

**FOR
AGENDA**

SM/10/62
Supplement 1

March 17, 2010

To: Members of the Executive Board

From: The Secretary

Subject: **Colombia—Staff Report for the 2010 Article IV Consultation—
Informational Annex**

The attached informational annex is being issued as a supplement to the staff report for the 2010 Article IV consultation with Colombia (SM/10/62, 3/17/10), which will be brought to the agenda for discussion on **a date to be announced**. Unless an objection from the authorities of Colombia is received prior to the conclusion of the Board's consideration, the document will be published. Any requests for modifications for publication must be received two days before the Board concludes its consideration.

Questions may be referred to Mr. Piñón (ext. 37400), Mr. Flores (ext. 35971), and Ms. Jaramillo (ext. 39946) in WHD.

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat on Thursday, March 25, 2010; and to the European Investment Bank and the Inter-American Development Bank, following its consideration by the Executive Board.

This document, together with a supplement providing an informational annex, will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities. The supplement, which is not being distributed in hard copy, will also be available in the Institutional Repository; a link can be found in the daily list (<http://www-int.imf.org/depts/sec/services/eb/dailydocumentsfull.htm>) for the issuance date shown above.

Att: (1)

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INTERNATIONAL MONETARY FUND

COLOMBIA

Staff Report for the 2010 Article IV Consultation—Informational Annex

Prepared by the Western Hemisphere Department

March 17, 2010

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ANNEX I. COLOMBIA: FUND RELATIONS

(As of February 28, 2010)

I. Membership Status: Joined: December 27, 1945; Article XIV

II. General Resources Account:	SDR Million	% Quota
Quota	774.00	100.00
Fund holdings of currency	515.33	66.58
Reserve Position	258.67	33.42
Holdings Exchange Rate		

III. SDR Department:	SDR Million	% Allocation
Net cumulative allocation	738.32	100.00
Holdings	755.48	102.32

IV. Outstanding Purchases and Loans: None

V. Latest Financial Arrangements:

<u>Type</u>	<u>Date of Arrangement</u>	<u>Expiration Date</u>	<u>Amount Approved (SDR Million)</u>	<u>Amount Drawn (SDR Million)</u>
FCL	May 11, 2009	May 10, 2010	6,966.00	0.00
Stand-By	May 02, 2005	Nov 02, 2006	405.00	0.00
Stand-By	Jan 15, 2003	May 02, 2005	1,548.00	0.00

VI. Projected Payments to Fund (in SDR Million)

	<u>2010</u>	<u>2011</u>	<u>Forthcoming</u> <u>2012</u>	<u>2013</u>	<u>2014</u>
Principal					
Charges/Interest	0.06	0.06	0.06	0.06	0.06
Total	0.06	0.06	0.06	0.06	0.06

VII. Implementation of HIPC Initiative: Not applicable.

VIII. Implementation of Multilateral Debt Relief Initiative (MDRI): Not applicable.

ANNEX II. COLOMBIA: WORLD BANK RELATIONS¹

The Current Country Partnership Strategy (CPS) was presented to the Board in April 2008 and consists of five pillars: (i) Sustained Equitable Growth; (ii) Poverty Alleviation and Equality of Opportunity; (iii) Environment and Natural Resource Management; (iv) Peace; and (v) a State at the Service of its Citizens. The Strategy is aligned with the priorities of the National Development Plan, and was designed to be flexible and innovative in responding to Colombia's financial and development needs. A CPS Progress Report will be presented to the Board on April 13, 2010.

The Bank's response to the global financial crisis was rapid and significant. The lending program proceeded faster than anticipated. Since April 2008, the Bank Board has approved loans to Colombia in the amount of US\$2.57 billion. Approximately 55 percent of the lending was in the form of development policy loans. Disbursements since the endorsement of the CPS have been around US\$2.1 billion, while the overall exposure to Colombia, following scheduled amortizations, has risen to approximately US\$6.6 billion. The response by the Bank to the crisis has led to an acceleration of disbursements in the last couple years, not only because of fast disbursing policy based loans, but also because a few investment operations had front loaded disbursements profile. As a result, IBRD lending to Colombia increased from US\$940 million in FY 08 to US\$1,275 in FY 09.

IBRD is currently Colombia's largest single creditor. The country's close engagement with the Bank has placed Colombia as the 7th largest portfolio in the Bank Group (measured by level of exposure) and the 3rd largest in the region, behind Mexico and Brazil. Colombia's IBRD portfolio consists of 17 operations under implementation with 23 active grants (US\$48 million).

Aside from financial support, the Bank is also providing an array of knowledge services to Colombia. The Bank's knowledge work is covering many issues, from labor markets, education, health policy, social protection, to poverty measurements, public debt and contingency liability management, and public sector reforms. Much of this work is being done in response to requests by the Government and also in conjunction with other partners. One important aspect of this work is its multi-year programmatic approach, where the Bank is actively engaged in a consistent manner over time, defining its work program in each area according to the needs of the country.

The IFC also responded to increasing demand and accelerated the level of its activities in the last two years. IFC's portfolio in Colombia has tripled in the last 4 years, from US\$387 million committed in FY 05 to over US\$900 million at the end of 2009. Growth has incorporated sector diversification from financial markets, increasing both amount and number of investments in Oil & Gas, General Manufacturing, Infrastructure, Sub-national

¹ Prepared by World Bank staff. Questions may be addressed to Mr. Lars Christian Moller, Senior Economist, at (202) 473-9027 or lmoller@worldbank.org.

Finance, Private Equity and Agribusiness. The Country is the 3rd largest country exposure in LAC and 7th in the world.

Recent Activities by Sector/Pillar²

The Banks' work under the *Sustained Equitable Growth* pillar has focused on competitiveness, financial sector development, and infrastructure. Several loans were extended in this area. The most important were DPLs that supported important policy reforms in the areas of business efficiency and competitiveness, along with the reforms in the financial sector. These policy based loans also served to cover the fiscal needs during the crisis and to preserve macroeconomic stability. This was accompanied by project lending in the area of infrastructure—one of the main impediments to higher economic growth.

Activities under the *Poverty Alleviation and Equality of Opportunity* also gained added significance with the onset of the crisis. A loan was extended to provide continuity in the financing of *Familias en Accion*, an important conditional cash transfer program that is now reaching essentially all of the families in the lowest quintile of the income distribution. One of the most important elements of the program was the continued work to help build an inclusive and efficient social protection system supported by a Social Sector DPL approved in February 2010, and by continuous financial and technical support.

The Bank has an important diverse and innovative program in Colombia to support the country in the area of *Environment and Natural Resource Management*. The recent activities range from loans to support policy reforms and implementation, to grants designed to pilot key protection and adaptation programs. This has been complemented by many investment projects in areas of flood protection, water treatment, disaster risk management, and climate change adaptation programs.

The Bank has also been playing an important role in supporting the country's efforts to achieve lasting *peace and inclusive development*. The Bank is actively supporting the joint efforts by the Government and the International Community with both lending and coordination services. Recently the Board approved an Additional Financing for the Peace and Development Project (complemented by parallel co-financing from the European Union and other partners).

The Bank's work has expanded considerably its support for *efficient and effective Government*. Recent initiatives have ranged from strengthening the public management information systems, to integrating the tax and customs administration processes, implementing a system of monitoring and evaluation of government programs, expanding the assistance to sub-national governments, and assisting with the modernization of the judiciary.

² For full details about the Bank's engagement in Colombia, please refer to the Country Partnership Strategy Progress Report, 2010.

Operations Portfolio (IBRD/IDA and Grants)

As of February 22, 2010
(In millions of U.S. dollars)

Closed Projects	183
Active Projects	17

IBRD/IDA*

Total Disbursed (Active)	1,240.43
of which has been repaid	170
Total Disbursed (Closed)	15,703.09
of which has been repaid	9,713.18
Total Disbursed (Active + Closed)	16,943.52
of which has been repaid	10.380
Total Undisbursed (Active)	1,278.3
Total Undisbursed (Closed)	0.00
Total Undisbursed (Active + Closed)	1,278.3

Loan Information (IBRD)

As of December 31, 2009
(In millions of U.S. dollars)

Fiscal Year*	2004	2005	2006	2007	2008	2009
Total disbursements	491	567	692	830	638	1,240
Repayment amount	205	254	223	278	381	170
Net disbursements	286	313	469	477	257	1,070

*Fiscal Year: July 1–June 30.

International Finance Cooperation (IFC) Portfolio

Debt (\$m)	Equity (\$m)	Quasi Equity (\$m)	Total (\$m)	Guarantee
457	250	155 (Loan+Equity)	880	18
Investment Business -- Top sectors and Clients			TA Business -- Top sectors	
Sector 1	Oil & Gas: Petrocol		Sector 1	Oil & Gas
Sector 2	Finance & Insurance: Davivienda-Protección		Sector 2	SME
Sector 3	Pulp & Paper: Carvajal S.A.			
Sector 4	Wholesale & Retail Trade: Sodimac Colombia			
Sector 5	Agriculture & Forestry: Procafecol			
Top client	DAVIVIENDA			

ANNEX III. COLOMBIA: STATISTICAL ISSUES

Data provision is adequate for surveillance. Colombia subscribes to the Special Data Dissemination Standard (SDDS) and metadata are posted on the Fund's Dissemination Standards Bulletin Board (DSBB). A data ROSC was published in October 2006.

Real sector

The National Department of Statistics (DANE) is responsible for the compilation of the national accounts, although the Banco de la República (BdR) compiles the financial accounts. Estimates of GDP by the production and the expenditure approaches both use 2000 as their base year. GDP compilation conforms to the methodological recommendations of the System of National Accounts 1993 (*1993 SNA*). The revision of the national accounts' base year (announced in December 2006) resulted in step increases in nominal GDP levels of about 12 percent with respect to the prior official estimates. Most of the revisions reflected improvements in source data, although methodological improvements regarding GDP calculations/estimates also affected nominal GDP levels.

Government finance statistics

The Ministry of Finance and Public Credit (MFPC) is responsible for the compilation of public revenue, expenditure, and financing data. While significant progress has been made, there is still a need to improve the timeliness and coverage of fiscal data, develop timely and reliable data on the finances of local governments, and improve monitoring of floating debts. Data cover the nonfinancial public sector (NFPS), but coverage of "above-the-line" operations of units outside the national administration is not exhaustive due to capacity constraints.

The General Accounting Office (GAO) has developed a single accounting database for the public sector. The GAO accounting classification is bridged to the *GFSM 2001* framework to compile GFS on accrual and cash bases. The information is sent to the Statistics Department of the IMF for publication in the *Government Finance Statistics Yearbook (GFS Yearbook)*.

Monthly data have been reported for publication in *IFS* and annual data for subsectors of general government on accrual and cash bases have been reported for publication in the *2007 GFS Yearbook*, with data up to 2006. Data for the consolidated general government have not been published yet because of shortcomings in the consolidation process.

Financial sector statistics

The BdR is in charge of compiling data on the financial sector, while the Superintendency of Banks and the Superintendency of Securities compile data in their respective areas. Fund technical assistance missions have placed special emphasis on issues supportive of data quality, including interagency cooperation and procedures to ensure data consistency. The

introduction of a new call report form in March 2005 significantly improved the quality of monetary statistics. In mid-2007, the authorities migrated to the new standardized forms for reporting to STA monetary data for the central bank (form 1SR) and other depository corporations (form 2SR). They recently finalized the migration to the standardized forms for other financial corporations (form 4SR).

Balance of payments and external debt

The BdR is in charge of compiling and disseminating balance of payments statistics. Quarterly data have been produced since 1994, and the BdR adopted the *BPM5* standard in 1998. Balance of payment statistics have been extended to cover transactions in the free trade zones. Improved surveys, particularly in the service sector, have enhanced coverage and consistency and financial account data are now based on actual disbursement rather than registers.

The 2005 data ROSC mission recommended that the BdR, in consultation with the DANE, develop a methodology to include unrecorded trade in the balance of payments on a timely basis. The BdR should reclassify FDI intercompany debt transactions from “other investment” to FDI and some FDI equity transactions to portfolio equity, and adjust the related investment income series accordingly. Also, it should continue efforts to identify government bonds issued abroad and purchased by residents as well as those purchased by residents on the secondary market.

The BdR also compiles and disseminates data on International Investment Position statistics, External Debt statistics, and the Data Template on International Reserves and Foreign Currency Liquidity.

Colombia: Table of Common Indicators Required for Surveillance
As of March 09, 2010

	Date of latest observation	Date received	Frequency of Data ¹	Frequency of Reporting ¹	Frequency of publication ¹	Memo Items:	
						Data Quality – Methodological soundness ⁸	Data Quality – Accuracy and reliability ⁹
Exchange Rates	Mar 8, 2010	Mar 09, 2010	D	W	D		
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ²	Jan. 2010	Feb 15, 2010	M	M	M		
Reserve/Base Money	Jan. 2010	Feb 15, 2010	D	W	W	LO, O, LO, LO	O, O, O, O, O
Broad Money	Dec. 2009	Feb 15, 2010	D	W	W		
Central Bank Balance Sheet	Jan. 2009	Feb 15, 2010	M	M	M		
Consolidated Balance Sheet of the Banking System	Dec. 2009	Feb 15, 2010	M	M	M		
Interest Rates ³	Feb. 2010	Feb 19, 2010	D	W	D		
Consumer Price Index	Feb. 2010	Mar 5, 2010	M	M	M		
Revenue, Expenditure, Balance and Financing Composition ⁴ – General Government (GG) ⁵	Q2 2009	Feb.. 2010	Q	Q	Q	O, O, LO, O	LO, O, O, O, NO
Revenue, Expenditure, Balance and Composition of Financing ⁴ – Central Government	Nov 2009	Feb. 2010	M	M	M		
Stocks of Central Government and Central Government-Guaranteed Debt ⁶	Q3 2009	Jan. 2010	Q	Q	Q		
External Current Account Balance	Q3 2009	Dec 26, 2009	Q	Q	Q	O, LO, LO, LO	O, O, O, O, LO
Exports and Imports of Goods and Services	Q3 2009	Dec 26, 2009	Q	Q	Q		
GDP/GNP	Q3 2009	Dec 21, 2009	Q	Q	Q	O, LO, O, O	LO, O, LO, LO, NO
Gross External Debt	Sep. 2009	Jan. 2010	M	M	M		
International Investment Position ⁷	Q3 2009	Dec. 2010	Q	Q	Q		

¹ Daily (D); Weekly (W); Monthly (M); Bi-monthly (B); Quarterly (Q); Annually (A); Irregular (I); Not Available (NA).

² Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

³ Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

⁴ Foreign, domestic bank, and domestic nonbank financing.

⁵ The GG consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁶ Including currency and maturity composition.

⁷ Includes external gross financial asset and liability positions vis-à-vis nonresidents.

⁸ Reflects the assessment provided in the data ROSC published in October 2006 for the dataset corresponding to the variable in each row. The assessment indicates whether international standards concerning concepts and definitions, scope, classification/sectorization, and basis for recording are fully observed (O); largely observed (LO); largely not observed (LNO); not observed (NO); and not available (NA).⁹ Same as footnote 8, except referring to international standards concerning (respectively) source data, assessment of source data, statistical techniques, assessment and validation of intermediate data and statistical outputs, and revision studies.

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