

This metadata describes the compilation practices, sources and methodology in use in 2003. Please refer to the contact person below for details of any changes that may have been introduced by the country since that time.

## **Colombia:**

### **Direct Investment Compilation Practices, Data Sources and Methodology**

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#### **Direct Investment in Colombia**

- **Balance of Payments (“Transactions Data”)**
- **International Investment Position (“Position Data”)**

#### **Direct Investment Abroad**

- **Balance of Payments (“Transactions Data”)**
- **International Investment Position (“Position Data”)**

**DIRECT INVESTMENT IN COLOMBIA**  
**BALANCE OF PAYMENTS (“INWARD TRANSACTIONS”) DATA**

**A. Compilation Practices and Data Sources**

**Data Availability**

Separately identifiable quarterly data are compiled by the Banco de la Republica (BR) within the balance of payments framework on (a) two of the three components of direct investment income: (i) income on equity (dividends and distributed branch profits), and (ii) reinvested earnings, and (b) one of the two components of direct investment financial flows, namely, equity capital. These data are disseminated with a timeliness of 3 months after the end of the reference period in the case of the most timely data, and 9 months after the end of the reference period in the case of the most comprehensive data, on the following BR website <http://www.banrep.gov.co/economia/bsecexte4.htm>. The data are also reported to the IMF for publication. Data on (i) the third component of direct investment income, income on debt (interest), and (ii) the second component of direct investment financial flows, other capital, are not compiled.

**Revision Practices**

The data are preliminary when first released. The data for the previous 4 quarters are revised each quarter to take account of improved coverage in the source data and are disseminated quarterly together with the preliminary data for the latest quarter. At this time the data are considered to be final, that is, 12 months after their first release.

The revised status of the data is clearly identified in the disseminated data in the case of major revisions only. Although the general public are not informed of the reasons for revisions, this information is provided on request. The historical data are revised back to 2000 in instances of major changes in methodology or data collection systems.

There are no differences in the revision practices between the data disseminated in the national publications and those reported to the IMF for publication.

**Data Coverage**

No major sectors of the economy or elements within those economic sectors are excluded from the data.

There are no differences in the sectoral coverage between the data disseminated in the national publications and those reported to the IMF for publication.

**Data Collection Method**

The data are collected using a mixture of an individual transactions basis (an international transactions recording system [ITRS] etc) and an aggregate basis (enterprise surveys). The reporting requirements are compulsory, except for voluntary surveys of hydrocarbon enterprises conducted to identify capital contributions through the provision of services.

**Data Sources**

The data for all components of the most timely data are compiled primarily from an international transactions reporting system (ITRS), which covers (i) cash transactions made through the domestic banking system, and (ii) cash transactions made through the foreign bank accounts of enterprises, but not noncash transactions. Information from exchange control authorities is used as a secondary data source for all components, and the company accounts of resident enterprises are used as a secondary data source for the data on other capital. Quarterly surveys of resident enterprises are used as an additional data source for all components). Information from debt registers is used as an additional data source, and information from (i) Customs administrative records, and (ii) press reports are used as additional data sources for the data on dividends.

The data sources for the most comprehensive data are similar to those used for the most timely data, but the coverage is broader. In addition, the annual company accounts of resident enterprises are used as a secondary data source for the data on dividends and distributed branch profits, and on reinvested earnings.

There are no differences in the data sources between the data disseminated in the national publications and those reported to the IMF for publication.

Administrative records (effectively a “business register”) of enterprises involved in direct investment is used to compile the inward direct investment transactions data. The administrative records are maintained by the BR and is updated on an ongoing basis using information from (i) the ITRS’s list of transactors, and (ii) administrative records maintained by the Superintendent of Banks, the Superintendent of Securities, and the Superintendent of Corporations. The same administrative records are used to compile the inward direct investment transactions and position data, and the outward direct investment transactions and position data.

### **Geographic Classification**

Annual data showing breakdowns by country for the direct investment financial flows data are compiled by the BR and disseminated once a year with a timeliness of 3 months after the end of the reference period for the most timely data, and a timeliness of 6 months after the end of the reference period for the most comprehensive data, on the following BR website <http://www.banrep.gov.co/economia/bsecexte4.htm>. The data cover 75 countries and bilateral data are not used in the compilation of the data. Data showing breakdowns by country for the direct investment income data are not compiled.

The debtor/creditor principle is used as the basis for the geographic allocation of the data. The five countries with the largest amount of direct investment financial flows into Colombia during 2003 (ranked in descending order) were: the United States, Spain, France, the British Virgin Islands, and Panama.

In addition to the data showing country breakdowns, annual data are compiled by the BR showing breakdowns of the direct investment financial flows for the following regions/economic zones: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) the ASEAN countries, and (vii) the OPEC countries. These data are disseminated on the BR website cited above with a timeliness of 3 months after the end of the reference period. Data showing breakdowns by regions/economic zones for the direct investment income data are not compiled.

There are no differences in the data coverage, sources, etc. between the inward transactions data showing geographic breakdowns disseminated in the national publications and the aggregate inward data on direct investment financial flows reported to the IMF for publication.

### **Industrial Classification**

Quarterly data showing breakdowns by industrial activity for the direct investment income and the direct investment financial flows are compiled quarterly by the BR with a timeliness of 3 months after the end of the reference period in the case of the most timely data, and 9 months after the end of the reference period in the case of the most comprehensive data. The breakdowns for both the most timely data and the most comprehensive data for direct investment financial flows and the most comprehensive data for the direct investment income are disseminated on the following BR website <http://www.banrep.gov.co/economia/bsecexte4.htm>. The breakdowns for the most timely direct investment income data are not disseminated, but are available on request. The data show a breakdown for 10 industrial activities. The classification used broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC).

Both the data on direct investment income and direct investment financial flows are classified on the basis of the industrial activity of the resident direct investment enterprises. The five industrial activities with the largest amount of direct investment income from investment in Colombia during 2003 (in descending order) were: (i) manufacturing, (ii) financial intermediation, (iii) commerce, (iv) mining and the mineral extraction, and (v) energy, gas, and water. The five industrial activities with the largest amount of direct investment financial flows into Colombia during 2003 (in descending order) were: (i) mining and mineral extraction, (ii) manufacturing, (iii) financial intermediation, (iv) commerce, and (v) communications.

Data showing breakdowns by (i) industrial activity and main partner country, and (ii) industrial activity and region/economic zone, are not compiled.

There are no differences in the data coverage, sources, etc. between the inward transactions data showing industrial activity breakdowns disseminated in the national publications and the aggregate inward data on direct investment income and direct investment financial flows reported to the IMF for publication.

## **B. Methodology**

### **Definition of Direct Investment Enterprises in Colombia**

In accordance with the international standards, the basic criterion for defining direct investment enterprises in Colombia is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management—that is, enterprises in which the nonresident direct investor owns 10 percent or more but does not have an effective voice in management are included, while enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. Contrary to the international standards, the 10 percent ownership is calculated by combining the holdings of all nonresident investors in a specific enterprise or from a specific country, rather than being based on the ownership of each individual nonresident investor or group of related nonresident investors. No value threshold is used to identify resident direct investment enterprises. The definition covers only incorporated enterprises as the law does not permit the establishment of unincorporated direct investment enterprises in Colombia.

### **Treatment of Indirectly Owned Direct Investment Enterprises**

The “Fully Consolidated System” (FCS) recommended in the international standards is not applied. Specifically, (i) the direct investment earnings data do not include the relevant share of all indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data do not include all equity and other capital transactions made directly between resident enterprises of a related group as defined in the FCS and nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other.

Enterprises in Colombia are required by law to produce consolidated accounts covering their domestic subsidiaries and associate companies, but are not required by law to (i) produce consolidated accounts covering their foreign subsidiaries and associate companies, or (ii) identify all transactions with the parent company.

### **Measurement of Direct Investment Earnings**

In accordance with the international standards, the “Current Operating Performance Concept” (COPC) is fully used to calculate direct investment earnings. Specifically, (i) deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes, (ii) realized and unrealized capital gains and losses, write-offs, and realized and unrealized exchange rate gains and losses are excluded, (iii) interest receivable/payable is included, and (iv) debt repayments receivable/payable are excluded.

### **Treatment of Income on Equity (Dividends and Distributed Branch Profits)**

The data on dividends and distributed branch profits cover incorporated enterprises, but not unincorporated enterprises. (The law does not permit the establishment of unincorporated direct investment enterprises in Colombia.) In accordance with the international standards, (i) dividends and distributed branch profits are recorded gross of any withholding taxes, (ii) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, most dividends and distributed branch profits for incorporated enterprises are recorded on the date they are payable (due for payment), and the remainder are recorded on the date they are paid, rather than the date they are declared payable in all instances.

### **Treatment of Reinvested Earnings and Undistributed Branch Profits**

The data on reinvested earnings and undistributed branch profits cover incorporated enterprises, but not unincorporated enterprises. (The law does not permit the establishment of unincorporated direct investment enterprises in Colombia.) In accordance with the international standards, (i) the reinvested earnings and undistributed branch profits are recorded in the period in which they are earned, (ii) the data include reinvested earnings and undistributed branch profits between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks, and (iv) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings.

### **Treatment of Income on Debt (Interest)**

Not applicable. Data on income on debt (interest) are not compiled.

### **Treatment of Equity Capital**

The equity capital transactions data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) other non-voting stocks (shares), and (iv) noncash acquisitions of equity, such as through the provision of capital equipment. The data do not cover participating preference [preferred] shares. In accordance with the international standards, (i) the data include equity transactions between affiliated banks and between affiliated financial intermediaries, (ii) the data include equity transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks.

### **Treatment of Other Capital**

Not applicable. Data on other capital are not compiled. However, there are plans to begin to do so in the future.

In instances when a loan/debt guarantee provided by a direct investor or related direct investment enterprise is invoked following default by a direct investment enterprise, the periodic payments of principal and interest are treated as a direct investment equity injection by the guarantor and recorded under "Direct Investment in Colombia: Equity Capital: Increase in Liabilities to Direct investors" at the time the periodic payments are made.

### **Treatment of Reverse Investment**

Transactions involving reverse investment are not treated in accordance with the international standards in all instances.

Assuming that the direct investment enterprise is a resident of Colombia and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, in accordance with the international standards, equity transactions are recorded as "Direct Investment Abroad: Equity Capital: Increase in Claims on Affiliated Enterprises".

Assuming that the direct investment enterprise is a resident of Colombia and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity transactions are recorded as "Direct Investment Abroad: Equity Capital: Increase in Claims on Affiliated Enterprises", rather than as "Direct Investment in Colombia: Equity Capital: Increase in Claims on Direct Investors".

Data on other capital, which include loan transactions, are not compiled.

#### **Treatment of Quasi-corporations**

In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation in Colombia by nonresidents of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs.

#### **Treatment of Offshore Enterprises**

In accordance with the international standards, activities of offshore enterprises established in Colombia by nonresidents are included in the direct investment data.

#### **Treatment of Special Purpose Entities (SPEs)**

Not applicable. There are no SPEs established in Colombia by nonresidents at present.

#### **Treatment of Land and Buildings**

In accordance with the international standards, the equity capital data include purchases and sales of land and buildings in Colombia by nonresident enterprises and nonresident individuals. The purchase of land and buildings in Colombia on long-term leases by nonresident enterprises and nonresident individuals is not permitted.

#### **Treatment of Natural Resources Exploration**

In accordance with the international standards, (i) expenditure related to natural resources exploration in Colombia by nonresidents is included in the equity capital data, and (ii) expenditure on bonus payments made by nonresidents to the host country for the right to undertake exploration for natural resources is included in the equity capital data when there is a clear intention to establish a direct investment enterprise. Instances of the shutdown of a direct investment enterprise established in Colombia by nonresidents for natural resource exploration have not occurred to date.

#### **Exchange Rate Conversion**

Most transactions are converted to the unit of account at the exchange rate prevailing on the day of the transaction. However, some transactions are converted at the average exchange rate for the period.

## DIRECT INVESTMENT IN COLOMBIA

### INTERNATIONAL INVESTMENT POSITION LIABILITIES (“INWARD POSITION DATA”)

#### A. Compilation Practices and Data Sources

##### Data Availability

Separately identifiable semi-annual data are compiled by the Banco de la Republica (BR) within the international investment position (IIP) framework on equity capital and reinvested earnings. These data are disseminated with a timeliness of 6 months after the end of the reference period in the case of the most timely data, and 12 months after the end of the reference period in the case of the most comprehensive data, on the following BR website <http://www.banrep.gov.co/economia/bsecexte4.htm>. The data are also reported to the IMF for publication. Data on other capital are not compiled.

##### Revision Practices

The data are preliminary when first released. The most timely data for the previous 3 semi-annual periods are revised every six months to take account of improved coverage in the source data and are disseminated semi-annually together with the preliminary data for the latest semi-annual period. The most comprehensive data for the previous 2 semi-annual periods are revised every six months to take account of improved coverage in the source data and are disseminated semi-annually together with the preliminary data for the latest semi-annual period. At this time the data are considered to be final, that is, 18 months after their first release in the case of the most timely data, and 12 months after their first release in the case of the most comprehensive data.

The revised status of the data is clearly identified in the disseminated data in the case of major revisions only. Although the general public are not informed of the reasons for revisions, this information is provided on request. The historical data are revised back to 2000 in instances of major changes in methodology or data collection systems.

There are no differences in the revision practices between the data disseminated in the national publications and those reported to the IMF for publication.

##### Data Coverage

No major sectors of the economy or elements within those economic sectors are excluded from the data.

There are no differences in the sectoral coverage between the data disseminated in the national publications and those reported to the IMF for publication.

##### Data Collection Method

The data are collected using a mixture of an individual transactions basis (an international transactions recording system [ITRS] etc) and an aggregate basis (enterprise surveys). The reporting requirements are compulsory.

##### Data Sources

The data for all components of the most timely data are compiled primarily from an international transactions reporting system (ITRS), which covers (i) cash transactions made through the domestic banking system, and (ii) cash transactions made through the foreign bank accounts of enterprises, but not noncash transactions. Secondary data sources used for all components are (i) quarterly surveys of resident enterprises, (ii) information from exchange control authorities, and (iii) a debt register. Information from press reports is used as an additional data source.

The data sources for the most comprehensive data are similar to those used for the most timely data. In addition, the company accounts of resident enterprises are used as the primary data source for the data on reinvested earnings, and press reports are used as a secondary data source.

The perpetual inventory method (a method for deriving position data from transactions data) is used to compile both the most timely and the most comprehensive data. Adjustments are made for price changes, exchange rate changes, and other nontransaction changes.

There are plans to require resident enterprises to report to the Central Bank details of their balance sheets and domestic and foreign equity holdings, starting in 2004.

There are no differences in the data sources between the data disseminated in the national publications and those reported to the IMF for publication.

Administrative records (effectively a “business register”) of enterprises involved in direct investment is used to compile the inward direct investment position data. The administrative records are maintained by the BR and is updated on an ongoing basis using information from (i) the ITRS’s list of transactors, and (ii) administrative records maintained by the Superintendent of Banks, the Superintendent of Securities, and the Superintendent of Corporations. The same administrative records are used to compile the inward direct investment transactions and position data, and the outward direct investment transactions and position data.

### **Geographic Classification**

Not applicable. Data showing geographic breakdowns are not compiled for the inward position data.

### **Industrial Classification**

Semi-annual data showing breakdowns by industrial activity for the inward direct investment position data are compiled quarterly by the BR with a timeliness of 6 months after the end of the reference period and are disseminated on the following BR website <http://www.banrep.gov.co/economia/bsecexte4.htm>. The data show a breakdown for 10 industrial activities. The classification used broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC).

The data are classified on the basis of the industrial activity of the resident direct investment enterprises. The five industrial activities with the largest amount of direct investment in Colombia as at the end of 2002 (in descending order) were: (i) industry, (ii) mining and mineral extraction, (iii) financial intermediation, (iv) electricity, gas, and water, and commerce.

Data showing breakdowns by (i) industrial activity and main partner country, and (ii) industrial activity and region/economic zone, are not compiled.

There are no differences in the data coverage, sources, etc. between the inward position data showing industrial activity breakdowns disseminated in the national publications and the aggregate inward position data reported to the IMF for publication.

## **B. Methodology**

### **Definition of Direct Investment Enterprises in Colombia**

In accordance with the international standards, the basic criterion for defining direct investment enterprises in Colombia is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management—that is, enterprises in which the nonresident direct investor owns 10 percent or more but does not have an effective voice in management are included, while enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. Contrary to the international standards, the 10 percent ownership is calculated by combining the holdings of all nonresident investors in a specific enterprise or from a specific country, rather than being based on the ownership of each individual nonresident investor or group of related nonresident investors. No value threshold is used to identify resident direct investment enterprises. The definition covers only incorporated enterprises as the law does not permit the establishment of unincorporated direct investment enterprises in Colombia.



### **Treatment of Indirectly Owned Direct Investment Enterprises**

The “Fully Consolidated System” (FCS) recommended in the international standards is not applied. Specifically, the data do not include (i) the relevant share of the reinvested earnings of indirectly-owned direct investment enterprises, and (ii) all equity capital and other capital positions held directly by resident enterprises of a related group as defined in the FCS with nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these direct investors or enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other.

Enterprises in Colombia are required by law to produce consolidated accounts covering their domestic subsidiaries and associate companies, but are not required by law to (i) produce consolidated accounts covering their foreign subsidiaries and associate companies, or (ii) identify all transactions with the parent company.

### **Treatment of Equity Capital and Reinvested Earnings**

The equity capital position data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) other non-voting stocks (shares), and (iv) noncash acquisitions of equity, such as through the provision of capital equipment. The data do not cover participating preference [preferred] shares. In accordance with the international standards, (i) the data include equity positions between affiliated banks and between affiliated financial intermediaries, (ii) the data include equity positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks.

The reinvested earnings data cover incorporated enterprises, but not unincorporated enterprises. (The law does not permit the establishment of unincorporated direct investment enterprises in Colombia.) In accordance with the international standards, (i) the reinvested earnings are recorded in the period in which they are earned, (ii) the data include reinvested earnings between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks, and (iv) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings. (See also the section on the *Measurement of Direct Investment Earnings* in the metadata on the Balance of Payments [transactions] data on Direct Investment in Colombia.)

### **Treatment of Other Capital**

Not applicable. Data on other capital are not compiled. However, there are plans to begin to do so in the future.

In instances when a loan/debt guarantee provided by a direct investor or related direct investment enterprise is invoked following default by a direct investment enterprise, the periodic payments of principal and interest are treated as a direct investment equity injection by the guarantor and recorded under “Liabilities: Direct Investment in Colombia: Equity Capital: Liabilities to Direct investors” at the time the periodic payments are made.

### **Treatment of Reverse Investment**

Positions involving reverse investment are not treated in accordance with the international standards in all instances.

Assuming that the direct investment enterprise is a resident of Colombia and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, in accordance with the international standards, equity positions are recorded as “Assets: Direct Investment Abroad: Equity Capital: Claims on Affiliated Enterprises”.

Assuming that the direct investment enterprise is a resident of Colombia and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity positions are recorded as “Assets: Direct Investment Abroad: Equity Capital: Claims on Affiliated Enterprises”, rather than as “Liabilities: Direct Investment in Colombia: Equity Capital: Claims on Direct Investors”.

Data on other capital, which include loan positions, are not compiled.

#### **Treatment of Quasi-corporations**

In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation in Colombia by nonresidents of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs.

#### **Treatment of Offshore Enterprises**

In accordance with the international standards, activities of offshore enterprises established in Colombia by nonresidents are included in the direct investment data.

#### **Treatment of Special Purpose Entities (SPEs)**

Not applicable. There are no SPEs established in Colombia by nonresidents at present.

#### **Treatment of Land and Buildings**

#### **Treatment of Land and Buildings**

In accordance with the international standards, the equity capital data include ownership of land and buildings in Colombia by nonresident enterprises and nonresident individuals. The ownership of land and buildings in Colombia on long-term leases by nonresident enterprises and nonresident individuals is not permitted.

#### **Treatment of Natural Resources Exploration**

In accordance with the international standards, (i) expenditure related to natural resources exploration in Colombia by nonresidents is included in the equity capital data, and (ii) expenditure on bonus payments made by nonresidents to the host country for the right to undertake exploration for natural resources is included in the equity capital data when there is a clear intention to establish a direct investment enterprise. Instances of the shutdown of a direct investment enterprise established in Colombia by nonresidents for natural resource exploration have not occurred to date.

#### **Valuation of Assets and Liabilities**

The data on equity capital for both the listed and the unlisted enterprises are recorded at book values which are the interim adjusted price.

Data on other capital are not compiled

The book values used are those shown in the accounting records of the resident direct investment enterprises, rather than the nonresident direct investors.

#### **Exchange Rate Conversion**

Most positions are converted to the unit of account at the exchange rate prevailing on the date to which the position data relate. However, some positions are converted at the exchange rate prevailing on the date the stocks were acquired.

**DIRECT INVESTMENT ABROAD**  
**BALANCE OF PAYMENTS (“OUTWARD TRANSACTIONS”) DATA**

**A. Compilation Practices and Data Sources**

**Data Availability**

Separately identifiable quarterly data are compiled by the Banco de la Republica (BR) within the balance of payments framework on (a) one of the three components of direct investment income: (i) income on equity (dividends and distributed branch profits), and (b) one of the two components of direct investment financial flows, namely, equity capital. These data are disseminated with a timeliness of 3 months after the end of the reference period in the case of the most timely data, and 9 months after the end of the reference period in the case of the most comprehensive data, on the following BR website <http://www.banrep.gov.co/economia/bsecexte4.htm>. The data are also reported to the IMF for publication. Data on (i) the second component of direct investment income, reinvested earnings, (ii) the third component of direct investment income, income on debt (interest), and (ii) the second component of direct investment financial flows, other capital, are not compiled.

**Revision Practices**

The data are preliminary when first released. The data for the previous 4 quarters are revised each quarter to take account of improved coverage in the source data and are disseminated quarterly together with the preliminary data for the latest quarter. At this time the data are considered to be final, that is, 12 months after their first release.

The revised status of the data is clearly identified in the disseminated data in the case of major revisions only. Although the general public are not informed of the reasons for revisions, this information is provided on request. The historical data are revised back to 2000 in instances of major changes in methodology or data collection systems.

There are no differences in the revision practices between the data disseminated in the national publications and those reported to the IMF for publication.

**Data Coverage**

No major sectors of the economy or elements within those economic sectors are excluded from the data.

There are no differences in the sectoral coverage between the data disseminated in the national publications and those reported to the IMF for publication.

**Data Collection Method**

The data are collected on an individual transactions basis, and the reporting requirements are compulsory.

**Data Sources**

The data for all components of the most timely data are compiled primarily from an international transactions reporting system (ITRS), which covers (i) cash transactions made through the domestic banking system, and (ii) cash transactions made through the foreign bank accounts of enterprises, but not noncash transactions. Information from exchange control authorities is used as a secondary data source for all components, and information from press reports are used as additional data sources for all components. The data sources for the most comprehensive data are similar to those used for the most timely data, but the coverage is broader.

There are no differences in the data sources between the data disseminated in the national publications and those reported to the IMF for publication.

Administrative records (effectively a “business register”) of enterprises involved in direct investment is used to compile the outward direct investment transactions data. The administrative records are maintained by the BR and is updated on an ongoing basis using information from (i) the ITRS’s list of transactors, and (ii) administrative

records maintained by the Superintendent of Banks, the Superintendent of Securities, and the Superintendent of Corporations. The same administrative records are used to compile the outward direct investment transactions and position data, and the inward direct investment transactions and position data.

### **Geographic Classification**

Annual data showing breakdowns by country for the direct investment financial flows data are compiled by the BR and disseminated once a year with a timeliness of 6 months after the end of the reference period on the following BR website <http://www.banrep.gov.co/economia/bsecexte4.htm>. The data cover 40 countries and bilateral data are not used in the compilation of the data. Data showing breakdowns by country for the direct investment income data are not compiled.

The debtor/creditor principle is used as the basis for the geographic allocation of the data. The five countries with the largest amount of direct investment financial flows from Colombia during 2003 (ranked in descending order) were: Peru, Panama, the British Virgin Islands, Venezuela, and the United States.

In addition to the data showing country breakdowns, annual data are compiled by the BR showing breakdowns of the direct investment financial flows for the following regions/economic zones: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) the ASEAN countries, and (vii) the OPEC countries. These data are disseminated on the BR website cited above with a timeliness of 6 months after the end of the reference period. Data showing breakdowns by regions/economic zones for the direct investment income data are not compiled.

There are no differences in the data coverage, sources, etc. between the outward transactions data showing geographic breakdowns disseminated in the national publications and the aggregate outward data on direct investment financial flows reported to the IMF for publication.

### **Industrial Classification**

Quarterly data showing breakdowns by industrial activity for the direct investment income and the direct investment financial flows are compiled quarterly by the BR with a timeliness of 3 months after the end of the reference period. The breakdowns for the direct investment financial flows are disseminated on the following BR website <http://www.banrep.gov.co/economia/bsecexte4.htm>. The breakdowns for the direct investment income data are not disseminated, and are not available on request. The data show a breakdown for 10 industrial activities. The classification used broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC).

Both the data on direct investment income and direct investment financial flows are classified on the basis of the industrial activity of the resident direct investors. The five industrial activities with the largest amount of direct investment financial flows from Colombia during 2003 (in descending order) were: (i) manufacturing, (ii) financial intermediation, (iii) commerce, (iv) transport and communications, and (v) hotels and restaurants.

Data showing breakdowns by (i) industrial activity and main partner country, and (ii) industrial activity and region/economic zone, are not compiled.

There are no differences in the data coverage, sources, etc. between the outward transactions data showing industrial activity breakdowns disseminated in the national publications and the aggregate outward data on direct investment financial flows reported to the IMF for publication.

## **B. Methodology**

### **Definition of Direct Investors**

In accordance with the international standards, the basic criterion for defining resident direct investors is 10 percent ownership by a resident investor of an enterprise abroad, regardless of whether the investor has an effective voice in management—that is, enterprises abroad in which the resident direct investor owns 10 percent or more but does not have an effective voice in management are included, while enterprises abroad in which the resident investor owns less than 10 percent but has an effective voice in management are not included. Contrary to the international standards, the 10 percent ownership is calculated by combining the holdings of all

resident investors in a specific enterprise abroad or in a specific country abroad, rather than being based on the ownership of each individual resident investor or group of related resident investors. No value threshold is used to identify resident direct investors, and unincorporated enterprises are not treated differently from incorporated enterprises.

#### **Treatment of Indirectly Owned Direct Investment Enterprises**

The “Fully Consolidated System” (FCS) recommended in the international standards is not applied. Specifically, (i) the direct investment earnings data do not include the relevant share of all indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data do not include all equity and other capital transactions made directly between resident enterprises of a related group as defined in the FCS and nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other.

Enterprises in Colombia are required by law to produce consolidated accounts covering their domestic subsidiaries and associate companies, but are not required by law to (i) produce consolidated accounts covering their foreign subsidiaries and associate companies, or (ii) identify all transactions with the parent company.

#### **Measurement of Direct Investment Earnings**

Contrary to the international standards, the “Current Operating Performance Concept” (COPC) is not used to calculate direct investment earnings. Specifically, (i) deductions are not made for depreciation of capital, and for provisions for host-country income and corporation taxes, (ii) realized and unrealized capital gains and losses, write-offs, and realized and unrealized exchange rate gains and losses are included. (Information is not available on the treatment in the calculation of direct investment earnings of (i) interest receivable/payable, and (ii) debt repayments receivable/payable.)

#### **Treatment of Income on Equity (Dividends and Distributed Branch Profits)**

The data on dividends and distributed branch profits cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (ii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, (i) dividends and distributed branch profits are recorded net, rather than gross, of any withholding taxes, and (ii) most dividends and distributed branch profits for both incorporated and unincorporated enterprises are recorded on the date they are paid, and the remainder are recorded on the date they are payable (due for payment), rather than the date they are declared payable in all instances.

#### **Treatment of Reinvested Earnings and Undistributed Branch Profits**

Not applicable. Data on reinvested earnings and undistributed branch profits are not compiled.

#### **Treatment of Income on Debt (Interest)**

Not applicable. Data on income on debt (interest) are not compiled. However, there are plans to begin to do so in the future.

#### **Treatment of Equity Capital**

The equity capital transactions data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) other non-voting stocks (shares), and (iv) noncash acquisitions of equity, such as through the provision of capital equipment. The data do not cover participating preference [preferred] shares. In accordance with the international standards, (i) the data include equity transactions between affiliated banks and between affiliated financial intermediaries, (ii) the data include equity transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial

auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks.

#### **Treatment of Other Capital**

Not applicable. Data on other capital are not compiled. However, there are plans to begin to do so in the future.

In instances when a loan/debt guarantee provided by a direct investor is invoked following default by a direct investment enterprise, the periodic payments of principal and interest are treated as a direct investment equity injection by the guarantor and recorded under "Direct Investment Abroad: Equity Capital: Increase in Claims on Affiliated Enterprises" at the time the periodic payments are made.

#### **Treatment of Reverse Investment**

Transactions involving reverse investment are not treated in accordance with the international standards in all instances.

Assuming that the direct investment enterprise is a resident of Colombia and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, in accordance with the international standards, equity transactions are recorded as "Direct Investment Abroad: Equity Capital: Increase in Claims on Affiliated Enterprises".

Assuming that the direct investment enterprise is a resident of Colombia and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity transactions are recorded as "Direct Investment Abroad: Equity Capital: Increase in Claims on Affiliated Enterprises", rather than as "Direct Investment in Colombia: Equity Capital: Increase in Claims on Direct Investors".

Data on other capital, which include loan transactions, are not compiled.

#### **Treatment of Quasi-corporations**

In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation abroad by residents of Colombia of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs.

#### **Treatment of Offshore Enterprises**

Contrary to the international standards, activities of offshore enterprises established abroad by residents of Colombia are not included in the direct investment data, as these activities cannot be identified from the present data sources.

#### **Treatment of Special Purpose Entities (SPEs)**

Not applicable. There are no SPEs established abroad by residents of Colombia at present.

#### **Treatment of Land and Buildings**

Contrary to the international standards, the equity capital data do include purchases and sales of land and buildings abroad by enterprises and individuals resident in Colombia, as these transactions cannot be identified from the present data sources.

#### **Treatment of Natural Resources Exploration**

In accordance with the international standards, expenditure related to natural resources exploration abroad by residents of Colombia is included in the equity capital data. Contrary to the international standards, expenditure on bonus payments made by residents of Colombia to the host country for the right to undertake exploration for natural resources is not included in the equity capital data when there is a clear intention to establish a direct investment enterprise, as these transactions cannot be identified from the present data sources. Instances of the

shutdown of a direct investment enterprise established abroad by residents of Colombia for natural resource exploration have not occurred to date.

**Exchange Rate Conversion**

Most transactions are converted to the unit of account at the exchange rate prevailing on the day of the transaction. However, some transactions are converted at the average exchange rate for the period.

## DIRECT INVESTMENT ABROAD

### INTERNATIONAL INVESTMENT POSITION ASSETS (“OUTWARD POSITION DATA”)

#### A. Compilation Practices and Data Sources

##### Data Availability

Separately identifiable semi-annual data are compiled by the Banco de la Republica (BR) within the international investment position (IIP) framework on the equity capital element of the equity capital and reinvested earnings component. These data are disseminated with a timeliness of 6 months after the end of the reference period in the case of the most timely data, and 12 months after the end of the reference period in the case of the most comprehensive data, on the following BR website <http://www.banrep.gov.co/economia/bsecexte4.htm>. The data are also reported to the IMF for publication. Data on (i) the reinvested earnings element of the equity capital and reinvested earnings component, and (ii) other capital, are not compiled.

##### Revision Practices

The data are preliminary when first released. The most timely data for the previous 3 semi-annual periods are revised every six months to take account of improved coverage in the source data and are disseminated semi-annually together with the preliminary data for the latest semi-annual period. The most comprehensive data for the previous 2 semi-annual periods are revised every six months to take account of improved coverage in the source data and are disseminated semi-annually together with the preliminary data for the latest semi-annual period. At this time the data are considered to be final, that is, 18 months after their first release in the case of the most timely data, and 12 months after their first release in the case of the most comprehensive data.

The revised status of the data is clearly identified in the disseminated data in the case of major revisions only. Although the general public are not informed of the reasons for revisions, this information is provided on request. The historical data are revised back to 2000 in instances of major changes in methodology or data collection systems.

There are no differences in the revision practices between the data disseminated in the national publications and those reported to the IMF for publication.

##### Data Coverage

No major sectors of the economy or elements within those economic sectors are excluded from the data.

There are no differences in the sectoral coverage between the data disseminated in the national publications and those reported to the IMF for publication.

##### Data Collection Method

The data are collected using a mixture of an individual transactions basis (an international transactions recording system [ITRS] etc) and an aggregate basis (enterprise surveys). The reporting requirements are compulsory.

##### Data Sources

The data for all components of the most timely data are compiled primarily from an international transactions reporting system (ITRS), which covers (i) cash transactions made through the domestic banking system, and (ii) cash transactions made through the foreign bank accounts of enterprises, but not noncash transactions. Secondary data sources used for all components are (i) quarterly surveys of resident direct investors, (ii) information from exchange control authorities, and (iii) a debt register. Information from press reports is used as an additional data source.

The data sources for the most comprehensive data are similar to those used for the most timely data. In addition, the company accounts of resident direct investors are used as the primary data source for the data on reinvested earnings, and press reports are used as a secondary data source.



There are plans to require resident direct investors to report to the Central Bank details of their balance sheets and domestic and foreign equity holdings, starting in 2004.

The perpetual inventory method (a method for deriving position data from transactions data) is used to compile both the most timely and the most comprehensive data. Adjustments are made for exchange rate changes, and other nontransaction changes. However, the exchange rate adjustments are made to reflect investment in Venezuela only. No adjustment are made for price changes.

There are no differences in the data sources between the data disseminated in the national publications and those reported to the IMF for publication.

Administrative records (effectively a "business register") of enterprises involved in direct investment is used to compile the outward direct investment position data. The administrative records are maintained by the BR and is updated on an ongoing basis using information from (i) the ITRS's list of transactors, and (ii) administrative records maintained by the Superintendent of Banks, the Superintendent of Securities, and the Superintendent of Corporations. The same administrative records are used to compile the outward direct investment transactions and position data, and the inward direct investment transactions and position data.

### **Geographic Classification**

Not applicable. Data showing geographic breakdowns are not compiled for the outward position data.

### **Industrial Classification**

Not applicable. Data showing breakdowns by industrial activity are not compiled for the outward direct investment position data.

## **B. Methodology**

### **Definition of Direct Investors**

In accordance with the international standards, the basic criterion for defining resident direct investors is 10 percent ownership by a resident investor of an enterprise abroad, regardless of whether the investor has an effective voice in management—that is, enterprises abroad in which the resident direct investor owns 10 percent or more but does not have an effective voice in management are included, while enterprises abroad in which the resident investor owns less than 10 percent but has an effective voice in management are not included. Contrary to the international standards, the 10 percent ownership is calculated by combining the holdings of all resident investors in a specific enterprise abroad or in a specific country abroad, rather than being based on the ownership of each individual resident investor or group of related resident investors. No value threshold is used to identify resident direct investors, and unincorporated enterprises are not treated differently from incorporated enterprises.

### **Treatment of Indirectly Owned Direct Investment Enterprises**

The "Fully Consolidated System" (FCS) recommended in the international standards is not applied. Specifically, the data do not include (i) the relevant share of the reinvested earnings of indirectly-owned direct investment enterprises, and (ii) all equity capital and other capital positions held directly by resident enterprises of a related group as defined in the FCS with nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these direct investors or enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other.

Enterprises in Colombia are required by law to produce consolidated accounts covering their domestic subsidiaries and associate companies, but are not required by law to (i) produce consolidated accounts covering their foreign subsidiaries and associate companies, or (ii) identify all transactions with the parent company.

### **Treatment of Equity Capital and Reinvested Earnings**

The equity capital position data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) other non-voting stocks (shares), and (iv) noncash acquisitions of equity, such as through the provision of capital equipment. The data do not cover participating preference [preferred] shares. In accordance with the international standards, (i) the data include equity positions between affiliated banks and between affiliated financial intermediaries, (ii) the data include equity positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks.

Data on reinvested earnings are not compiled.

### **Treatment of Other Capital**

Not applicable. Data on other capital are not compiled. However, there are plans to begin to do so in the future.

In instances when a loan/debt guarantee provided by a direct investor is invoked following default by a direct investment enterprise, the periodic payments of principal and interest are treated as a direct investment equity injection by the guarantor and recorded under "Assets: Direct Investment Abroad: Equity Capital: Claims on Affiliated Enterprises" at the time the periodic payments are made.

### **Treatment of Reverse Investment**

Positions involving reverse investment are not treated in accordance with the international standards in all instances.

Assuming that the direct investment enterprise is a resident of Colombia and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, in accordance with the international standards, equity positions are recorded as "Assets: Direct Investment Abroad: Equity Capital: Claims on Affiliated Enterprises".

Assuming that the direct investment enterprise is a resident of Colombia and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity positions are recorded as "Assets: Direct Investment Abroad: Equity Capital: Claims on Affiliated Enterprises", rather than as "Liabilities: Direct Investment in Colombia: Equity Capital: Claims on Direct Investors".

Data on other capital, which include loan positions, are not compiled.

### **Treatment of Quasi-corporations**

In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation abroad by residents of Colombia of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs.

### **Treatment of Offshore Enterprises**

Contrary to the international standards, activities of offshore enterprises established abroad by residents of Colombia are not included in the direct investment data, as these activities cannot be identified from the present data sources.

### **Treatment of Special Purpose Entities (SPEs)**

Not applicable. There are no SPEs established abroad by residents of Colombia at present.

### **Treatment of Land and Buildings**

Contrary to the international standards, the equity capital data do include ownership of land and buildings abroad by enterprises and individuals resident in Colombia, as these positions cannot be identified from the present data sources.

### **Treatment of Natural Resources Exploration**

In accordance with the international standards, expenditure related to natural resources exploration abroad by residents of Colombia is included in the equity capital data. Contrary to the international standards, expenditure on bonus payments made by residents of Colombia to the host country for the right to undertake exploration for natural resources is not included in the equity capital data when there is a clear intention to establish a direct investment enterprise, as these positions cannot be identified from the present data sources. Instances of the shutdown of a direct investment enterprise established abroad by residents of Colombia for natural resource exploration have not occurred to date.

### **Valuation of Assets and Liabilities**

The data on equity capital for both the listed and the unlisted enterprises are recorded at book values which are the interim adjusted price.

Data on other capital are not compiled

The book values used are those shown in the accounting records of the resident direct investors, rather than the nonresident direct investment enterprises.

### **Exchange Rate Conversion**

Most positions are converted to the unit of account at the exchange rate prevailing on the date to which the position data relate. However, some positions are converted at the exchange rate prevailing on the date the stocks were acquired.