



COLOMBIA

TECHNICAL ASSISTANCE REPORT—REPORT ON THE SECTORAL FINANCIAL ACCOUNTS AND BALANCE SHEETS TECHNICAL ASSISTANCE MISSION

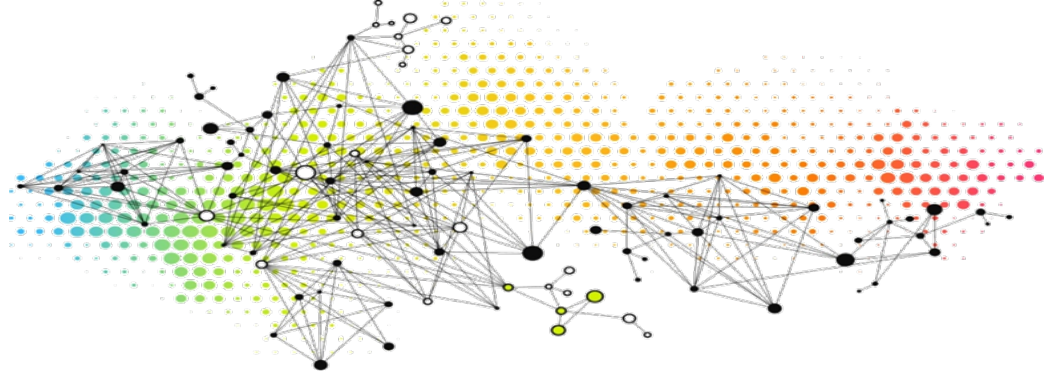
November

This Technical Assistance report on Colombia was prepared by a staff team of the International Monetary Fund. It is based on the information available at the time it was completed on August 2018.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: <http://www.imf.org>
Price: \$18.00 per printed copy

International Monetary Fund
Washington, D.C.



COLOMBIA

AUGUST
2018

REPORT ON THE SECTORAL FINANCIAL ACCOUNTS AND BALANCE SHEETS MISSION (APRIL 4–6, 2018)

Prepared by Patrick O'Hagan

The contents of this report constitute technical advice provided by the staff of the International Monetary Fund (IMF) to the authorities of Colombia (the "TA recipient") in response to their request for technical assistance. This report (in whole or in part) or summaries thereof may be disclosed by the IMF to IMF Executive Directors and members of their staff, as well as to other agencies or instrumentalities of the TA recipient, and upon their request, to World Bank staff, and other technical assistance providers and donors with legitimate interest, unless the TA recipient specifically objects to such disclosure (see [Operational Guidelines for the Dissemination of Technical Assistance Information](#)). Publication or Disclosure of this report (in whole or in part) or summaries thereof to parties outside the IMF other than agencies or instrumentalities of the TA recipient, World Bank staff, other technical assistance providers and donors with legitimate interest shall require the explicit consent of the TA recipient and the IMF's Statistics Department.

CONTENTS

Glossary	3
SUMMARY OF MISSION OUTCOMES AND PRIORITY RECOMMENDATIONS	4
REVIEW OF ANNUAL FABS SECTOR ACCOUNTS ESTIMATES AND METHODOLOGY	6
A. Processes and Estimates	6
B. Balancing the Accounts	6
C. Illegal/Informal Economies	7
DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS	7
A. Review of Methodology, Estimates, and Balancing Issues	8
B. Project Time Frame	8
C. Human Resources	8
D. Officials Met During the Mission	9
TABLE	
1. Priority Recommendations	5

Glossary

BRC	Bank of the Republic of Colombia
DANE	National Administrative Department of Statistics
FABS	Financial Accounts and Balance Sheets
SECO	Switzerland State Secretariat for Economic Affairs
<i>2008 SNA</i>	<i>System of National Accounts 2008</i>
TA	Technical assistance

SUMMARY OF MISSION OUTCOMES AND PRIORITY RECOMMENDATIONS

- 1. A technical assistance (TA) mission was conducted during April 4–6, 2018 to support the Bank of the Republic of Colombia (BRC) to further develop the capacity to compile sectoral financial accounts and balance sheets statistics**, in coordination with data supplying agencies and the Switzerland State Secretariat for Economic Affairs (SECO) project, funded by the Government of Switzerland. This mission took place in advance of the IMF-SECO Workshop on *Policy Uses of Sectoral Accounts* for Colombia and Peru, which was hosted by the BRC.
- 2. Colombia is working towards compiling quarterly sectoral accounts and balance sheets to support domestic policymaking by gaining a much deeper understanding of the interrelationship between the real sector accounts and the financial accounts**, and the vulnerabilities that may reside in specific sectors as sources for spillovers to other sectors. Sectoral accounts and balance sheets are critical to help detect systemic risks, vulnerabilities, and possible contagion from economic shocks. The authorities continued to acknowledge the additional benefit from work in this area as it moves towards subscription to the IMF's Special Data Dissemination Standard *Plus* and continued accession negotiations with the Organization for Economic Co-operation and Development. The priority is first on establishing timely annual integrated estimates between the National Administrative Department of Statistics (DANE) and the BRC, followed by quarterly estimates.
- 3. A second feature of compiling these statistics is that they foster and enhance cooperation among data-producing agencies** by bringing together data from all parts of the economy, requiring the integration of real, financial, fiscal, and external sector statistics.
- 4. Considerable progress has been made at the BRC regarding annual estimates and preliminary quarterly estimates of sectoral financial accounts and balance sheets (FABS)**, as well as data processes including efforts to improve timeliness. The sequence of FABS was reviewed in detail, with an emphasis on balancing, valuation, instrument and sub-category details, and methodology development. In addition, the frequency of each data source was reviewed as a means of setting the stage for the next phase of the project, i.e., generating estimates of quarterly sector accounts in conjunction with DANE. In Colombia, sector accounts' timeliness and increased frequency constitute a major data development project.
- 5. Both DANE and BRC committed to having quarterly estimates ready in 2019.** DANE's progress on sector accounts has been delayed due to a significant updating and re-basing of national accounts that began mid-way through 2017. Progress has now resumed and DANE is to transmit revised annual sectoral accounts for review by the short-term expert in

July 2018. This will lead to a joint mission to DANE and BRC to review the first integrated quarterly estimates sometime in the last quarter of 2018, depending on progress.

6. To support progress towards the above objectives, the mission recommended the following priority recommendations to make headway in improving Colombia’s sectoral accounts and balance sheet statistics:

Table 1. Priority Recommendations

Target Date	Priority Recommendation	Responsible Institutions
May–August 2018	<i>Finalize the annual estimates at DANE and at BRC, based on the advice provided at the time of and subsequent to the mission.</i>	DANE-BRC
October–December 2018	<i>Update draft documentation on sources and methods.</i>	DANE-BRC
October–December 2018	<i>Develop initial estimates of integrated quarterly sector accounts.</i>	DANE-BRC

7. Further details on the priority recommendations and the related actions/milestones can be found in the action plan under *Detailed Technical Assessment and Recommendations*.

8. The Colombian authorities benefitted from the IMF-SECO sector accounts’ outreach workshop on “Policy Uses of Sectoral Accounts” that was held at the BRC after the mission. The workshop provided an opportunity for policymakers and compilers from Colombia and Peru to discuss the policy uses and the practical applications of sectoral accounts. It was designed for compilers as well as economists engaged in policy and analytical work. Colombia attended with participants from DANE, BRC, and the policy-making agencies. The program included IMF presentations, country presentations, discussions, and interactive sessions, and participants contributed to discussions throughout the workshop and made presentations on different issues.

9. The IMF thanks the BRC for its generosity in hosting the workshop. The excellent planning and logistical support for the workshop created a conducive atmosphere for fruitful discussions.

REVIEW OF ANNUAL FABS SECTOR ACCOUNTS ESTIMATES AND METHODOLOGY

A. Processes and Estimates

10. The mission reviewed all of the updated sector FABS annual and preliminary quarterly estimates arising from more timely methodology. Estimates were thoroughly discussed, including data sources as well as specific challenges faced by compilers. This was a semi-final review of annual estimates of FABS, with a final review tentatively scheduled as part of the initial review of DANE-BRC integrated quarterly sector accounts estimates (with additional years) at the time of the next mission tentatively scheduled for late 2018. At this point, the generation of sector accounts estimates will switch to quarterly frequency.

11. The valuation of equity and treatment of corporate net worth was also reviewed. It was decided for the moment to value only listed companies at market value, given the low propensity of list in Colombia. Large unlisted companies will be reviewed for potential adjustment to market value following the methodology of the *System of National Accounts 2008 (2008 SNA)*.

Recommended Action:

- Agreed upon methodological changes to be applied and included in the revised nonfinancial and financial sector annual accounts estimates to be reviewed at the time of the next mission, which will involve closing the annual accounts and assessing the first integrated quarterly estimates.

B. Balancing the Accounts

12. Estimates were reviewed by institutional sector and then by category, in order to encourage discussions and assess approaches for the balancing issues of each of these accounts. Within this process, the challenges by institutional sector were reviewed in detail, with the emphasis on stock-flow balancing and to a lesser extent vertical balancing issues (without access to final estimates from DANE). Estimates were also discussed from the category/instrument perspective, with emphasis on horizontal balancing issues. The BRC is developing from-whom-to-whom instrument details for the relevant instruments. A comprehensive vertical balancing review of sectoral accounts will take place at the time of the next mission.

Recommended Action:

- An integrated DANE-BRC schedule be produced to facilitate data confrontation and vertical balancing of the nonfinancial and financial accounts.

C. Illegal/Informal Economies

13. There was also a very brief discussion and email follow-up on the integration of the informal/illegal economy, which constitute important elements in the economy of Colombia. DANE unofficially confirmed that it plans to retain its approach of housing its estimates for illegal / informal activities in an “enclave,” – that is, outside of the sectoral accounts and based on a prior recommendation of an outside consultant. This is a different approach as formerly recommended, and will likely result in some sectoral balancing issues. For example, some spending is financed from these activities, and these activities are already reflected to some extent in the financial systems statistics.

Recommended Action:

- None, although this issue will be raised again at the time of the next mission, as it presents a not insignificant national accounts’ data gap and potential sector accounts balancing issue.

DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS

Priority	Action/Milestone	Target Completion Date
H	Finalize estimates of timely annual sector accounts estimates, with coordinated scheduling and balancing between DANE and BRC.	September 2018
	Prepare for and generate initial quarterly estimates of sector accounts, with coordinated scheduling and balancing between DANE and BRC.	October–December 2018
M	Begin to frame a detailed quarterly integrated DANE-BRC production schedule, to be in place at close of project.	December 2018
	Review the treatment of illegal / informal economies in the Colombian national and sector accounts.	March 2019

Priority	Action/Milestone	Target Completion Date
L	Prepare an updated draft of methodology, over the coming months, including the particulars of the quarterly methodology.	March 2019
	Evaluate the need for additional staff members, resulting from the increased burden of producing sector accounts at a quarterly level of frequency.	March 2019

A. Review of Methodology, Estimates, and Balancing Issues

14. The updated annual estimates and preliminary quarterly estimates that were reviewed at the time of this mission were both comprehensive and detailed. It is the view of the short-term expert that considerable progress has been made at the BRC on FABS. This result bodes well with the objectives and timelines of the project. The methodology and estimates were deemed adequate with required improvements (methodology) noted.

B. Project Time Frame

15. An informal DANE-BRC plan was developed for the remainder of 2018, more or less in line with the original project plan. This included finalizing annual estimates in June of 2018; and initiating work on quarterly estimates, with a target completion date for the initial estimates of October–December 2018. This will leave sufficient time to address any remaining balancing issues or data gaps/challenges, before mission close in November of 2019. DANE-BRC have tentatively planned release of integrated quarterly sectoral accounts for mid-2019. That timetable will depend on progress in the coming months.

16. In addition, it was recommended that draft quarterly sources and methods documentation be developed for March of 2019. This will be useful to sustain quarterly production and retain knowledge, and will form the basis for metadata to accompany the releases when the sector accounts are disseminated.

C. Human Resources

17. There was a previous recommendation and a corresponding agreement (noted in the previous mission report) to assess and, if required, add to sector accounts staff. At the time, this was more of an issue at the BRC. DANE has since reorganized its national accounts, and the potential impact on the sector accounts of these changes is not yet clear. Capacity will be further assessed at the time of the next mission, as ongoing, timely, quarterly sectoral accounts constitute a significant addition to the suite of quarterly releases.

D. Officials Met During the Mission

Name	Institution	E-mail Address
Julio Carlos Barrios Varela	BRC – Director of the Technical and Economic Information Department Economic Studies Division	Cvarelba@banrep.gov.co
Oscar Hernan Bautivia Montero	BRC – Head of Financial Accounts	obautiva@banrep.gov.co
David Carlos Dueñas Ardila	BRC – Financial Accounts' Staff	cardildu@banrep.gov.co
David Carlos Bustos Murcia	BRC – Financial Accounts' Staff	cmurcibu@banrep.gov.co
Gabiella, Araminta Perilla Garzón	BRC – Financial Accounts' Staff	ggarzope@banrep.gov.co
Ferneý Rodriguez Niño	BRC – Financial Accounts' Staff	fninorod@banrep.gov.co
Adriana Lisseth Garzón Yaya	BRC – Financial Accounts' Staff	lyayagar@banrep.gov.co
Katty Jeanette Davila Amaya	DANE – National Accounts' Staff	kjdavilaa@dane.gov.co