7.4)	(6.4)	(14.5)	(169.8)	(18.8)	(6.3)	(15.7)
CAF	(--)	(--)	(--)	(--)	(--)	(1.0)	(--)	(--)
Private banks	178.9	29.6	15.6	15.7	193.0	257.6	115.8	28.3
Other	104.4	19.0	19.3	5.8	103.9	13.3	17.9	7.2
Private sector with public guarantees	45.7	4.8	14.1	3.4	36.4	0.3	6.3	3.6
Foreign governments	5.6	1.7	2.9	0.3	4.3	0.3	2.3	0.1
EXIMBANK	(5.4)	(--)	(2.9)	(0.3)	(2.6)	(--)	(2.3)	(0.1)
Other	(0.2)	(1.7)	(--)	(--)	(1.7)	(0.3)	(--)	(--)
International lending agencies	11.7	3.1	3.3	1.0	11.4	--	1.2	1.0
IDB	(1.5)	(0.1)	(0.6)	(0.1)	(1.0)	(--)	(0.6)	(0.1)
IBRD	(1.8)	(--)	(1.8)	(0.1)	(--)	(--)	(--)	(--)
CAF	(8.4)	(3.0)	(0.9)	(0.8)	(10.4)	(--)	(0.6)	(0.9)
Private banks	24.4	--	3.8	2.0	20.7	--	2.8	2.5
Other	4.0	--	4.1	0.1	--	--	--	--
Banco de la Republica	172.2	60.2	17.6	13.7	214.7	76.3	28.3	20.6
Foreign governments	26.1	5.5	0.8	0.8	30.7	1.0	6.3	1.4
U.S. AID	(17.2)	(--)	(0.3)	(0.3)	(16.9)	(--)	(0.3)	(0.3)
Kreditanstalt fuer Wiederaufbau	(8.6)	(5.4)	(0.3)	(0.5)	(13.5)	(1.0)	(5.8)	(1.1)
Other	(0.3)	(0.1)	(0.2)	(--)	(0.3)	(--)	(0.2)	(--)
International lending agencies	146.1	54.7	16.8	12.9	184.0	75.3	22.0	19.2
IDB	(0.7)	(11.0)	(--)	(0.5)	(11.7)	(14.7)	(0.2)	(1.0)
IBRD	(144.5)	(42.6)	(16.3)	(12.4)	(170.8)	(60.0)	(21.1)	(18.0)
CAF	(0.9)	(1.1)	(0.5)	(--)	(1.5)	(0.6)	(0.7)	(0.2)

Table 83. Colombia: External Public Debt Operations (Concluded) 1/

(In millions of U.S. dollars)

	Out- standing Dec. 31 1979 2/	Transactions During 1980			Out- standing Dec. 31 1980 2/	Transactions During First Half of 1981			Out- standing June 30, 1981 2/	Dis- bursed June 30, 1981
		Draw- ings	Amorti- sation	Inter- est		Draw- ings	Amorti- sation	Inter- est		
Total	3,524.3	1,083.4	337.7	279.7	4,242.5	528.8	130.3	169.8	4,349.8	3,095.9
Central government	1,727.1	568.7	117.0	125.5	2,156.5	127.8	50.9	89.1	2,192.3	1,086.1
Foreign government	819.1	36.5	49.3	21.1	797.4	40.6	17.3	11.2	806.5	81.8
U.S. AID	(683.7)	(3.2)	(17.8)	(15.0)	(669.1)	(0.2)	(7.9)	(6.4)	(661.4)	(—)
EXIMBANK	(0.2)	(—)	(0.1)	(—)	(0.1)	(—)	(—)	(—)	(—)	(—)
CCC (USDA)	(25.9)	(—)	(2.6)	(0.8)	(23.3)	(—)	(—)	(—)	(—)	(—)
Other	(109.3)	(33.3)	(28.8)	(5.3)	(104.9)	(40.4)	(9.4)	(4.8)	(145.1)	(81.8)
International lending agencies	322.7	127.5	17.8	24.1	432.1	54.4	8.6	12.7	465.1	384.6
IDB	(121.1)	(54.3)	(4.2)	(6.1)	(170.9)	(14.4)	(1.8)	(2.9)	(170.7)	(175.8)
IBRD	(180.1)	(73.2)	(13.4)	(17.8)	(239.9)	(40.0)	(6.7)	(9.7)	(275.2)	(208.8)
IDA	(21.5)	(—)	(0.2)	(0.2)	(21.3)	(—)	(0.1)	(0.1)	(21.2)	(—)
Private banks	538.8	396.5	32.9	76.8	891.4	27.3	14.1	63.8	892.3	426.3
Bonds	13.4	—	0.8	1.0	12.6	—	0.1	0.5	11.9	—
Other	35.1	8.2	16.2	2.5	23.0	5.5	10.1	0.9	16.5	193.4
Departments and municipalities	608.4	288.2	106.4	47.6	788.1	145.7	32.1	29.6	875.1	842.7
Foreign governments	60.6	102.0	25.6	2.9	135.5	6.0	6.3	4.4	118.7	69.7
U.S. AID	(3.3)	(—)	(0.1)	(—)	(3.4)	(—)	(0.1)	(—)	(3.4)	(—)
EXIMBANK	(14.8)	(5.4)	(1.5)	(1.1)	(18.7)	(—)	(—)	(—)	(—)	(—)
Kreditanstalt fuer Wiederaufbau	(23.2)	(96.2)	(22.0)	(1.5)	(93.9)	(—)	(—)	(—)	(—)	(—)
Other	(19.1)	(0.4)	(2.0)	(0.3)	(17.5)	(6.0)	(6.2)	(4.4)	(115.3)	(69.7)
International lending agencies	381.7	24.6	29.0	26.6	377.1	20.4	10.5	11.6	378.2	542.8
IDB	(115.5)	(3.0)	(13.9)	(5.0)	(104.4)	(3.3)	(2.8)	(1.5)	(96.1)	(200.6)
IBRD	(266.2)	(21.6)	(15.1)	(21.6)	(272.7)	(17.1)	(7.7)	(10.1)	(282.1)	(342.2)
Private banks	62.6	116.0	19.7	10.4	158.5	94.4	9.4	11.4	242.5	163.8
Bonds	20.5	—	2.5	1.0	18.0	—	—	—	18.0	—
Other	83.0	45.6	29.6	6.7	99.0	24.9	5.9	2.2	117.7	66.4
Rest of government sector	895.8	123.5	76.9	85.0	939.4	198.3	26.8	42.1	1,086.7	876.7
Foreign governments	102.1	2.2	12.7	3.1	91.5	4.9	4.2	1.5	87.3	79.7
U.S. AID	(30.3)	(2.0)	(0.4)	(0.4)	(31.9)	(0.1)	(0.3)	(0.3)	(31.6)	(—)
EXIMBANK	(9.9)	(—)	(1.1)	(0.4)	(8.8)	(—)	(—)	(—)	(—)	(—)
Kreditanstalt fuer Wiederaufbau	(27.0)	(0.1)	(3.6)	(0.9)	(23.5)	(—)	(—)	(—)	(—)	(—)
Other	(34.9)	(0.1)	(7.6)	(1.4)	(27.3)	(4.8)	(3.9)	(1.1)	(55.7)	(79.7)
International lending agencies	360.4	73.1	24.8	30.1	406.3	34.9	9.4	11.8	424.2	535.8
IDB	(177.0)	(43.8)	(16.5)	(13.5)	(202.0)	(16.9)	(4.4)	(5.7)	(206.8)	(221.9)
IBRD	(182.4)	(28.7)	(8.3)	(16.4)	(202.6)	(14.9)	(5.0)	(6.0)	(212.6)	(281.8)
CAF	(1.0)	(0.6)	(—)	(0.2)	(1.7)	(3.1)	(—)	(0.1)	(4.8)	(32.1)
Private banks	334.4	38.8	15.1	43.7	357.5	(155.9)	5.6	26.0	503.8	116.2
Other	98.9	9.4	24.3	8.1	84.1	2.6	7.6	2.8	71.4	145.0
Private sector with public guarantees	30.5	19.2	5.4	3.9	44.3	21.2	3.4	1.4	61.9	39.7
Foreign governments	2.3	—	0.2	—	2.1	—	—	—	2.0	—
EXIMBANK	(0.2)	(—)	(0.2)	(—)	(—)	(—)	(—)	(—)	(—)	(—)
Other	(2.1)	(—)	(—)	(—)	(2.1)	(—)	(—)	(—)	(2.0)	(—)
International lending agencies	10.3	19.2	2.2	0.9	27.3	21.2	1.9	0.3	46.5	39.7
IDB	(0.5)	(—)	(0.1)	(—)	(0.4)	(—)	(—)	(—)	(0.4)	(—)
IBRD	(—)	(19.2)	(—)	(—)	(19.2)	(21.2)	(—)	(—)	(40.3)	(39.9)
CAF	(9.8)	(—)	(2.1)	(0.9)	(7.7)	(—)	(2.9)	(0.3)	(5.8)	(—)
Private banks	17.9	—	3.0	3.0	14.9	—	—	—	—	—
Other	—	—	—	—	—	—	1.5	1.1	13.4	—
Banco de la Republica	262.6	83.8	32.0	17.7	314.2	35.8	17.1	7.6	333.8	250.7
Foreign governments	25.4	2.4	1.2	0.8	26.4	1.0	0.6	0.4	26.7	3.0
U.S. AID	(16.6)	(—)	(0.4)	(0.2)	(16.2)	(—)	(0.3)	(0.2)	(15.9)	(—)
Kreditanstalt fuer Wiederaufbau	(8.8)	(2.4)	(0.8)	(0.6)	(10.2)	(—)	(—)	(—)	(—)	(—)
Other	(—)	(—)	(—)	(—)	(—)	(1.0)	(0.3)	(0.2)	(10.8)	(3.0)
International lending agencies	237.2	81.4	30.8	16.9	287.8	34.8	16.5	7.2	307.1	247.7
IDB	(26.1)	(3.3)	(0.2)	(2.1)	(29.2)	(9.0)	(0.2)	(1.1)	(39.0)	(24.2)
IBRD	(209.8)	(75.2)	(28.7)	(14.6)	(256.3)	(24.0)	(16.0)	(6.0)	(264.3)	(216.8)
CAF	(1.3)	(2.9)	(1.9)	(0.2)	(2.3)	(1.8)	(0.3)	(0.1)	(3.8)	(6.7)

Source: Banco de la Republica.

1/ External public debt of a maturity of more than a year, including publicly guaranteed debt

2/ Outstanding balances at the end of the year reflect not only the net transactions of the year but also data adjustment.

Table 84. Colombia: Projected Service Payments by Borrowing and Creditor Institutions on Medium- and Long-Term External Public Debt Outstanding at end-1980

(In millions of U.S. dollars)

Borrowing Institutions and Creditors	1981		1982		1983	
	Amorti- zation	Interest Payments	Amorti- zation	Interest Payments	Amorti- zation	Interest Payments
<u>Total</u>	<u>307</u>	<u>284</u>	<u>323</u>	<u>292</u>	<u>345</u>	<u>285</u>
<u>Central Government</u>	<u>109</u>	<u>113</u>	<u>116</u>	<u>115</u>	<u>127</u>	<u>115</u>
U.S. Government	21	16	21	16	23	16
IDB	5	6	6	8	10	8
IBRD	17	20	27	23	36	26
Suppliers' credits	64	70	60	67	57	64
Bonds	2	1	2	1	1	1
<u>Departments</u>	<u>36</u>	<u>17</u>	<u>33</u>	<u>17</u>	<u>32</u>	<u>14</u>
IDB	7	4	7	4	7	3
IBRD	2	1	3	--	1	--
U.S. Government	--	1	--	1	--	1
Suppliers' credits	27	11	23	12	24	10
<u>Municipalities</u>	<u>44</u>	<u>41</u>	<u>49</u>	<u>43</u>	<u>58</u>	<u>42</u>
IDB	3	3	3	3	3	3
IBRD	13	20	15	21	24	21
U.S. Government	1	--	1	--	1	--
Bonds	2	1	2	1	2	1
Suppliers' credits	25	17	28	18	28	17
<u>Public enterprises</u>	<u>76</u>	<u>90</u>	<u>85</u>	<u>95</u>	<u>92</u>	<u>95</u>
IDB	16	16	18	18	16	20
IBRD	12	20	14	24	19	27
U.S. Government	1	1	3	1	3	1
Suppliers' credits	47	53	50	52	54	48
<u>Private enterprises with public guarantees</u>	<u>9</u>	<u>2</u>	<u>5</u>	<u>1</u>	<u>3</u>	<u>--</u>
<u>Banco de la Republica</u>	<u>37</u>	<u>21</u>	<u>35</u>	<u>21</u>	<u>33</u>	<u>19</u>
U.S. Government	1	--	1	1	1	--
IDB	3	2	3	2	2	1
IBRD	32	18	30	17	30	17
Suppliers' credit	1	1	1	1	--	1

Source: Banco de la Republica.

Table 85. Colombia: External Private Debt Operations by Country of Origin ^{1/}
(In thousands of U.S. dollars)

Country of Origin	1977				1978			
	Loans Registered 2/	Amortization		Outstanding December 31	Loans Registered 2/	Amortization		Outstanding December 31
		Principal	Interest			Principal	Interest	
<u>Total</u>	<u>54,611</u>	<u>60,703</u>	<u>24,184</u>	<u>434,974</u>	<u>63,471</u>	<u>97,463</u>	<u>32,499</u>	<u>398,919</u>
<u>North America</u>	<u>34,910</u>	<u>30,807</u>	<u>13,191</u>	<u>219,217</u>	<u>26,536</u>	<u>42,538</u>	<u>15,050</u>	<u>210,093</u>
Canada	400	223	353	6,159	3,500	1,703	787	4,297
United States	34,510	30,584	12,538	213,058	30,036	40,833	14,263	205,796
<u>ALADI Mexico and South America</u>	<u>5,528</u>	<u>928</u>	<u>1,078</u>	<u>19,039</u>	<u>715</u>	<u>4,797</u>	<u>3,080</u>	<u>15,013</u>
ANDEAN Group	2,449	397	366	3,726	—	863	851	3,203
Rest of ALADI	3,079	531	712	15,313	715	3,934	2,229	11,808
<u>Central America</u>	<u>9,128</u>	<u>17,687</u>	<u>4,025</u>	<u>64,007</u>	<u>-2,344</u>	<u>5,516</u>	<u>5,419</u>	<u>71,994</u>
Central America Common Market	—	—	76	797	—	—	108	3,399
Panama	9,128	17,687	3,949	63,210	-2,344	5,516	5,311	68,595
<u>Caribbean</u>	<u>434</u>	<u>2,300</u>	<u>2,951</u>	<u>28,063</u>	<u>1,615</u>	<u>804</u>	<u>3,679</u>	<u>24,882</u>
<u>Europe</u>	<u>4,611</u>	<u>8,356</u>	<u>2,916</u>	<u>90,173</u>	<u>38,091</u>	<u>41,450</u>	<u>3,137</u>	<u>71,298</u>
European Common Market	4,598	8,141	2,586	76,552	2,996	7,063	2,888	36,581
European Free Trade Association	13	215	311	7,562	487	442	216	8,000
Other	—	—	19	6,059	34,608	33,943	33	6,717
<u>Other countries</u>	<u>—</u>	<u>131</u>	<u>14</u>	<u>650</u>	<u>—</u>	<u>58</u>	<u>70</u>	<u>553</u>
<u>International organizations</u>	<u>—</u>	<u>494</u>	<u>9</u>	<u>13,825</u>	<u>858</u>	<u>2,302</u>	<u>2,064</u>	<u>5,144</u>

Country of Origin	1979				1980			
	Loans Registered 2/	Amortization		Outstanding December 31	Loans Registered 2/	Amortization		Outstanding December 31
		Principal	Interest			Principal	Interest	
<u>Total</u>	<u>150,876</u>	<u>47,514</u>	<u>43,805</u>	<u>502,281</u>	<u>70,167</u>	<u>13,527</u>	<u>30,361</u>	<u>558,921</u>
<u>North America</u>	<u>94,395</u>	<u>18,808</u>	<u>30,676</u>	<u>285,682</u>	<u>53,417</u>	<u>23,270</u>	<u>16,497</u>	<u>315,829</u>
Canada	1,299	1,578	547	4,576	-2,923	369	-378	1,284
United States	95,694	20,386	31,223	281,106	56,340	22,091	16,875	314,545
<u>ALADI Mexico and South America</u>	<u>7,874</u>	<u>1,055</u>	<u>627</u>	<u>10,212</u>	<u>1,038</u>	<u>1,940</u>	<u>2,098</u>	<u>23,146</u>
ANDEAN Group	7,874	1,055	627	10,024	-486	-152	569	9,690
Rest of ALADI	2,300	84	1,438	14,024	1,524	2,097	1,529	13,456
<u>Central America</u>	<u>12,468</u>	<u>5,390</u>	<u>3,944</u>	<u>79,072</u>	<u>9,296</u>	<u>5,346</u>	<u>7,865</u>	<u>83,022</u>
Central America Common Market	—	—	—	3,399	-2,603	9	26	787
Panama	12,468	5,390	3,944	75,673	11,899	5,337	7,839	82,235
<u>Caribbean</u>	<u>-90</u>	<u>4,017</u>	<u>2,456</u>	<u>20,715</u>	<u>7,416</u>	<u>367</u>	<u>344</u>	<u>27,764</u>
<u>Europe</u>	<u>33,928</u>	<u>17,886</u>	<u>4,071</u>	<u>87,340</u>	<u>93</u>	<u>-12,872</u>	<u>5,649</u>	<u>100,305</u>
European Common Market	33,312	-17,748	3,670	72,145	-3,171	-12,553	4,810	81,527
European Free Trade Association	616	20	120	8,596	222	-319	545	9,137
Other	—	118	281	6,599	3,042	—	286	9,641
<u>Other countries</u>	<u>1</u>	<u>30</u>	<u>225</u>	<u>524</u>	<u>1,131</u>	<u>-26</u>	<u>143</u>	<u>1,681</u>
<u>International organizations</u>	<u>—</u>	<u>244</u>	<u>368</u>	<u>4,900</u>	<u>-2,224</u>	<u>-4,498</u>	<u>-2,235</u>	<u>7,174</u>

Table 85. Colombia: External Private Debt Operations by
Country of Origin 1/ (Concluded)

(In thousands of U.S. dollars)

	Outstanding July 31, 1981
<u>Total</u>	<u>856,809</u>
<u>North America</u>	<u>475,382</u>
Canada	1,540
United States	473,842
<u>ALADI: Mexico and South America</u>	<u>42,335</u>
ANDEAN Group	9,467
Rest of ALADI	32,868
<u>Central America</u>	<u>125,633</u>
Central America Common Market	787
Panama	124,846
<u>Caribbean</u>	<u>27,042</u>
<u>Europe</u>	<u>161,596</u>
European Common Market	125,660
European Free Trade Association	11,326
Other	24,610
<u>Other countries</u>	<u>17,647</u>
<u>International organizations</u>	<u>7,174</u>

Source: Banco de la Republica.

1/ Includes external sector debt with public guarantee; minus sign transactions account for data adjustment.

2/ Loans registered with the Exchange Office of the Banco de la Republic.

Table 86. Colombia: Bilateral Payments Account Balances ^{1/}
(In millions of U.S. dollars)

End of Period	1977	1978	1979	1980	1981		
					March	June	Prel. Sept.
<u>Total balances</u>	<u>23.8</u>	<u>43.4</u>	<u>74.5</u>	<u>129.1</u>	<u>113.4</u>	<u>127.2</u>	<u>141.7</u>
<u>IMF members</u>	<u>16.6</u>	<u>5.2</u>	<u>35.7</u>	<u>39.1</u>	<u>40.5</u>	<u>39.4</u>	<u>38.2</u>
Romania	4.6	2.1	5.1	11.9	12.1	11.4	10.2
Spain ^{2/}	7.5	-13.8	5.9	--	--	--	--
Yugoslavia	4.5	16.9	24.7	27.2	28.4	28.0	28.0
<u>Prospective members</u>	<u>3.0</u>	<u>3.1</u>	<u>25.9</u>	<u>71.0</u>	<u>53.5</u>	<u>74.1</u>	<u>85.9</u>
Hungary	1.7	0.2	7.1	24.4	3.3	16.7	28.7
Poland	1.3	32.9	18.8	46.6	50.2	57.4	57.2
<u>Nonmembers</u>	<u>4.2</u>	<u>5.1</u>	<u>12.9</u>	<u>19.0</u>	<u>19.4</u>	<u>13.7</u>	<u>17.6</u>
Bulgaria	0.2	-0.2	-2.2	2.5	3.8	4.1	4.0
German Democratic Republic	4.0	5.2	15.1	16.4	15.6	9.6	13.6

Source: Banco de la Republica.

^{1/} Minus sign denotes credit balance in favor of partner country.

^{2/} Terminated in November 1979.

Table 87. Colombia: Multilateral Clearing Balances 1/
(In millions of U.S. dollars)

End of Period	1977	1978	1979	1980	1981		
					March	June	Prel. Sept.
<u>Total balances</u>	<u>-6.1</u>	<u>-47.8</u>	<u>-67.4</u>	<u>-52.2</u>	<u>-45.0</u>	<u>-33.7</u>	<u>-28.7</u>
<u>Dominican Republic</u>	<u>1.8</u>	<u>1.8</u>	<u>1.5</u>	<u>0.6</u>	<u>0.6</u>	<u>0.3</u>	<u>0.3</u>
<u>Spain</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>-18.8</u>	<u>-9.1</u>	<u>-7.2</u>	<u>-18.6</u>
<u>Other 2/</u>	<u>1.3</u>	<u>0.6</u>	<u>0.3</u>	<u>1.8</u>	<u>0.2</u>	<u>0.7</u>	<u>1.6</u>
<u>LAIA countries 3/</u>	<u>-9.2</u>	<u>-50.2</u>	<u>-69.2</u>	<u>-35.8</u>	<u>-36.7</u>	<u>-27.5</u>	<u>-12.0</u>
Argentina	4.6	-7.2	-5.4	2.7	8.7	5.3	10.3
Bolivia	-0.3	-1.8	-1.1	-1.7	-0.5	-0.8	-0.1
Brazil	-9.2	-15.3	-25.7	-5.7	-10.6	-13.8	-5.0
Chile	-8.1	-5.9	-7.7	-10.2	-9.5	-4.4	-3.0
Ecuador	7.3	1.9	1.2	-2.6	-3.1	3.0	0.7
Mexico	-8.7	-10.6	-12.7	-10.3	-9.7	-3.4	-3.8
Paraguay	--	-0.2	0.1	--	-1.3	0.1	--
Peru	1.1	-5.0	-4.5	2.1	2.4	1.6	0.4
Uruguay	-1.0	-0.3	-0.4	-0.6	-1.1	-0.4	--
Venezuela	3.4	-7.4	-13.0	-9.5	-12.0	-15.5	-11.5
Agreement of Santo Domingo 4/	1.7	1.6	--	--	--	--	--

Source: Banco de la Republica.

1/ Minus sign denotes credit balance in favor of partner country.

2/ Cuba, El Salvador, Costa Rica, Guatemala, Honduras, and Nicaragua.

3/ Formerly LAFTA.

4/ Mechanism for the extension of renewable short-term credit to members confronting payment difficulties.

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