



**DANE**  
Para tomar decisiones



Design (DSO)  
Statistical Methodology  
and Production Direction

**ANNUAL NATIONAL  
ACCOUNTS METHODOLOGY  
2005 BASE  
CURRENT YEARS  
INSTITUTIONAL SECTORS**

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**Annex 15.** Transformation of the accounting information into national accounting – case of a fictitious enterprise

**Annex 16.** Social insurance schemes, social security funds and the social security scheme in health

## ACRONYMS

<b>AFP</b>	Administradoras de Fondos de Pensiones	Administrators of Pension Funds and Severance Corporations
<b>BANCOLDEX</b>	Banco de Comercio Exterior de Colombia	Foreign Trade Bank of Colombia
<b>BoP</b>	Balanza de Pagos	Balance of Payments
<b>CAJANAL</b>	Caja Nacional de Previsión Social	National Social Protection Fund
<b>CAPRECOM</b>	Caja de Previsión Social de Comunicaciones	Communications Social Insurance Fund
<b>CAPRESUB</b>	Caja de previsión de la Superintendencia Bancaria	Social insurance fund of the Superintendency of Finance
<b>CAPROVIMPO</b>	Caja de Promoción de la Vivienda Militar y de Policía	Promotional Housing Fund for the Military and the Police
<b>CASUR</b>	Caja de Sueldos de Retiro de la Policía Nacional	The Police Retirement Fund
<b>CCF</b>	Cajas de Compensación Familiar	Family Allowance Funds
<b>CFC</b>	Consumo de Capital Fijo	Consumption of Fixed Capital
<b>CHIP</b>	Consolidador de Hacienda e Información Financiera Pública	Finance and Public Financial Information Consolidation System
<b>CI</b>	Variación de Existencias	Change in Inventories
<b>CNE</b>	Comisión Nacional Electoral	National Electoral Commission
<b>CONPES</b>	Consejo Nacional de Política Económica y Social	National Economic and Social Policy Council
<b>DSCN</b>	Dirección de Síntesis y Cuentas Nacionales	Synthesis and National Accounts Division
<b>DTF</b>	Depósitos a Término Fijo	Fixed-Term Deposits
<b>EAC</b>	Encuesta Anual de Comercio	Annual Commerce Survey
<b>EAM</b>	Encuesta Anual Manufacturera	Annual Manufacturing Survey
<b>EAPB</b>	Empresas Administradoras de Planes de Beneficios	Corporations Providing Benefit Plans
<b>EAS</b>	Encuesta Anual de Servicios	Service Enterprises Annual Survey
<b>ECH</b>	Encuesta Continua de Hogares	Continuous Household Survey
<b>ECOPETROL</b>	Empresa Colombiana de Petróleos	Colombian Oil Company
<b>EEA</b>	Encuestas Económicas Anuales	Annual Economic Survey

<b>EMP</b>	Empresas de Medicina Prepagada	Prepaid medical plans enterprises
<b>ENH</b>	Encuesta Nacional de Hogares	National Households Survey
<b>ENS</b>	Escuela Nacional Sindical	National Labor Union School
<b>EPM</b>	Empresas Públicas de Medellín	Medellín's Public Utility Corporation
<b>EPS</b>	Entidad Promotora de Salud	Private Corporations in charge of the Administration of Social Security in Health
<b>ESE</b>	Empresas Sociales del Estado	Governmental Social Corporations
<b>EUROSTAT</b>	Comisión de la Comunidad Europea	Statistical Office of the European Union
<b>FCEG</b>	Gastos de Consumo Final del Gobierno	Final Consumption Expenses of the Government
<b>CFC</b>	Consumo de Capital Fijo	Consumption of Fixed capital
<b>FEDECACAO</b>	Federación Nacional de Cacaoteros	Cacao Producers National Federation
<b>FEN</b>	Financiera Energética Nacional	National Energy Fund
<b>FINAGRO</b>	Fondo para el Financiamiento del Sector Agropecuario	Financial Fund for Agricultural Sector
<b>FINDETER</b>	Financiera de Desarrollo Territorial	Financial Corporation of Territorial Development
<b>FISIM</b>	Servicios de Intermediación Financiera Medidos Indirectamente	Financial intermediation services indirectly measured
<b>FNA</b>	Fondo Nacional de Ahorro	National Saving Fund
<b>FOGACOOP</b>	Fondo de Garantías de Entidades Cooperativas	Guarantee Fund for Cooperative Entities
<b>FOGAFIN</b>	Fondo de Garantía de Instituciones Financiera	Guarantee Funds for Financial Corporations
<b>FOMAG</b>	Fondo de Prestaciones Sociales del Magisterio	Teachers' Social Benefit Fund
<b>FONADE</b>	Fondo Financiero de Proyectos de Desarrollo	Financial fund for projects development
<b>FONPET</b>	Fondo Nacional de Pensiones de las Entidades Territoriales	National Pension Fund of Regional Entities
<b>FONPRECON</b>	Fondo de Previsión Social del Congreso de la Republica	Social protection fund of congress
<b>FOPEP</b>	Fondo de Pensiones Públicas	Public National Pension Funds
<b>FOSYGA</b>	Fondo de Solidaridad y Garantía del Sistema General de Seguridad en Salud	Solidarity and Guarantee Fund of the Social Security System in Health Care
<b>FSP</b>	Fondo de Solidaridad Pensional	Pension Solidarity Fund

<b>FUT</b>	Formato Único Territorial	Standard territorial form
<b>GDP</b>	Producto Interno Bruto	Gross Domestic Product
<b>GEIH</b>	Gran Encuesta Integrada de Hogares	Integrated Household Survey
<b>GFCE</b>	Gastos de Consumo Final del Gobierno General	Government Final Consumption Expenditure
<b>GFCF</b>	Formación Bruta de Capital Fijo	Gross fixed capital formation
<b>GMF</b>	Gravamen a los Movimientos Financieros	Financial Transactions Tax
<b>HFCE</b>	Gasto de Consumo Final de los Hogares	Households Final Consumption Expenditure
<b>IC</b>	Consumo Intermedio	Intermediate Consumption
<b>ICBF</b>	Instituto Colombiano de Bienestar familiar	Colombian Institute for Family Welfare
<b>ICCP</b>	Índice de Costos de la Construcción Pesada	Heavy Construction Cost Index
<b>ICCV</b>	Índice de Costos de la Construcción de Vivienda	Dwelling Construction Cost Index
<b>IGAC</b>	Instituto Geográfico Agustín Codazzi	Colombian Cartographic Institute
<b>IIP</b>	Posición de Inversión Internacional	International Investment Position
<b>IMF</b>	Fondo Monetario Internacional	International Monetary Fund
<b>INCO</b>	Instituto Nacional de Concesiones	National Concessions Institute
<b>INDUMIL</b>	Industria Militar Colombiana	Colombian Military Industry
<b>INVIAS</b>	Instituto Nacional de Vías	National Roads Institute
<b>IPS</b>	Instituciones Prestadoras de Salud	Health Care Provider Institutions
<b>ISIC</b>	Clasificación Internacional Industrial Uniforme	International Standard Industrial Classification of All Economic Activities
<b>ISS</b>	Instituto de los Seguros Sociales	Social Security Institute
<b>IVA</b>	Impuesto al Valor Agregado	Value Added Tax
<b>NGO</b>	Organizaciones No Gubernamentales	Non-governmental organizations
<b>NPI</b>	Instituciones Sin Fines de Lucro	Non-profit institutions
<b>NPISH</b>	Instituciones sin Fines de Lucro que Sirven a los Hogares	Non-profit Institutions Serving Households
<b>NSS</b>	Sistema Estadístico Nacional	National Statistical System

<b>OCDE</b>	Organización para la Cooperación Económica y el Desarrollo	Organization for Economic Co-operation and Development
<b>PGCP</b>	Plan General de Contabilidad Pública	General Public Accounting Plan
<b>PIM</b>	Método de Inventario Permanente	Perpetual Inventory Method
<b>POS</b>	Plan obligatorio de Salud	Compulsory Healthcare Plan
<b>PUC</b>	Plan Único de Cuentas	Standard chart of accounts
<b>SAC</b>	Sociedad de Agricultores de Colombia	Colombian Farmers Association
<b>SDRs</b>	Derechos Especiales de Giro	Special Drawing Rights (SDRs)
<b>SENA</b>	Servicio Nacional de Aprendizaje	National Learning Service
<b>SFC-SIFIN</b>	Superintendencia Financiera de Colombia	Superintendency of Finance
<b>SIGOB</b>	Sistema de Información del Gobierno	Government Information System
<b>SIIF</b>	Sistema Integrado de Información Financiera	Integrated System of Financial Information
<b>SISEP</b>	Superintendencia de Servicios Públicos	Superintendency of Public Utilities
<b>SISOC</b>	Superintendencia de Sociedades	Superintendency of Companies
<b>SISOL</b>	Superintendencia de Economía Solidaria	Superintendency of Solidarity Economy
<b>SNA</b>	Sistema de Cuentas Nacionales	System of National Accounts
<b>SOAT</b>	Seguro Obligatorio de Accidentes de Tránsito	Traffic Accidents Compulsory Insurance
<b>SSP</b>	Superintendencia de Servicios Públicos	Superintendency of Public Utilities
<b>SSPD</b>	Superintendencia de Servicios Públicos Domiciliarios	Superintendency of Domiciliary Public Utilities
<b>SUI</b>	Sistema Único de Información	Information System for the Public Utility Sector
<b>TIB</b>	Tasa Interbancaria de referencia	Intebank benchmark interest rate
<b>TPM</b>	Tasa Punto Medio	Midpoint Rate
<b>UEPS</b>	Últimas en Entrar, Primeras en Salir	Last in, first out
<b>UN</b>	Organización de las Naciones Unidas	United Nations
<b>UPC</b>	Unidad de Pago por Capitación	Percapita Payment Unit
<b>VA</b>	Valor Agregado	Value Added
<b>VAT</b>	Impuesto al Valor Agregado	Value Added Tax

## SECTION 3

### INSTITUTIONAL SECTORS ACCOUNTS

This section is about the institutional sectors accounts. It includes a general introduction to the accounts, a description of the main sources of information used and of the methods applied for their compilation.

Chapter 8 provides the description of the theoretical aspects, the definition of institutional units, institutional sectors and subsectors, as well as an introduction to the system of sectors accounts and its accounting structure by explaining sequentially the content of each account, and the meaning of each balancing items. The chapter concludes with the presentation of the part of the system of institutional sectors accounts implemented in Colombia.

Chapter 9 explains the general methodology used to compile these accounts using the accounting information of businesses and government, focusing on the differences and similarities between the information derived from business accounting and national accounting. The stages followed each year in the compilation of the accounts are described by means of an example, in which the process of transformation of the information derived from business accounting into the national accounts concepts is explained (See Annex 15).

Chapters 10 to 13 present the particularities of the accounts of the following sectors: general government, financial corporations, non-financial corporations and non-profit institutions serving households NPISHs in terms of definition of variables, compilation methods, information sources used and presentation of the accounts.

Finally, chapter 14 describes the accounts of the rest of the world and the methodology used in their compilation.

## 8. GENERAL ASPECTS OF INSTITUTIONAL SECTORS ACCOUNTS

### 8.1. OVERVIEW

One way of analyzing the economy is through institutional units defined as the smallest economic units that have the capability, on their own right, to decide on the use of their income, savings, investments and net worth; they are autonomous and (except in the case of households) have their own complete set of accounts.

The institutional units are grouped into institutional sectors; each sector includes the units that have similar economic behavior defined according to their main economic purpose, main source and nature of resources. For instance, the institutional units whose main purpose is to consume and which main resources come from the remuneration of the factors of production (labor, capital and land), constitute the households sector.

The national economy is divided into five resident institutional sectors as follows: non-financial corporations, financial corporations, general government, households and NPISHs; the rest of the world records transactions between resident and non-resident units.

For each sector, the included units perform a variety of operations, such as production, distribution and use of income, financing and use of net wealth. In order to facilitate their economic analysis, these operations are organized into accounts, in such a way that each of them groups homogenous elements related to similar types of transactions. Three main categories of accounts are defined: the current accounts, the accumulation accounts and the balance sheet accounts.

The compilation of the accounts of financial corporations, general government and non-financial corporations are based on the financial statements, that is, balance sheets and income and outlay statements of businesses and government entities, that they provide directly to control and surveillance entities, such as the General Accounting Office, the Superintendency of Companies, the Superintendency of Public Utilities, the Superintendency of Family Allowance Managing Funds, the Superintendency of Solidarity Economy, the Superintendency of Health and the Superintendency of Finance.

Regarding the accounts of households, they are compiled using households surveys and as a result of the general synthesis of the system. The compilation of the rest of the world accounts is mainly based on the balance of payments, estimates of illicit crops and other elements of synthesis.

## 8.2. INSTITUTIONAL UNITS

An institutional unit is “an economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities. The main attributes of institutional units may be described as follows:

- An institutional unit is entitled to own goods or assets in its own right; it is therefore able to exchange the ownership of goods or assets in transactions with other institutional units.
- It is able to make economic decisions and engage in economic activities for which it is directly responsible and accountable under the law.
- It is able to incur into liabilities on its own behalf, to take on other obligations or future commitments and to enter into contracts.
- Either a complete set of accounts, including a balance sheet of assets and liabilities, exists for the unit; or it would be possible and meaningful, from an economic viewpoint, to compile a complete set of accounts if they were to be required”<sup>1</sup>.

There are two main types of units in the real world that may qualify as institutional units, mainly persons or groups of persons in the form of households, and legal or social entities recognized under the law.

- Households are considered as institutional units, though they do not have accounting records. According to SNA 2008, “a household is a group of persons who share the same living accommodation, who pool some, or all, of their income and wealth and who consume certain types of goods and services collectively,

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<sup>1</sup> 2008 SNA paragraph 4.2.

mainly housing and food. As well as, individual households, there are units described as institutional households that comprise groups of persons staying in hospitals, retirement homes, convents, prisons, etc. for long periods of time”<sup>2</sup>.

Members of households are identified with a living accommodation where they usually reside, though they might be temporarily absent due to work, health, education or vacation purposes. Tenants and lodgers<sup>3</sup> are not part of the household which accommodation they share, since they represent separate spending units and thus belong to a different household. Domestic staff, although they receive accommodation and food as remuneration in kind, do not have any right on neither the income nor the wealth of their employers. On the other hand, guests<sup>4</sup> are considered as members of the household as long as they stay at least three or more months in the living accommodation.

“The individual members of multiperson households are not treated as separate institutional units. Many assets are owned, or liabilities incurred, jointly by two or more members of the same household while some or all of the income received by individual members of the same household may be pooled for the benefit of all members. Moreover, many expenditure decisions, especially those relating to the consumption of food, or housing, may be made collectively for the total household. It may be impossible, therefore, to draw up meaningful balance sheets or other accounts for members of the household on an individual basis. For these reasons, the household as a whole rather than the individual persons in it must be treated as the institutional unit”<sup>5</sup>.

“The second type of institutional unit is a legal or social entity that engages in economic activities and transactions in its own right, such as a corporation, non-profit institution (NPI) or government unit. A legal or social entity is one whose existence is recognized by law or society independently of the persons, or other entities, that may own or control it. Such units are responsible and accountable for the economic decisions or actions they take, although their autonomy may be constrained to some

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<sup>2</sup> 2008 SNA paragraph 4.4.

<sup>3</sup> As defined in DANE's National Household Survey, lodgers are tenants paying for the right for food.

<sup>4</sup> Guests: persons staying in the accommodation for free.

<sup>5</sup> 2008 SNA paragraph 4.5

extent by other institutional units; for example, corporations are ultimately controlled by their shareholders. Some unincorporated enterprises belonging to households or government units may behave in much the same way as corporations, and such enterprises are treated as quasi-corporations when they have complete sets of accounts<sup>6</sup>.

- The legal or social entities may take different form such as corporation, quasi-corporations, non-profit institution (NPI) or government unit.

Multiple forms of legally constituted corporations may be described by different names: private companies: joint-stock companies, limited liability companies, limited partnership companies, de facto companies, cooperatives including those of labor partnerships, simplified corporations, public and semi-public industrial and commercial companies.

- **Corporations**

Corporations produce for the market with the purpose to sell goods and services at prices that are economically significant. Corporations are divided into those that provide mainly financial services (financial corporations) and producers of goods and other services (non-financial corporations).

- **Quasi-corporations**

Quasi-corporations are unincorporated enterprises owned by either a non-resident or a resident unit that is operated as if it were a separate corporation. Three main kinds of quasi-corporations are recognized in the system:

- Unincorporated enterprises owned by government units.
- Unincorporated enterprises which belong to non-resident institutional units: such as foreign branches, or permanent offices of foreign corporations which engage into a significant economic activity within the economic territory during more than one year.

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<sup>6</sup> 2008 SNA Paragraph 4.6.

- Unincorporated enterprises including unincorporated partnerships, owned by households and which have complete separate accounts. For the time being, this type of quasi-corporations has not been separately identified in Colombia. Consequently, they have not been defined separately from their owner and have been maintained within the households sector.

- **Non-Profit Institutions (NPIs):**

“Non-profit institutions are legal or social entities created for the purpose of producing goods and services whose status does not allow them to be a source of income, profit or other financial gain for the units that control or finance them. Unlike corporations any surplus they generate cannot be appropriated by other institutional units as stated in “the articles of association [...] (that) are drawn up in such a way that the institutional units which control or manage them are not entitled to a share in any profits or other income which they receive”<sup>7</sup>.

Non-profit institutions can carry out different activities and have different resources:

- To produce market goods and services; in that case, their income derives basically from their sales whose prices cover a large share of their production costs; for instance, the institutions that are engaged in the provision of education, health and recreation services, such as universities and hospitals that charge fees that cover their current costs of production.
- NPIs serving specific businesses; it refers to NPIs created by the initiative of businesses with the purpose of promoting specific purposes. This group includes agricultural, manufacturing or trade associations and chambers of commerce. These NPIs are normally funded through contributions or fees of their members<sup>8</sup>.

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<sup>7</sup> 2008 SNA Paragraph 4.83

<sup>8</sup> These fees are not treated as transfers, but as payments for the services provided and the corresponding NPIs are therefore classified as market producers.

- NPIs engaged in nonmarket production: they provide the major part of their output free or at prices that are not economically significant; those NPIs may be divided into two main groups: those controlled or financed by government and those NPIs providing non-market goods and services to households (NPISHs) but that are mainly financed by transfers from non-governmental sources –such as households, corporations or non-resident units.

NPIs are allocated to different institutional sectors according to their main activity and source of income, as follows:

- The NPIs that provide most of their output at economically significant prices are treated as financial and non-financial corporations, according to their main activity.
  - The NPIs that serve particular groups of other market producers are part of the institutions sectors, non-financial or financial corporations, according to the sector to which belong the businesses which interest they promote.
  - The NPIs controlled by government and funded mainly by this sector, are part of the general government sector.
  - The NPIs that produce goods and services and sell them at prices which are not economically significant and are neither controlled nor mainly financed by government are treated as a special institutional sector called non-profit institutions serving households (NPISHs). In practice they are nongovernment social institutions.
- **The government units**

“Government units are unique kinds of legal entities established by political processes that have legislative, judicial or executive authority over other institutional units within a given area”<sup>9</sup>.

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<sup>9</sup> 2008 SNA paragraph 4.117

The government units arrange and finance the provision of non-market goods and services to the community or individual households and, in so doing, incur in final consumption expenditure<sup>10</sup>. They also assume the responsibility of distributing and redistributing income and wealth through taxation and other forms of transfers.

### 8.3. THE TOTAL ECONOMY AND RESIDENT INSTITUTIONAL UNITS

The total economy is defined as all the institutional units that are resident in the economic territory of a country.

“An institutional unit has a centre of predominant economic interest in an economic territory when there exists, within the economic territory, some location, dwelling, place of production, or other premises on which or from which the unit engages and intends to continue engaging, either indefinitely or over a finite but long period of time, in economic activities and transactions on a significant scale”<sup>11</sup>.

The economic territory is the area under the effective economic control of a single government. The economic territory includes the land area, airspace, territorial waters, territorial enclaves in the rest of the world, such as embassies, consulates, military bases, etc.

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<sup>10</sup> Chapter 10 explains the role of the general government sector as final consumer.

<sup>11</sup> 2008 SNA paragraph 4.14

## 8.4. THE INSTITUTIONAL SECTORS AND SUBSECTORS

The institutional sectors are groups of institutional units with similar objectives, functions and economic behaviors. "Institutional units are allocated to sectors according to the nature of the economic activity they undertake"<sup>12</sup>.

"The three basic economic activities recorded in the SNA are production of goods and services, consumption to satisfy human wants or needs and accumulation of various forms of capital. Corporations undertake either production or accumulation (or both) but do not undertake (final) consumption. Government undertakes production (but mainly of a different type from corporations), accumulation and final consumption on behalf of the population. All households undertake consumption on their own behalf and may also engage in production and accumulation. NPIs are diverse in nature. Some behave like corporations, some are effectively part of government and some undertake activities similar to government but independently of it"<sup>13</sup>.

The resident institutional units are allocated to one and only one of the following five (5) institutional sectors:

S.11 Non-financial Corporations

S.12 Financial Corporations

S.13 General Government

S.14 Households

S.15 Non-profit Institutions Serving Households (NPISHs)

The rest of the world corresponds to sector (S.16). "The rest of the world consists of all non-resident institutional units that enter into transactions with resident units, or have other economic links with resident units. It is not a sector for which complete sets of accounts have to be compiled"<sup>14</sup>.

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<sup>12</sup> 2008 SNA paragraph 4.17.

<sup>13</sup> 2008 SNA paragraph 4.17.

<sup>14</sup> 2008 SNA paragraph 4.172.

The non-financial corporations sector includes the resident institutional units, whose main activity is the non-financial production of goods or services for the market and which purpose is to sell its products at prices that are economically significant,<sup>15</sup> it also includes the NPIs that are market producers of nonfinancial goods or services and the NPIs financed by non-financial corporations and that are dedicated to defending and promoting their interests.

The financial corporations sector includes all the resident corporations providing mainly financial services including financial intermediation services, insurances and pension funds, as well as the units that facilitate financial intermediation. Additionally, the sector includes the NPIs financed by contributions of financial corporations that are dedicated to defending and promoting their interests.

The general government includes the following government units: central government, local government as well as social security funds, imposed and controlled by government. Additionally, it includes the NPIs dedicated to non-market production controlled or mainly financed by general government. "The principal functions of government are to assume responsibility for the provision of goods and services to the community or to individual households and to finance their provision out of taxation or other incomes, to redistribute income and wealth by means of transfers, and to engage in non-market production"<sup>16</sup>.

The NPISHs sector includes the resident NPIs, whose main function is the production of non-market services for households, and which main source of income comes from nongovernment sources (households, corporations, or non-resident units).

The households sector consists of all the resident households. It also includes institutional households made of persons staying in hospitals, retirement homes, convents, prisons, etc. for long periods of time. It is the only sector which is defined as both consumer and producer. The households sector as consumer includes the resident households and as producer, the unincorporated enterprises owned by households: "an unincorporated enterprise owned by a household is treated as an

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<sup>15</sup> Prices are said to be economically significant when they have a significant influence on the quantities that producers are willing to offer and the quantities that purchasers are ready to buy.

<sup>16</sup> 2008 SNA paragraph 4.117

integral part of the latter and not as a separate institutional unit unless the accounts are sufficiently detailed to treat the activity as that of a quasi-corporation”<sup>17</sup>. As already noted, these types of quasi-corporations have not been considered in Colombia.

Each institutional sector is broken down into subsectors, for example, the financial and non-financial corporations are subdivided into corporations under government control and others, that is, public and private corporations. The general government sector is broken down into three subsectors: central government, local government and social security funds.

Table 98 presents a summary of institutional sectors, their main function and source of income; and each sector and institutional subsectors are defined in chapters 10 a 13, with a further explanation of their characteristics and the related groups of units that they comprise. Annex 4 shows the sectors and institutional subsectors classification.

**Table 98. Institutional sectors' main function and main source of income**

Institutional Sector	Main Function	Main source of income
Non-financial corporations	To produce market goods or non-financial services	Outcomes of sale
Financial Corporations	To provide financial services, including financial intermediation services; auxiliary financial services and insurance protection plans.	- Commissions and income derived from financial intermediation - Insurance Premiums
General Government	- To produce non-market goods and services for households or the community at large. - To redistribute income and wealth	- Compulsory payments of the economic agents

<sup>17</sup> 2008 SNA paragraph 4.32

**Table 98 : Institutional sectors' main function and main source of income (Final)**

Institutional Sector	Main Function	Main source of income
Households	To consume, provide labor, and, in case of entrepreneurs, to produce market goods and services. The business activities of a household are those undertaken by unincorporated enterprises that are part of the households sector	Remuneration of the factors of production and the outcomes from sales.
NPISHs	To produce non-market services for households or the community.	Regular membership subscriptions or donations and other transfers received from households or other sectors different from government.

Source: DANE, Division of national accounts (DSCN)

## 8.5. THE RELATIVE IMPORTANCE OF INSTITUTIONAL SECTORS

To provide an idea of the relative importance of the institutional sectors in the Colombian economy, Table 99 shows the value added generated by each sector and its share within the total for year 2008. Figure 5 shows the change of the composition of total value added by institutional sectors, for the 2000-2010 period.

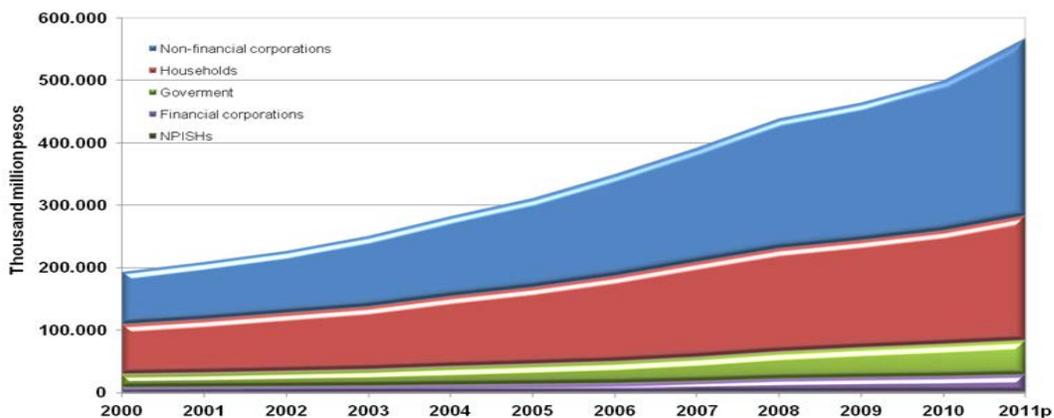
Table 99. Shares of the different institutional sectors in total value added - 2008

Thousand million pesos

Institutional Sectors	Value added	Share %
<b>Total economy</b>	<b>439.561</b>	<b>100</b>
Non-financial corporations	209.646	47,69
Financial corporations	21.388	4,87
General government	42.433	9,65
Households	165.189	37,58
NPISHs	905	0,21

Source: DANE, Division of national accounts (DSCN)

Figure 5. Change of the composition of value added by institutional sectors  
 Series 2000-2010



Source: DANE, Division of national accounts (DSCN)

## 8.6. THE INSTITUTIONAL SECTORS ACCOUNTS

This section presents the general system of accounts defined by SNA 2008 for institutional sectors. Despite the fact that balance sheet accounts have not yet been compiled in the case of Colombia, it is important to present also these accounts in this description of the theoretical part of the system, firstly, due to the importance of these accounts, and the fact that the DSCN has undertaken a project to develop the balance sheet accounts in a near future<sup>18</sup>, and secondly because of the relationships that exist between the balance sheet accounts and the rest of the system.

Section 8.7 outlines the part of the system of institutional sectors accounts that has been developed in Colombia and how balancing items are presented.

### 8.6.1. General presentation of the accounts of the institutional sectors

The resident institutional units perform operations of production, consumption, investment and financing, manage financial and non-financial assets and liabilities; earn revenue primarily from the sale of goods produced and services provided (energy, telecommunications, transport, water provision, sewage and sanitation, service system, etc.). In the case of government entities, they receive taxes, social security contributions and other transfers. In order to facilitate the economic analysis of the behavior of the sectors and institutional subsectors, these transactions are organized in accounts, in such a way that each of them contains homogenous elements related to the same category of operations.

The full set of accounts for institutional sectors covered by the 2008 SNA provides information not only on economic transactions that take place in a period, but also on the levels of assets and liabilities of the different agents, from which the net wealth of its residents at particular moments in time and the elements that modify it are calculated. In addition, the accounts of the rest of the world are also included that show the relationships between the economy and non-resident agents.

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<sup>18</sup> The balance sheet accounts are planned to be developed in the forthcoming base of national accounts.

According to the SNA 2008 classification, three categories of accounts are compiled:

- **Current accounts**

The current accounts record the production of goods and services, the generation of income in the production process, the subsequent distribution and redistribution of income among institutional units, and the use of income for the purposes of consumption or saving.

- **Accumulation accounts**

The accumulation accounts record the flows that affect the entries in the opening and closing balances of the accounting period. Based on these accounts, the changes in the opening balance (beginning) and closing balance (end) are broken down into the following components: transactions and other flows.

- **Balance sheet accounts**

These accounts record the value of assets and liabilities held by institutional sectors, at the beginning and at the end of the accounting period, valued at current prices at the date of the balance sheet; they include financial and non-financial assets and liabilities.

### 8.6.2. Presentation of the accounts

The accounts are presented in a T format: the current accounts record resources on the right hand-side (income) and uses (expenses) on the left hand-side. The accumulation accounts are presented as changes in assets and liabilities, and the balance accounts as total assets and total liabilities.

All the accounts have a balancing item that is obtained by subtracting the total value of resources from the total value of uses in the case of the current accounts. In the case of the accumulation accounts the balancing item is equal to the difference between the changes in assets and the changes in liabilities; and in the balance sheet accounts it is equal to the difference between the value of assets and the value of liabilities. The balancing item is the element that balances the accounts and that allow the accounts to be related sequentially to each other . This is particularly the case for

the current accounts, in which the balancing item of an account is carried forward as an income into the following one.

The balancing items have a meaning from the economic point of view and are as follows: value added, operating surplus, mixed income, balance of primary income, disposable income, adjusted disposable income, saving, net lending/borrowing, changes in net worth due to holding gains and losses and finally, net worth.

The general structure of the accounts is standardized in all the system of national accounts, and it is applied to all institutional units, sectors, and subsectors and to the total economy. Nevertheless, not all the accounts are applied to the sectors in the same way and the content of some of them varies according to the sector. Additionally, some accounts might not be relevant for some sectors. Similarly, not all transactions are relevant for all sectors and, in the case to be so, those transactions may represent resources for some sectors and uses for others.

The general system of accounts defined for institutional sectors and subsectors is described in the following sections, providing explanation of its content and the definitions of the balancing items. Section 8.7 indicates the part of the system of accounts that has been implemented in Colombia; Chapters 10 to 14 recall the particularities of the accounts of the different institutional sectors, including the rest of the world accounts.

### **8.6.3. The current accounts**

“Current accounts deal with production, the generation, distribution and use of income. Each account after the first starts with the balancing item of the previous one recorded as resources. The last balancing item is saving, which, in the context of the SNA, is that part of income originating in production, domestically or abroad that is not used for final consumption”<sup>19</sup>.

The current accounts include the production account, the generation of income account, the allocation of primary income account, the secondary distribution of

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<sup>19</sup> 2008 SNA paragraph 2.83.

income account, the redistribution of income in kind account, the use of disposable income account and the use of adjusted disposable income account.

**The Production Account** records the transactions related to the productive process, the result of this process (goods and services), and the goods and services used to produce this output (intermediate consumption). The balancing item of the production account is value added (Table 100).

Value added represents the additional value created during a production process. Like any other balancing item of the current accounts, it can be measured either gross or net, whether the consumption of fixed capital is recorded or not as a production cost. In the case of Colombia, consumption of fixed capital<sup>20</sup> has not been calculated for all sectors; therefore the balancing items of the accounts are presented gross.

All institutional sectors have a production account, though their production and intermediate consumption are presented without any product breakdown<sup>21</sup>.

**Table 100. The Production Account**

Uses	Resources
P.2 Intermediate Consumption	P1. Output
B.1 Gross value added	
K.1 Consumption of fixed capital	
B.1 Net Value added	

Source: DANE, Division of national accounts

**The primary distribution of income accounts:** The process of generation and allocation of primary income is presented in two accounts: the generation of income account and the allocation of primary income account. The basic concept of these

<sup>20</sup> Section 8.7 explains the consumption of fixed capital in Colombia calculated so far exclusively for the general government sector.

<sup>21</sup> This is different from the case of the accounts by industry, in which output and intermediate consumption are broken down by type of product.

accounts is that of primary income defined as “[...] incomes that accrue to institutional units as a consequence of their involvement in processes of production or ownership of assets that may be needed for purposes of production”<sup>22</sup>.

The first account, the generation of income account is built from the perspective of sectors in their capacity as producers whose activities generate primary incomes; the second account, the allocation of primary income account, is presented from the perspective of sectors in their capacity as recipients of primary incomes generated from production activities.

**The generation of income account** records the uses of value added (VA): compensation of employees payable to those employed in the production process and any taxes, less subsidies, on production payable or receivable as a result of engaging in the production process.

The balancing item of the account, the operating surplus or mixed income, reflects the remuneration of the factor capital and represents the income generated for the production units from their current production activity. If the productive unit is an corporation it is called operating surplus, while if the productive unit is an unincorporated corporation it is called mixed income, as the the owner(s) or members of the household may contribute unpaid labor inputs of a similar kind as those that could be provided by paid employees.

This account is presented from the point of view of sectors in which the primary income are originated, thus for example, compensation of employees that are recorded in the generation of income account of the households sector refers to the compensation paid by unincorporated corporations to other households (Table 101).

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<sup>22</sup> 2008 SNA paragraph 7.2.

**Table 101. The generation of income account**

D.1 Compensation of employees	B.1 Gross value added
D.29 Other taxes on production	
D.39 Other subsidies on production	
B.2 Operating surplus, gross and/or	
B3 Mixed income, gross	

Source: DANE, Synthesis and National Accounts Division (DSCN)

**The allocation of primary income account** is presented from the perspective of sectors in their capacity as recipients of primary incomes generated in the production process. It records the primary income originated in the production activity as well as property income receivable and payable.

As resource, the account includes the operating surplus and/or the mixed income as well as property income receivable. The composition of this account varies among sectors, as some types of primary incomes are only receivable by certain sectors or by the rest of the world. For instance, taxes are only receivable by the general government sector and the rest of the world while compensation of employees is only receivable by the households sector and non-residents. The balancing item of this account is the balance of primary incomes for each sector and national income for the total economy.

The explanation that follows illustrates the allocation of primary income accounts of the general government, households and non-financial corporations sectors (Table 102):

**Table 102. The Allocation of Primary Income Account of the general government, households and non-financial corporations sectors**

Uses	Resources
<b>General Government</b>	
D.4 Property income	B.2 Operating Surplus, gross D.2 Taxes on production and imports D.3 Subsidies (-)
B.5 Balance of primary income	D.4 Property income
<b>Households</b>	
D.4 Property income	B.2 Operating Surplus, gross B.3 Mixed income, net D.1 Compensation of employees
B.5 Balance of primary income	D.4 Property income
<b>Non-financial corporations</b>	
D.4 Property income	B.2 Operating Surplus, gross
B.5 Balance of primary income	D.4 Property income

Source: SNA 1993

**The secondary distribution of income account** presents the process of redistribution of income through current transfers receivable and payable, which are: current taxes on income, wealth, etc., social contributions and social benefits and other current transfers, except social transfers in kind; as transfers are resources for some sectors and uses for others, its content actually varies from sector to sector.

The balancing item of this account is disposable income that, for households and government, represents the income that can be used for final consumption expenditure and saving.

For non-financial and financial corporations, disposable income is defined as the income after the payment of taxes that has not been distributed to the owners of capital.

Table 103 shows the secondary distribution of income account for the general government and households sectors.

**Table 103. The Secondary Distribution of Income Account of the general government and households sectors**

Uses	Resources
<b>General government</b>	
D.62 Social benefits other than social transfers in kind	B.5 Balance of primary income
D.7 Other current transfers	D.5 Current taxes on income, wealth, etc. D.61 Social contributions
B.6 Disposable income, gross	D.7 Other current transfers
<b>Households</b>	
D.5 Current taxes on income, wealth, etc.	B.5 Balance of primary income
D.6 Social contributions	D.62 Social benefits other than social transfers in kind
D.7 Other current transfers	D.7 Other current transfers
B.6 Disposable income, gross	

Source: SNA 1993

**The redistribution of income in kind account** is elaborated only for sectors that provide or receive social transfers in kind<sup>23</sup>, namely general government, households and non-profit institutions serving households (NPISHs). This account shows how disposable income is transformed into *adjusted disposable income* through the payment or reception of social transfers in kind.

The accounts record social transfers in kind and these are recorded as resources for households and uses for general government and NPISHs. The balancing item of the account, “Adjusted disposable income” represents the part of current income that each sector has for consumption or saving, once received or paid social transfers in kind (Table 104).

SNA 2008 mentions four purposes of the redistribution of income in kind account. “ In the first place it aims at giving a clearer picture of the role of government as the provider of goods and services to individual households. Secondly, it delivers a more complete measure of household income. Thirdly, it facilitates international

<sup>23</sup> Social transfers in kind consist of individual goods and services provided free or at prices that are not economically significant to households (education, health and recreation services) by general government and NPISHs for final consumption.

comparisons and comparisons over time when economic and social arrangements differ or change. Fourthly, it gives a more complete view of the redistribution process between subsectors or other groupings of households”<sup>24</sup>.

**Table 104. The Redistribution of Income in Kind Account of the general government and households sectors**

Uses	Resources
<b>General government</b>	
D.63 Social transfers in kind	B.6 Disposable income
B.7 Adjusted disposable income	
<b>Households</b>	
	B.6 Disposable income
B.7 Adjusted disposable income	D.63 Social transfers in kind

Source: SNA 1993

**The use of income account** is as important as the redistribution of income in kind accounts for those sectors that have final consumption expenditure, e.g. the households, general government and NPISHs.

The purpose of these accounts is to show how the households, the units of general government and the non-profit institutions serving households (NPISHs) allocate their disposable income, between final consumption and saving.

There are two uses of income accounts that correspond to each of the concepts of disposable income and final consumption: the use of disposable income account and the use of adjusted disposable income account. The first account focuses on disposable income and consumption expenditure of goods and services, and the second account focuses on adjusted disposable income and actual final consumption<sup>25</sup>. In both accounts, the balancing item is the gross or net saving

<sup>24</sup> 2008 SNA paragraph 2.99

<sup>25</sup> Final consumption expenditure consists of the “**expenditure**” incurred by resident households, government or NPISHs on consumption of goods and services. The actual final consumption of

(depending whether the calculation of the sequence of accounts is compiled in gross or net terms).

Saving indicates the part of disposable income that sectors do not spend in consumption of goods and services and can therefore be used to acquire financial or non-financial assets, or to pay off liabilities. Tables 105 and 106 present these accounts for the households and general government sectors.

**Table 105. The Use of Disposable Income Accounts for the households sector**

Uses	Resources
<b>Use of disposable income account</b>	
P.3 Final consumption expenditure	B.6 Disposable income
B.8 Saving	D.8 Adjustment for the change in net equity of households in pension funds
<b>Use of adjusted disposable income account</b>	
P.4 Actual final consumption	B.7 Adjusted disposable income
B.8 Saving	D.8 Adjustment for the change in net equity of households in pension funds

Source: SNA 1993

households records the value of consumption goods and services **“acquired”** by households, including the goods and services purchased by households plus those they receive for free from government and NPISHs. For the government and NPISHs, actual final consumption is equal to final consumption minus social transfers in kind or, in other words, it is equal to collective consumption.

**Table 106. The Use of Disposable Income Accounts for the general government sector**

Uses	Resources
<b>Use of disposable income account</b>	
P.3 Final consumption expenditure	B.6 Disposable income
D.8 Adjustment for the change in net equity of households in pension funds	
B.8 Saving	
<b>Use of adjusted disposable income account</b>	
P.4 Actual final consumption	B.7 Adjusted disposable income
D.8 Adjustment for the change in net equity of households in pension funds	
B.8 Saving	

Source: SNA 1993

The use of income account also records the adjustment item regarding the change in net equity of households on pension funds. The purpose of this adjustment is to reassign among sectors the saving corresponding to pension funds<sup>26</sup>.

For the total economy, the disposable income and the adjusted disposable income are equal, as well as total final consumption expenditure and total actual final consumption. The differences appear in the households, government and NPISHs sectors.

#### **8.6.4. The accumulation accounts**

The purpose of the accumulation accounts is to record the changes in value, between the opening and closing balance sheets for the sectors and the economy as a whole. Saving (balancing item of the use of income account) is the starting element of the accumulation accounts that describe how the assets and liabilities are modified in the period.

<sup>26</sup> Explanation can be seen in chapter 11

The value of assets and liabilities owned by a sector can undergo changes from one period to another due to different circumstances: financial or non-financial transactions carried out in the period (purchases, sales of fixed assets, increase of deposits, loans, etc.), changes in valuation (changes in the prices of assets or liabilities, or changes in the exchange rate); or any other causes such as variations of volume, losses of assets for robberies, fires, earthquakes; or increases for discoveries of natural resources, among others, (Figure 6).

The accumulation accounts are made of four components: the capital account, the financial account, the revaluation account and the other changes in the volume of assets account. The first two record transactions that take place in the accounting period; the revaluation account records the changes in the value of assets and liabilities attributable to changes in prices and exchange rate; whereas the account of other changes in the volume of assets, records the changes for reasons other than transactions and valuations.

**Figure 6. Relationship between the opening and closing balance sheet**

Opening balance sheet	+	Non-financial transactions	+	Financial transactions	+	Valuations or (-) devaluations	+	Other changes in volume	=	Closing balance
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Source: DANE, DSCN

The accumulation accounts are described as follows:

**The capital account** records the transactions on non-financial assets-such as Gross Fixed Capital Formation-GFCF (constructions, machinery, equipment, software, copyrights, etc.), change in inventories, acquisitions less disposals of valuables (P.53.), acquisitions less disposals of non-produced non-financial assets, such as land and non-produced intangible assets (K2). Consumption of fixed capital, CFC appears with a negative sign, that reduces the value of fixed assets, which is equivalent to record fixed capital formation in net terms (Table 107).

GFCF less consumption of fixed capital - CFC = net fixed capital formation

In Colombia, except for the general government sector, the consumption of fixed capital has not yet been estimated, which is the reason why what is obtained is GFCF and not net fixed capital formation.

The right-hand side shows the gross or net saving and capital transfers receivable (with a positive sign) and capital transfers payable (with a minus sign); the sum of gross saving plus net capital transfers, is called “changes in net worth due to saving and capital transfers”.

The balancing item of the capital account is called net lending. When positive, it indicates the net amount a sector has available to finance, directly or indirectly other sectors; when negative it indicates the net amount a unit or a sector needs to borrow (explicitly or implicitly) from other units or sectors.

**Table 107. The Capital Account**

Changes in assets	Changes in liabilities and net worth
P.51 Gross fixed capital formation	B.8 Saving, gross
P52. Changes in inventories	D.9 Capital transfers, net, receivable/payable
P.53 Acquisitions less disposals of valuables	B.10.1 Changes in net worth due to saving and capital transfers
K.2 Acquisitions less disposals of non- produced, non-financial assets	
K.1 – Consumption of fixed capital	
B.9 Net lending (+) net borrowing (-)	

Source: SNA 1993

**The financial account** records transactions on financial assets and liabilities that take place among resident institutional units and between them and the rest of the world. This account shows the net acquisition of financial assets on the left-hand side and the net incurrence in liabilities (Table 108) on the right-hand side. It is the last account of the sequence recording transactions between institutional sectors.

This account shows how the sectors presenting a net borrowing situation obtain the resources necessary to finance their deficit, how they issue liabilities or reduce their assets, and on the other hand shows how the sectors presenting a net lending

situation, use those excess resources by acquiring financial assets or reducing the value of the liabilities.

The balancing item of the financial account is net lending or net borrowing, which appears this time on the right-hand side of the account. "In theory, net lending or net borrowing is measured identically in both the capital and financial accounts. In practice, achieving this identity is one of the most difficult tasks in compiling national accounts"<sup>27</sup>.

In contrast with the balancing items of the accounts described in the preceding chapters, the balancing item of the financial account is not carried forward into another account.

In Colombia, the financial accounts are under the responsibility of the Central bank in coordination with DANE.

**Table 108. The Financial Account**

Change in assets	Change in liabilities
F. Net acquisition of financial assets	F. Net incurrence of liabilities
F.1 Monetary gold and SDRs	F.1 Monetary gold and SDRs
F.2 Currency and deposits	F.2 Currency and deposits
F.3 Securities other than shares	F.3 Securities other than shares
F.4 Loans	F.4 Loans
F.5 Share and other equity	F.5 Share and other equity
F.6 Insurance and technical reserves	F.6 Insurance and technical reserves
F.7 Other accounts receivable	F.7 Other accounts payable
	B.9 Net lending (+)/ net borrowing (-)

Source: SNA 1993

**Other changes in the volume of assets account.** This account records the changes in value of assets and liabilities due to reasons other than transactions and changes in prices; the entries cover very different kinds of changes of assets, liabilities and net worth, like losses in assets due to factors such as destruction by fire, robbery, war or other catastrophes; or increases due to discoveries or depletion of subsoil resources

<sup>27</sup> 2008 SNA paragraph 2.113.

(case of mining). These factors actually vary the volume of the assets, either physically or quantitatively without being attributable to transactions between economic agents.

“The entries for changes in assets are on the left-hand side and the entries for changes in liabilities are on the right-hand side. Non-financial assets, both produced and non-produced, and financial assets are shown separately. The balancing item in the account, the “change in net worth due to other changes in volume of assets”, is the excess of the sum of the changes in assets over the sum of the changes in liabilities recorded in the account and is shown on the right-hand side of the account”<sup>28</sup> (Table 109).

**Table 109. The Other Changes in the Volume of Assets Account**

Changes in assets	Changes in liabilities and net worth
K.4 Economic appearance of produced assets	K.4 Economic appearance of produced assets
K.6 Economic disappearance of non-produced assets	K.6 Economic disappearance of non-produced assets
K.7 Catastrophic losses	K.7 Catastrophic losses
K.8 Uncompensated seizures	K.8 Uncompensated seizures
K.9 Other volume changes n.e.c	K.9 Other volume changes n.e.c.
K.12 Changes in classification and structure	K.12 Changes in classifications and structure
K.10 Other volume changes in financial assets and liabilities n.e.c	K.10 Other volume changes in financial assets and liabilities n.e.c.
AN.1 Produced assets	AN.1 Produced assets
AN.2 Non produced assets	AN.2 Non-produced assets
AF. Financial assets	AF. Financial assets
	B.102 Changes in net worth due to other changes in volume of assets

Source: SNA 1993

n.e.c: not elsewhere classified

<sup>28</sup> 2008 SNA paragraph 12.5

**The revaluation account** records the changes in the value of assets and liabilities due to changes in the prices and exchange rate, between the opening and the closing of the accounting period, that is to say, the gains or losses for holding those assets and liabilities since the beginning of the accounting period or the time of entry into stock and the time of exit or the end of the accounting period. The balancing item of the account is called changes in net worth due to nominal holding gains/losses. A revaluation of assets or the devaluation of financial liabilities is equivalent to a nominal holding gain; and a devaluation of assets or revaluation of financial liabilities is equivalent to a holding loss (Table 110).

**Table 110. The Revaluation Account**

Change in assets	Change in liabilities and net value
K.11 Nominal holding gains / losses	K.11 Nominal holding gains / losses
AN. Non-financial assets	AN. Non-financial assets
AN.1 Produced assets	AN.1 Produced assets
AN. 2 Non-produced Assets	AN.2 Non-produced assets
AF. Financial Assets	AF. Financial Assets
	B.10.3 Changes in net worth due to nominal holding gains/losses

Source: SNA 1993

The nominal holding gains and losses are subdivided into two components:

- Neutral holding gains and losses
- Real holding gains and losses

The neutral holding gains and losses “shows the revaluation in proportion to the general price level which is obtained by applying, during the same periods of time, an index of the change in general price level to the initial value of all assets or liabilities, even to those that are fixed in monetary terms<sup>29</sup>. The results of this operation are called neutral holding gains and losses because all assets and liabilities are revalued so as to preserve exactly their purchasing power<sup>30</sup>.

<sup>29</sup> Examples of these assets are deposits in the current or saving account.

<sup>30</sup> 2008 SNA paragraph 2.118.

Real holding gains and losses is the difference between nominal holding gains and losses and neutral holding gains and losses. “If the nominal holding gains and losses are higher than the neutral holding gains and losses, there is a real holding gain, due to the fact that on average the actual prices of the assets in question have increased more (or decreased less) than the general price level. In other words, the relative prices of its assets have increased. Similarly, a decrease in relative prices of assets leads to a real holding loss”<sup>31</sup>.

Each of the three types of holding gains and losses is subdivided according to the main groups of assets and liabilities.

#### **8.6.5. The balance sheet accounts**

The balance sheet accounts show the value of the assets held and liabilities owed by each of the institutional sectors, valued at prices of the reference date of the balance sheet (Table 111). The balancing item of the account, equivalent to the difference between assets and liabilities is called net worth, “it is defined as the value of all the assets owned by an institutional unit or sector less the value of all its outstanding liabilities”<sup>32</sup>.

For the total economy, the balance shows the sum of the non-financial assets and the net rights on the rest of the world. Frequently, this sum is called national wealth.

Within the balance sheet accounts, three accounts are compiled: the opening balance, the closing balance and the total changes in assets, liabilities and net worth.

The total changes in assets, liabilities and net worth summarize the content of the accumulation accounts, that is, for each asset or liability, the value recorded in this account is equivalent to the sum of the values recorded in the four accumulation accounts (capital, financial, revaluation and other changes in volume of assets); its value is also equal to the difference between value recorded in the closing balance sheet and the corresponding one in the opening balance sheet.

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<sup>31</sup> 2008 SNA paragraph 2.119.

<sup>32</sup> 2008 SNA paragraph 13.10.

**Table 111. The Balance Sheet Accounts**

Opening balance sheet	
Assets	Liabilities
AN. Non-financial assets	AF Financial Liabilities
AN.1 Produced assets	AF.2 Currency and deposits
AN.11 Fixed assets	AF.3 Securities other than shares
AN.12 Inventories	AF.4 Loans
AN.13 Valuables	AF.5 Shares and other equity
AN.2 Non-produced assets	AF.6 Insurance technical reserves
AF Financial assets	AF.7 Other accounts receivable
AF.1 Monetary gold and SDRs	
AF.2 Currency and deposits	
AF.3 Securities other than shares	
AF.4 Loans	
AF.5 Shares and other equity	
AF.6 Insurance technical reserves	
AF.7 Other accounts receivable	B.90 net worth
Total changes in assets, liabilities and net worth	
Total changes in assets	Total changes in liabilities
AN. Non-financial assets	AN. Financial Liabilities
AN.1 Produced assets	AF.2 Currency and deposits
AN.11 Fixed Assets	AF.3 Securities other than shares
AN.12 Inventories	AF.4 Loans
AN.13 Valuables	AF.5 Shares and other equity
AN.2 Non-produced assets	AF.6 Insurance technical reserves
AF. Financial assets	AF.7 Other accounts receivable
AF.1 Monetary gold and SDRs	B10 Changes in net value worth
AF.2 Currency and deposits	B.10.1 Saving and capital transfers
AF.3 Securities other than shares	B10. 2 Other changes in volume of assets
AF.4 Loans	B.10.3 Nominal holding gains/losses
AF.5 Shares and other equity	
AF.6 Insurance technical reserves	
AF.7 Other accounts receivable	
Closing balance sheet	
Assets	Liabilities
AN. Non-financial assets	AN. Financial liabilities
AN.11 Fixed assets	AF.2 Currency and deposits
AN.12 Inventories	AF.3 Securities other than shares
AN.13 Valuables	AF.4 Loans
AN.2 Non-produced assets	AF.5 Shares and other equity

**Table 111. The Balance Sheet Accounts (Final)**

Closing balance sheet	
Assets	Liabilities
AF. Financial assets	AF.6 Insurance technical reserves
AF.1 Monetary gold and SDR	AF.7 Other accounts receivable
AF.2 Currency and deposits	
AF.3 Securities other than shares	
AF.4 Loans	
AF.5 Shares and other equity	
AF.6 Insurance technical reserves	
AF.7 Other accounts receivable	B.90 net worth

Source: SNA 1993

### 8.6.6. The rest of the world accounts

These accounts record the transactions that take place between resident and non-resident institutional units and the corresponding stocks of assets and liabilities. The account is elaborated from the perspective of the rest of the world; a resource for the rest of the world is a use for the total economy and vice versa. When a balancing item is positive, it means that the rest of the world has a surplus (and the total economy a deficit) and on the contrary when the balancing item is negative, the rest of the world has a deficit and the total economy a surplus). The rest of the world accounts are presented in further detail in Chapter 14.

Annex 14 summarizes the system of the institutional sectors accounts, the content and the meaning of the balancing items.

## 8.7. THE SYSTEM OF THE INSTITUTIONAL SECTORS ACCOUNTS IMPLEMENTED IN COLOMBIA

In line with the general system of accounts defined by the SNA for institutional sectors, in Colombia, the accounts that are compiled refer to the current accounts, the accumulation accounts, the capital account and the financial account, the latter under the responsibility of Central Bank.

The balance sheet accounts have not yet been implemented in Colombia due to their relative complexity.

Their compilation does not only require establishing the inventories of assets and liabilities for all the sectors and the total economy, but also to value assets and liabilities at current market prices in the date of the balance sheet.

The financial statements submitted by businesses and government entities constitute a privileged source of information to elaborate the balance sheet accounts, specially to establish the value of assets and financial liabilities of sectors. Nevertheless, this information must be complemented with direct research in order to quantify and value the non-financial assets held by sectors at current market prices prevailing at the date of the balance; in the balance sheets of businesses and government entities, fixed assets are valued at book value and not at market prices as required by national accounting.

For the households, sector for which there is not accounting information, the compilation of balance sheet accounts implies to conduct direct research in order to determine the value of the assets held by this sector including those of unincorporated corporations owned by households that have to be valued at market prices of the date of the balance.

The lack of balance sheets has made it difficult to compile consumption of fixed capital of all sectors. It has only been performed for the general government sector, as it is a necessary component for the compilation of the non-market production of

this sector<sup>33</sup>. The failure to calculate this component, would lead to an undervaluation of GDP. As a result of not calculating the consumption of fixed capital for all sectors, the balancing items of the accounts are shown gross.

The compilation of the financial account is under the responsibility of the Central Bank in coordination with DANE; during this process, the same sectors and subsectors are defined based on the same concepts, definitions, and following coherent methods of calculation.

The financial account is the last one in the sequence of accounts of institutional sectors; it is articulated with the capital account through its balancing items: net lending (+) or net borrowing (-). In theory these two balancing items must be equal, but in practice they present differences explained in some cases by the information sources used and in others by differences in the assumptions and adjustments made by DANE and the Central Bank when performing the synthesis of accounts.

The financial accounts are elaborated on the basis of accounting information from financial corporations, general government and non-financial corporations; they are complemented with information coming from the balance of payments.

As it is the Central Bank which has under its responsibility the elaboration of financial accounts, the present document does not include the methodology of these accounts which results can be found at [www.banrep.gov.co](http://www.banrep.gov.co)

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<sup>33</sup> The non-market production of government is calculated as the sum of production costs, including the consumption of fixed capital, as one of the elements of cost.

## 9. METHODOLOGY FOR THE COMPILATION OF INSTITUTIONAL SECTORS ACCOUNTS WITH ACCOUNTING INFORMATION

The institutional sectors accounts for corporations and government entities are mainly compiled from financial statements that they must present to the corresponding supervisory and regulatory institution. The financial statements are transformed into national accounting by establishing the differences and similarities between the two accounting frameworks. This method is explained by taking a fictitious financial statement of a corporation as an example, see Annex 15.

### 9.1. THE PROCESS FOLLOWED IN THE COMPILATION OF THE INSTITUTIONAL SECTORS ACCOUNTS BASED ON ACCOUNTING INFORMATION

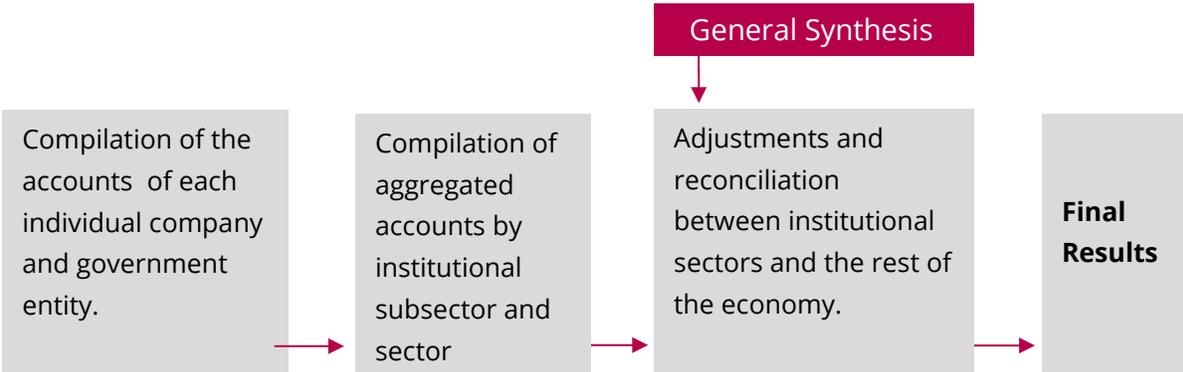
In order to compile the institutional sectors accounts from accounting information several tasks are performed, such as: the validation of basic information, its transformation in terms of national accounts, adjustments of the accounts and finally the aggregation of results.

As a result of this process, the accounts for each corporation and government entity are obtained and thereafter aggregated by subsectors and institutional sectors. These accounts are then used as the starting point to undertake the general synthesis process of national accounts.

The general synthesis of national accounts consists in achieving compatibility among each institutional sector data and the rest of the economy; it leads to carry out adjustments and amendments to the originally provided data used to calculate institutional sectors accounts. Among these adjustments the following ones can be mentioned: the incorporation of the financial intermediation services indirectly measured (FISIM), the recording of the households entitlements in pension funds, the compatibility of current and capital transfers and taxes, the accounting of insurance claims receivable, among others.

The fourth section of this document, chapters 15 to 17, describes the general synthesis of national accounts and explains the different adjustments and amendments made to the originally calculated accounts of institutional sectors. Figure 7 shows the different stages followed to compile the accounts of institutional sectors.

Figure 7. Stages followed in the compilation of the institutional sectors accounts



Source: DANE, DSCN

## 9.2. INFORMATION SOURCES

The institutional sectors accounts are compiled using different information sources depending on the sector; in the case of the accounts of financial and non-financial corporations and general government, the main information sources used are the financial statements that corporations and government entities present to the supervisory and regulatory institutions, such as the superintendencies and the General Accounting Office of the Nation. Each supervisory and regulatory institution has one or several charts of accounts that the entities under their control should use, which facilitates its use for statistical purposes.

The financial statements provide information on income, expenses, assets and liabilities which makes it possible compiling the system of accounts, defined for the

institutional sectors up to the financial account. Nevertheless, they are insufficient for the compilation of the balance sheets (according to the principles of the SNA)<sup>34</sup>.

The accounts of the households sector are compiled using households' surveys and information that is deduced from the rest of the system. The basic information used for the accounts of the rest of the world is the balance of payments and the estimates on the transactions related to illicit crops. Table 112 summarizes the information sources used in the compilation of the accounts for each institutional sector.

**Table 112. Sources of Information used for the compilation of the institutional sectors accounts**

Institutional Sector	Sources of Information
Non-financial corporations	Superintendency of Companies, Superintendency of Public Utilities, Superintendency of Health, Superintendency of Solidarity Economy, Superintendency of Finance, General Accounting Office of the Nation
Financial Corporations	Superintendency of Finance, Superintendency of Health, Superintendency of Solidarity Economy, General Accounting Office of the Nation
General Government	General Accounting Office of the Nation; Superintendency of Family Allowance; individual information from some specific entities and special funds
Households	Households Surveys and general synthesis of the system
Non-profit institutions serving households (NPISHs)	The National Electoral Commission (CNE); (Income and expenditure account), The National Labor Union School and DANE
Rest of the world	BoP and DANE for transactions related to illicit crops

Source: DANE, Division of national accounts (DSCN)

<sup>34</sup> Section 9.3.11 explains the difference between the financial statements and the balances of national accounts.

### 9.3. DIFFERENCES AND SIMILARITIES BETWEEN BUSINESS AND GOVERNMENT ACCOUNTING AND NATIONAL ACCOUNTING

Recognizing the fact that business and government accounting is to be used for statistical purposes, it is necessary to look into the accounting principles underlying the elaboration of these accounts and compare them with those used in national accounting.

“The design and the structure of the SNA draw heavily on economic theory and principles as well as business accounting practices<sup>35</sup>. Basic concepts such as production, consumption and capital formation are meant to be rooted in the economic theory. When business accounting practices conflict with economic principles, priority is given to the latter, as the SNA is designed primarily for purposes of economic analysis and policymaking”<sup>36</sup>.

The SNA mentions the following principles for the recording of economic transactions, assets and liabilities in national accounts:

- Following the principle of the quadruple entry, “a transaction must be recorded at the same value through all the accounts of both sectors involved. The same principle applies to assets and liabilities. It means that a financial asset and its liability counterpart have to be recorded for the same amount in the creditor and the debtor accounts”<sup>37</sup>.
- Market prices are the basic reference to value transactions, assets and liabilities. In the absence of market transactions, they are valued using as reference the market prices of similar goods or services.

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<sup>35</sup> In this chapter when discussing business accounting, this term should be understood in a broad sense, as referring also to the public sector accounting. In Colombia, government entities, in their book keeping, are obliged to follow the rules of the General Public Accounting Plan (PGCP), a system that broadly follows similar rules as those for business accounting.

<sup>36</sup> 2008 SNA paragraph 1.64

<sup>37</sup> 2008 SNA paragraph 2.58

- “Assets and liabilities are recorded at current values at the time to which the balance sheet relates, not at their original valuation.[...]. Ideally, values observed in markets or estimated from observed market values should be used”<sup>38</sup>.
- “Transactions internal (to institutional units) are valued at current values at the time these transactions occur, not at the original valuation. These internal transactions include change in inventories, intermediate consumption and consumption of fixed capital”<sup>39</sup>.
- Production is a central concept to national accounting whereas business accounting is not interested in this notion; its interest focuses on the estimation of sales and cost of sales.
- In national accounting, the accrual principal is preferred, and according to this principle the flows are recorded “at the time at which the economic value is created, transformed, exchanged, transferred or extinguished. This means that the flows that imply a change of ownership is recorded when the ownership is transferred, services are recorded when they are provided, output is recorded at the time products are produced and intermediate consumption when inputs are used”<sup>40</sup>. Stocks are recorded at the time referred to the account, usually at the beginning or end of the accounting period”.

The following sections present the differences and similarities between national accounting and business accounting, including government accounting on different topics, such as: the purposes, the language used, the scope of the accounts, the time of recording some transactions and their valuation, the value allocated to internal transactions, the treatment of accounting reserves, the concept of depreciation calculated with fiscal purposes related to the consumption of fixed capital, among others.

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<sup>38</sup> 2008 SNA paragraph 2.60

<sup>39</sup> 2008 SNA paragraph 2.61

<sup>40</sup> 2008 SNA paragraph 3.166

### 9.3.1. Purposes

Business accounting is the basis of microeconomic decisions. It is primarily a tool for management and control of corporations. It aims at presenting real information about the economic and financial situation of the companies to, the agents who exert control, such as shareholders, superintendencies and DIAN, among others. In the case of public entities, the purposes of accounting are to provide information for the management of entities, public monitoring and information disclosure. On the other hand, national accounting is the support for macroeconomic decision-making, being an important reference tool for the definition, development and evaluation of macroeconomic policy.

### 9.3.2. The language used

The language difference has to do with the emphasis on which the analysis is focused. For the entrepreneur, the sales variable is an indicator to determine whether the company's situation has a profitable or weak outlook. Meanwhile for national accounting, because of double entries between sales of ones and purchases of others, the key variable to establish the behavior of the economy as a whole is value added. The company, in its balancing items, uses the concept of "profit", while in national accounting, concepts such as value added, operating surplus and saving are used, as appropriate.

### 9.3.3. Territoriality

The national accounts record the transactions made by resident institutional units in the economic territory of the country. In certain cases, the corporations consolidate operations in the country with those of their branches established abroad, which, for national accounts purposes, are considered as separate institutional units (non-resident quasi-corporations); their transactions are not part of the transactions made by residents, and for that reason they are excluded from transactions of resident corporations.

### 9.3.4. The recording of transactions using the double and quadruple entry principle

In both national accounts and business accounting, the transactions are recorded using the traditional principle of double entry accounting. Each transaction is

recorded twice in the accounts of an agent, one as a resource or use and another one as a change of assets or liabilities. For example, the payment of salaries made by corporations, (see Table 113), is recorded as compensation payable to employees and also as a reduction of the assets (cash or deposits) for the same value. Another example is the purchase of machinery that increases the stock of fixed assets of corporations and reduces its cash holding or increases accounts payable or loans if the purchase is made using a credit line.

**Table 113. Business accounts. Recording the payment of salaries using double entry accounting - An Example**

<b>Million pesos</b>	
<b>Uses</b>	<b>Resources</b>
Salaries paid	1.000
Deposits	- 1.000

Source: DANE, Division of national accounts (DSCN)

When considering the consequences of an action on all the units and sectors of the economy, the recording of transactions is done following the quadruple entry principle. Each transaction generates four entries, equivalent and simultaneous in the accounts of the sectors, two entries for each agent involved in the transaction. A wage paid in cash by the government to households and recorded as a use, is recorded in households account as a resource. Correlatively, if the payment is made in cash, the cash assets, for the government, are reduced and the cash of households is increased by the same amount. Similarly, every sale of a fixed asset for an agent is a purchase for another one. The same principle applies for assets and financial liabilities, a liability of an economic agent constitutes in a symmetrical form, an asset for another one. This is illustrated below in Table 114.

**Table 114. Accounts of government and households sectors. Recording transactions using quadruple entry accounting - An Example**

<b>Government</b>				<b>Million pesos</b>
<b>Uses</b>		<b>Resources</b>		
Salaries paid	1.000			
change in assets	- 1.000			
<b>Households</b>				
<b>Uses</b>		<b>Resources</b>		
	1.000	Salaries received	1.000	
Change in assets	- 1.000			

Source: DANE, Division of national accounts (DSCN)

### 9.3.5. Valuation and moment of recording of transactions: the case of income tax

Recording transactions for the same value and at the same moment in the accounts of the payer and of the receiver, generates differences in relation to business accounting in the case of income tax.

“All taxes should be recorded on an accrual basis in the SNA, that is, when the activities, transactions or other events occur that create the liabilities to pay taxes.

However, some economic activities, transactions or events, which under tax legislation ought to impose on the units concerned the obligation to pay taxes, permanently escape the attention of the tax authorities. It would be unrealistic to assume that such activities, transactions or events give rise to financial assets or liabilities in the form of payables and receivables. For this reason the amounts of taxes to be recorded in the SNA are determined by the amounts due for payment only when evidenced by tax assessments, declarations or other instruments, such as sales invoices or customs declarations, that create liabilities in the form of clear obligations to pay on the part of taxpayers”<sup>41</sup>.

<sup>41</sup> 2008 SNA paragraph 7.84

As a consequence, for the government, the *income tax* as an income is recorded when its payment becomes due for payment, and this is also the principle that is followed in Colombia national accounts; as a consequence, the tax corresponding to the income generated in year  $n$  is due for payment in year  $(n+1)$  and thus is recorded in the accounts of government of year  $(n+1)$ . By contrast, in business accounting, the income tax is recorded when the business accounting is carried out, and is recorded to the accounting exercise to which the income corresponds. This means that the tax due for payment in year  $(n+1)$  is recorded as a charge payable in the accounting period corresponding to year  $(n)$ . This means that there is a difference between the recording principles of government and those of business accounting.

By recording the income tax at the time when it becomes due for payment to the government, the accrual basis principle recommended in the SNA is not strictly followed as according to this principle, current income taxes should be recorded when the corresponding income is generated. Nevertheless “In some cases the liability to pay income taxes can only be determined in a later accounting period than that in which the income accrues. Some flexibility is therefore needed in the time at which such taxes are recorded. Income taxes that are deducted at the source, such as pay-as-you-earn taxes and regular prepayments of income taxes, may be recorded in the periods in which they are paid and any final tax liability on income can be recorded in the period in which the liability is determined”<sup>42</sup>.

This principle will lead to include as government income only those taxes that actually will be payable, and not those that should be payable to government, acknowledging thus the existence of tax evasion.

### 9.3.6. Treatment of the changes in reserves and provisions as liabilities

The reserves and provisions in the assets constituted by businesses for possible future expenses (major repairs, compensation payments, maintenance, etc.), do not represent a transaction with third parties, and thus are not recorded as expenses in national accounting; they represent an internal source of funding of the units, that is,

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<sup>42</sup> 2008 SNA paragraph 8.61

part of their saving. By contrast, the expenses undertaken using the resource set aside through these provisions are recorded as transactions, thus:

- The major repairs undertaken and charged to reserves are recorded as gross fixed capital formation.
- Maintenance and current repairs paid from reserves are considered as intermediate consumption.
- The payment of compensations derived from legal actions and other concepts charged to reserves is recorded as a current transfer

Nevertheless, the constitution of other reserves as expenditure in the profit and loss account, like those for the payments of saving allowances, vacations and other social benefits, is recorded as expenses under the heading of compensation of employees payable, because these are expenses that imply as counterpart the recognition of an account payable benefitting employees.

### **9.3.7. Treatment of changes in reserves and provisions in the asset side of the accounts**

Similarly, the creation of reserves and provisions in the asset side of the accounts is intended to protect the value of assets, such as, property, plant and equipment, inventories, securities and portfolio and to anticipate potential capital losses resulting from the loss or damage to physical assets, or losses associated with financial assets, in particular bad debts. When an actual loss do occur and is written down against the reserve or provision made, this depletion does not relate to a transaction, and therefore, it is recorded in the national accounts as a “change in the volume of assets”; on the other hand, if any of these provisions is recalled, due for instance to risk reduction, this is recorded in the income statement as a recall of provision but it is not recorded in the national accounts as a transaction as no third party is involved.

In the balance sheet, provisions in the asset side are handled as follows:

Provisions balance year (n-1) + net provisions<sup>43</sup> created in the income and outlay statement year (n) – actual loss (written down against provision) in assets = Provisions balance year (n)

Table 115 presents an example of the movement of these provisions in the balance<sup>44</sup>.

**Table 115. Movements of provision for portfolio protection**

Financial Statement			Million pesos
Balance year (n-1)	Plus net provision created in income and outlay statement	Less actual losses in assets	Balance year n
-950	-680	65	-1.565

Source: DANE, Division of national accounts (DSCN)

In national accounts, actual losses in assets are only recorded in the “other changes in volume of assets” account.

### 9.3.8. Valuation of transactions and assets

In business accounting the inputs and the assets used in production are generally valued at historic costs while national accounts use the concept of opportunity cost.

“Business accounts commonly (but not invariably) record costs on an historic basis, partly to ensure that they are completely objective. Historic cost accounting requires goods or assets used in production to be valued by the expenditures actually incurred to acquire those goods or assets, however far back in the past those expenditures took place. In the SNA, however, the concept of opportunity cost as defined in economics is employed. In other words, the cost of using, or using up, some existing asset or good in one particular process of production is measured by the amount of

<sup>43</sup> The net provisions are equivalent to the provisions created in the period minus the provisions written off.

<sup>44</sup> The provisions on financial assets are presented as a credit entry (With a negative sign in the asset). It implies that increases in provisions appear with a negative sign and reductions in provisions appear with a positive sign.

the benefits that could have been secured by using the asset or good in alternative ways. Opportunity cost is calculated with reference to the opportunities foregone at the time the asset or resource is used, as distinct from the costs incurred at some time in the past to acquire the asset. The best practical approximation to opportunity cost accounting is current cost accounting, whereby assets and goods used in production are valued at their actual or estimated current market prices at the time the production takes place. Current cost accounting is sometimes described as replacement cost accounting, although there may be no intention of actually replacing the asset in question after it has been used"<sup>45</sup>.

The recording in national accounts of transactions on produced goods and existing goods at current market prices, at the time at which either production or intermediate consumption takes place, is different from the practice in business accounting; this generates differences on the estimated value of the change in inventories as it is explained below.

### **9.3.9. The calculation of change in inventories**

In national accounts, the goods that enter inventories must be valued at existing basic prices at the time of entry, that is, at prices at which they might have been sold when they were produced whereas goods when withdrawn from inventories must be valued at existing prices at the time they exit and not at the prices they had when entering inventories. This method of valuation of the changes in inventories is called "perpetual inventory method" or PIM. This method implies that when the prices are changing, the items that enter and exit from inventories, at different times, are valued at different prices, even within the same accounting period.

Change in inventories = Value of entry of merchandise into inventories valued at the current prices at the moment of entry - exit of merchandise of inventories at current prices at the moment in which they are withdrawn from inventories.

The perpetual inventory method or PIM, is not used in business accounting. In business accounting, goods withdrawn from inventories are usually valued at the prices they had when entering the inventories and not at actual or current prices at

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<sup>45</sup> 2008 SNA paragraph 1.65

the time of withdrawal. When there is inflation (or deflation) significant increases (or falls) of prices can occur while items are in stock, generating holding gains or losses that are not part of the change in inventories and should therefore be excluded<sup>46</sup>.

### 9.3.10. Implications of the estimated value of change in inventories on the value of output and intermediate consumption

In national accounts, the value of output is calculated by adding the value of changes in inventories of outputs to the value of sales:

Value of output = Value of sales + Value of changes in inventories

If the change in inventories is calculated according to the recommended method by national accounts, in times of inflation, the value of production is lower than the one that is obtained by the business accounting method, which is based on historic costs.

Likewise, in order to value intermediate consumption, the goods that enter inventories and exit from inventories for intermediate consumption purposes must be valued at current prices prevailing at the time of entry or exit and not at prices at which they were acquired.

### 9.3.11. Valuation of assets and liabilities in the balance sheet accounts

In national accounts, the assets and liabilities must be valued at current prices at the reference date of the balance sheet. For this purpose, the observable market prices need to be used, "When there are no observable prices because the items in question have not been purchased or sold on the market in the recent past, an attempt has to be made to estimate what the prices would be were the assets to be acquired on the market on the date to which the balance sheet relates"<sup>47</sup> On the contrary, according to the principles of business accounts the assets and the liabilities are reported at historic costs.

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<sup>46</sup> It corresponds to holding gains or losses in inventories that are included in the revaluation account.

<sup>47</sup> 2008 SNA paragraph 13.18.

“The financial statements in business accounts differ from the SNA accounts in the following fundamental aspects:

- The long term assets and liabilities, either financial or non-financial are recorded at bookkeeping values, that is, at historical cost, and therefore they are not revalued at market prices when prices change. The SNA values them at current market prices.
- In business accounts, the accumulated depreciation and depletion is calculated on the basis of historic costs of the assets and, therefore, their value is different from that obtained if all the fixed and financial assets were revalued at current market prices as is the rule in the SNA.
- In business accounts, inventories are valued using the FIFO, LIFO method or any other method, which is different to value them at current market prices, as the SNA recommends it, unless not changes in prices occur<sup>48</sup>.

In order to convert the financial statements (according to business accounting principles) into those compiled according to the principles of the SNA, at current market prices), “items in the balance sheets must be revalued which requires data on all financial and non-financial assets that are still being held in terms of historic costs, [...]. It is common to follow a short-cut method to calculate stocks of fixed assets by using the perpetual inventory method with data on historic series of annual gross capital formation (classified by types of capital goods), price indexes, assumed lifetimes and assumed depreciation curves of fixed assets. [...] Revaluation of bonds requires a knowledge of their acquired and maturity dates, the coupon interest rates and the current interest rates. [...] However, the revaluation of privately held stocks or owners' net equity must be based on the present value of expected net income for the corporations under consideration. To come up with a reasonable estimate of future net income would require more information from them<sup>49</sup>. As it was already explained in section 8.7, in Colombia the balance sheet accounts has not been compiled so far.

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<sup>48</sup> Handbook of National Accounting: Linking business accounting and national accounting. United Nations.

<sup>49</sup> Handbook of National Accounting . Linking business accounting and national accounting. United Nations. paragraph 1.143

### 9.3.12. The consumption of fixed capital CFC- and the depreciation allowance

The consumption of fixed capital (CFC) recorded in national accounts is a concept that is different from the depreciation allowance. The CFC measures the reduction of the present value of fixed assets used by the producer as a result of physical deterioration by normal obsolescence or normal accidental damages during the accounting period. According to the SNA, “consumption of fixed capital in the SNA is calculated on the basis of the estimated opportunity costs of using the assets at the time they are used, as distinct from the prices at which the assets were acquired. Even when the fixed assets used up are not actually replaced, the amount of consumption of fixed capital charged as a cost of production should be sufficient to enable the assets to be replaced, if desired”<sup>50</sup>. By contrast the depreciation allowance is often calculated based on the historic costs of fixed assets.

“When there is persistent inflation, the value of consumption of fixed capital is liable to be much greater than depreciation at historic costs, even if the same assumptions are made in the SNA and in business accounts about the service lives of the assets and their rates of wear and tear and obsolescence. To avoid confusion, the term “consumption of fixed capital” is used in the SNA to distinguish it from “depreciation” as typically measured in business accounts”<sup>51</sup>.

As explained before in section 8.7, for the time being, consumption of fixed capital is only calculated for the government sector, and not for the other sectors; for that reason, the balancing items of the accounts are presented in gross terms.

### 9.3.13. Relationship between profits and balancing items of national accounts

One of the differences between national accounting and business accounting lies in the expression “profit” used in business accounting to describe a balancing item, while in national accounts, different balancing items are calculated, such as value added, gross operating surplus, saving, net lending/net borrowing, etc., each of them having a

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<sup>50</sup> 2008 SNA paragraph 1.67.

<sup>51</sup> 2008 SNA paragraph 1.67.

specific economic meaning. The balancing items of institutional sectors accounts are enounced and defined in Annex 14.

Saving, the balancing item of current accounts, could be compared to the accounting profit, though it differs from this balancing item in several aspects. In the calculation of saving dividends paid are discounted, neither capital transfers that take place between sectors nor the portfolio losses and other assets losses caused by non-production-related events, such as, earthquakes or natural disasters, are included; gains or losses resulting from sales of land, fixed assets or financial assets are excluded and finally all the movements of reserves and provisions created by corporations which do not imply a transaction with third parties are excluded.

#### **9.3.14. Recording deferred expenses**

When a business carries out certain significant expenses, and in order not to affect the profit of the current period, it records them as deferred expenses in the balance sheet; these expenses usually include both current expenses (installation, materials and provisions, supplies to workers, etc.) and capital (expenses for remodeling, improvements of facilities, among others). They refer to expenses that business actually incur into in a given period, but whose cost is to be spread over several accounting periods, so as to avoid affecting the profit or loss of a single accounting period, by means of an amortization item in the profit and loss account.

From an accounting perspective, the business registers the incurred expenditure as a deferred asset which is amortized over time.

Deferred assets Dec (n-1) + actual expenditure year (n) – amortization of deferred expenses year (n) = Deferred asset Dec (n)

From this identity the actual expenditure for year (n) is estimated as follows:

Actual expenditure year (n) = Deferred asset Dec (n) – Deferred asset Dec (n -1) + amortization of deferred expenses year (n)

Within a national accounting perspective, those expenses are recorded in the period in which they are incurred into, irrespective of how the business enters them in its

balance sheets because they refer to transactions actually entered into with third parties.

### 9.3.15. Including pre-existing assets and liabilities

Government entities are enabled to incorporate existing assets or liabilities that may not have already been recorded in the balance sheets for some reasons. For this purpose, there is an item of net equity called “incorporated public net equity”, in which these assets are reported.

From a national accounts perspective, the increase of these assets is recorded in “Other changes in volume of assets accounts”, as they represent previously owned fixed assets, but that had not been recorded in the balance sheet. Its value is identified from the corresponding items in net equity.

For example, if there is an increase in the incorporated public net equity of a government entity for 3.000 thousand million pesos, this shows that the counterpart of that incorporation is a change in assets of public use of the asset (Table 116).

**Table 116. Example of recording the incorporation of public heritage 2008**

Thousand million pesos							
Assets	Balance year (n-1)	Balance year n	Change in balance sheet	Net equity	Balance year (n-1)	Balance year n	Change in balance sheet
Assets of public use	15.000	18.000	3.000	Incorporated public heritage	3.500	6.500	3.000

Source: DANE, Division of national accounts (DSCN)

## 9.4. CONVERSION OF FINANCIAL STATEMENTS INTO NATIONAL ACCOUNTS

The financial statements provide comprehensive and consistent information on transactions engaged in by businesses, their assets, liabilities and additional amendments enabling the compilation of the production account up to the financial account.

The statement on income and outlay provides information on current incomes and the composition of the expenses which makes it possible to compile the accounts from the production account up to the use of disposable income accounts.

The accumulation accounts (capital, financial, other changes in volume of assets and revaluation) are compiled mainly based on the difference between the balance sheet of year (n) and of year (n-1). The process consists in breaking down the changes in the values reported in the balance sheets into what corresponds to transactions, to revaluations<sup>52</sup> and to changes in volume of assets. In order to perform this task, data from the income statement are combined with the variations of the balance sheets; thus for instance, comparing the movements of provision from the income statement with those derived from the comparison of consecutive balance sheets, makes it possible to establish the value of assets that have been written down which are considered as changes in the volume of assets (see 9.3.7).

As explained in section 9.3.11, in order to obtain the balance sheet accounts according to the SNA, all assets and liabilities of the balance sheet need to be revalued at current market prices on the date of the balance sheet; in Colombia the balance sheet of national accounts have not yet been compiled.

Table 117 establishes the global relationship between the financial statements and the national accounts.

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<sup>52</sup> The revaluations and changes in volume assets that are obtained in this stage of the process correspond to those calculated according to the existing balance sheet.

**Table 117. Relationship between the financial statements of corporations and the national accounts**

Financial Statements	National Accounts
Profit and Loss account year n	Production and generation of income account; allocation of primary income account; secondary distribution of income account; redistribution of income in kind account; use of disposable income account;
Change of Balance sheets years n and (n-1)	Capital and financial account; other changes in volume of assets account; revaluation accounts.

Source: DANE, Division of national accounts (DSCN)

## 9.5. STAGES FOR THE COMPILATION OF INSTITUTIONAL SECTORS ACCOUNTS BASED ON BUSINESS ACCOUNTING

In order to compile the institutional sectors accounts (those of general government, financial and non-financial corporations), which source of information are the financial statements, the following stages are followed annually:

1. Validation of the basic information included in the financial statements
2. Transformation of financial statements in terms of national accounts
3. Adjustments to the accounts
4. Elaboration of aggregated results for institutional sectors and subsectors
5. Definition of the sample of entities to be considered in the calculation
6. Analysis of the information and of its chronological consistency
7. Integration of the accounts of each sector with the rest of the system of national accounts

The first 3 stages of the process are carried out for each corporation and each government entity; then, the results are added for institutional subsectors and sectors as a fourth stage.

Stage 5 is only applied to the private non-financial corporations sector, (see section 9.5.5 and chapter 12). In other sectors, the accounts are compiled based on all the entities that makeup the sector.

Stages 6 and 7 are carried out for all institutional sectors.

### **9.5.1. Validation of the basic information included in the financial statements**

The purpose of this stage of the process is to determine if there have been changes on the standard chart of accounts (PUC), to control the consistency of basic information, to update the directories of the entities and control its coverage.

#### **Identification the changes having occurred in the Standard Chart of Accounts (PUC)**

This stage consists of identifying the new items that appear in the Standard Chart of Accounts (PUC) issued by the different supervisory and regulatory institutions, in order to allocate the corresponding national accounts code to each item of the accounts and if necessary, to update the equivalence tables in the computerized system.

#### **Basic information controls**

These controls aim to check the consistency of basic information, by entity:

The basic accounting equations are tested to check whether or not they are being fulfilled. The financial statements are verified to confirm the coherence between income, expenses and costs, assets, liabilities and net equity. The sum of lines and total; the totals of financial statements must be correct and match at (4 digit) account, (2 digit) group and (1 digit) class.

#### **Verification of accounting equations**

Assets - Liabilities - Net equity = 0

Income - Expenses - Costs = 0

The coherence on information time is verified, that is, it is verified that the changes of the main accounts of PUC are expressed in the two years in the same unit i(in this stage, the accounts are analyzed in thousand of pesos)<sup>53</sup>, if changes in income, expenses, assets and liabilities exceed 35%, the source needs to be checked.

The controls for each group of entities are established according to the corresponding accounting plan - PUC. Around 30 checks are conducted on average.

### **Updating of directories and coverage control**

The purpose of this update is to report new events that might haven taken place during a period, as well as to identify and incorporate new entities in the directory, as well as those entities that failed to report.

Coverage control: the purpose of this task is to determine the number of units that reported information in year (n-1) and (n), compared to the universe. For those who have not reported, according to the database, the information is requested or estimated.

### **9.5.2. Conversion of accounting information in terms of national accounts<sup>54</sup>**

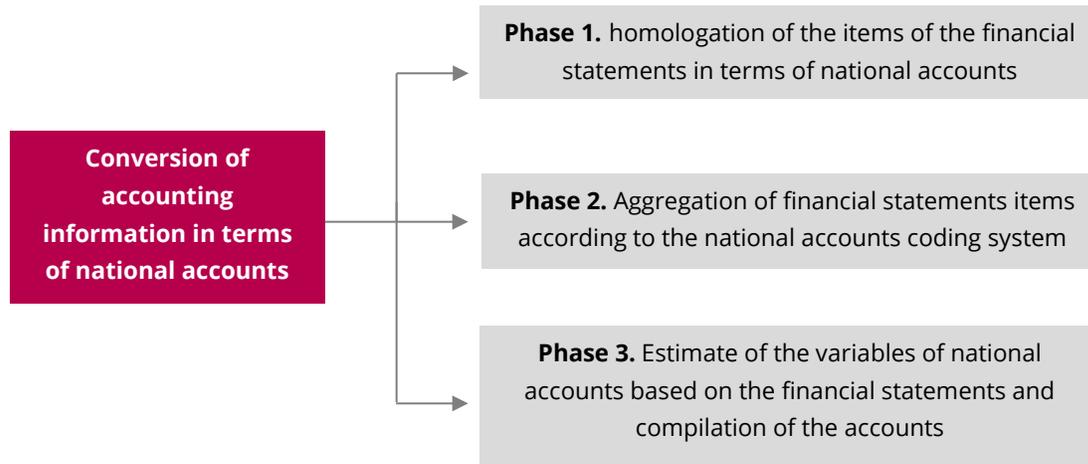
The work at this stage consists in compiling the accounts of businesses and government entities that make up each sector, from accounting information. It implies the performing of several tasks described as phases, e.g. the homologation of the items of the financial statements in terms of national accounts, the aggregation of the values according to the national accounts coding system, the estimate of variables of national accounts and the elaboration of the accounts of each corporation and government entities. See Figure 8.

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53 This analysis is carried out in an automatic form, the calculation is carried out in thousand pesos due to the basic information that is stored and analyzed in this unit.

54 To explain this stage, annex 15 presents an example of how a financial statement of a company, is converted in terms of national accounts.

Figure 8. Phases of the compilation of the institutional sectors accounts based on business accounting information



Source; DANE, DSCN

Details of each described phase displayed in Figure 8 can be found below:

### **Phase 1. Homologation of the financial statements items in terms of national accounts**

A first step consists in establishing the equivalence in terms of national accounts of each item of the income and outlay account and of the balance sheet. This phase is performed only once, when beginning to use a specific source based on a given Standard Chart of Account but is updated every year as the Standard Chart of Accounts is modified.

For this purpose, the Standard Chart of Accounts - PUC- at the most detail level, 6-digit is used to determine its correspondence with the variables of national accounts. The codes of the variables defined in the 2005 base are in line with SNA 1993 (see Annex 5).

In the homologation phase of the items of the financial statement in terms of national accounts, three cases are possible:

1. The financial statement item corresponds to a single code of national accounts.
2. The financial statement item corresponds to more than one code of national accounts.
3. The financial statement item is part of a formula (referring to the combination of items of the income and outlay statement and of the consecutive balance sheets to obtain the value of a national accounts variable).

Annex 15 illustrates the methodology used to homologate the financial statements items to national accounts using an example, in which the abovementioned three cases are considered.

The third case needs to be pointed at. Formulas are defined that mean the performance of different operations with a greater or lesser degree of complexity.

The example explains the formulae used to perform the calculations of:

- The expenses charged against reserves and provisions as liabilities
- Assets lost or written off from the balance sheet
- The treatment of the tax on income and wealth
- The dividends paid
- Gross Fixed Capital Formation (GFCF)
- The revaluation of assets and financial liabilities
- The adjustment by valuation of capital contributions

## **Phase 2. Aggregation of items of the financial statements according to the national accounts coding system**

Once the financial statements have been coded in terms of national accounts, items corresponding to the same code are added, separating income, expenditure, assets

and liabilities plus net equity and verifying that the totals are identical to those of the original document.

### **Phase 3. Estimating the variables of national accounts based on the financial statements and compilation of the accounts**

From the results of the previous phase, the value of each variable of national accounts is calculated and the accounts are elaborated. This process is performed for each company and government entities. Annex 15 explains how to perform this calculation using an example.

In order to speed up the process, an automatic system of calculation has been developed (a software made of modules tailored to every Standard Chart of Account)<sup>55</sup> which generates three types of information:

- Accounts of corporations and government entities.
- A detail file of variables in which each variable and each of the elements that pertain to their calculation can be reviewed.
- Reports of financial statements for periods (n-1) and (n) by corporations and government entities.

#### **9.5.3. Adjustments to the accounts**

Phase 3 consists in adjusting the accounts of a corporation or government entity, which are obtained in the previous stage. These adjustments respond to the specific needs, such as: classification of the item “other income and expenses” that may correspond to different categories according the corporation; correction of apparent misclassification made by the source of accounting categories, and/or to different meaning of the balance sheet categories according to the type of corporation.

The following explains some of the adjustments that are made and their origin.

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<sup>55</sup> These modules are identified according to the entity from where the accounting information is derived; this is explained in section 9.6.

- There are PUC items to which a specific transaction code of national accounts was assigned, as in the case of constructions in progress; these are classified as “other structures”. However, these categories may correspond to another type of assets for some corporations, for example “non-residential buildings”. For those corporations, the GFCF code is changed.
- Sometimes the corporations do not follow the rules defined in the Standard; therefore, when the general methodology is applied inconsistent results are obtained<sup>56</sup>. An example is the recording of incorporated fixed assets made by some government entities by increasing the fiscal net equity and not the incorporated net equity, as the accounting rule says. This generates an adjustment in fixed assets which does not correspond to the economic reality and thus should be corrected (see section 9.3.15 that explains the form that government entities record the incorporated fixed assets).
- Other categories of the financial statement may correspond to more than one variable of national accounts such as: “other extraordinary income and expenditure”; these include elements corresponding to production, transfers, intermediate consumption, etc. Getting back to the source, the real nature of these items is determined and they are reallocated to the correct category.
- In some entities, the adjustments are derived from a reclassification of the balance sheet categories; in the case of government entities that provide directly health care services to their employees, initially, these are considered as non-market output (equivalent to the sum of costs); however, due to the fact that these health care services are provided as social benefits to their employees, these are reclassified as market output and the counterpart corresponds to social transfers in kind.

When the adjustments phase has been concluded, an updated file is generated in which the aggregated results by institutional subsector are obtained.

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<sup>56</sup> The methodology to compile the accounts has been defined on the basis of the Standard Charts of Accounts that define the rules that the companies must follow. If for any reason, this is not the case, the accounts of the company will certainly fail to pass the screening process.

#### **9.5.4. Issuing aggregated results for institutional sectors and subsectors**

Once the files have been cleaned-up, the entities and corporations are aggregated according to their economic activity, subsector and institutional sector. For this purpose, the files are cross-classified with the directory where the necessary attributes appear in order to identify and aggregate the corporations or government entities accordingly by economic sectors, institutional subsectors and sectors.

#### **9.5.5. Definition of the sample of corporations to be included in the calculation**

In the non-financial private corporations subsector, the universe of corporations is not included annually, due to the fact that the coverage of available information is only a part of the universe. Thus, the accounts of this subsector are constructed on the basis of a sample of corporations, from which the results of the accounts of year (n-1) are projected. The sample of each year is made up of common corporations in both years plus the corporations set up in year n, less the corporations that have left the business. These corporations are obliged to report to the Superintendency of Companies, of Finance and of Solidarity Economy.

#### **9.5.6. Information analysis and consistency overtime**

The consistency of information overtime requires that changes of the main variables of national accounts do not exceed a certain percentage considered acceptable with respect to the previous year; for the purpose of the accounts, a 35% has been defined; if the variable of national accounts exceeds this limit, a review is applied and adjustments are made as needed.

#### **9.5.7. Integration of the accounts of each sector with the rest of the system of national accounts**

As explained in section 9.1, the last stage of the process is carried out in aggregated form, by sector or subsector, at the time of the general synthesis of the national accounts. It consists of achieving the consistency of the accounts of each sector with the rest of the economy; the explanation of the procedure is to be found in the fourth part of this document, chapters 15 to 17.

## 9.6. AUTOMATED SYSTEM FOR ESTIMATING THE INSTITUTIONAL SECTORS ACCOUNTS WITH ACCOUNTING INFORMATION

In order to compile the institutional sectors accounts, a software was designed and implemented aiming at automatically calculating the accounts of non-financial and financial corporations, and of general government. It is a general software that is adaptable to features, content and presentation of every accounting standard. It is applied to institutional units for which standard information is available: corporations and government entities monitored and controlled by the General Accounting Office- (Software for government and public corporations, called SIGOB and SIEMP), The Superintendency of Companies (SISOC), the Superintendency of Public Utilities (SISEP), the Superintendency of Solidarity Economy (SISOL) and Superintendency of Finance (SIFIN).

### 9.6.1. Characteristics of the system

The automated calculation system of institutional sectors accounts has the following characteristics:

- It systematizes the tasks that are required to build the accounts, from the control of basic information, up to the phase of adjustments and production of results.
- It includes all the accounts proposed by 1993 SNA, from the production account, generation of income account, allocation of primary income account, to the balance sheet accounts<sup>57</sup> and changes of the balance sheet.
- It enables the calculation of results on a quarterly and annual basis, in the cases in which the sources provide information according to these periodicities.
- It allows the corporations and government entities to be studied as a statistical population. The accounts are compiled and stored in individual form in such a

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<sup>57</sup> The scope of the automated system to compile the institutional sectors accounts goes up to the balance sheet accounts, but in which the values of assets and liabilities are those that appear in the balance sheet of companies and government entities. The purpose is to manage the financial statement a consistent source of information but not to elaborate the balance sheet of national accounts according to the SNA. (see 9.3.11).

way that they can be consolidated according to several criteria, among which: form of ownership, main economic activity, size, location, legal form, institutional sector and subsector.

- It gives the possibility to crosscheck information with other statistical sources.
- It makes it possible for the results to be obtained in different presentations as the sequence accounts by sector, consolidated financial statements and details by economic variable.
- It makes it possible to consult case by case as well as in an aggregated form according to corporations and government entities, and facilitates adjustments to be made when needed.
- It makes possible the identification and reconstruction of the different stages of the process.
- It is designed in such a way that it can be extended to other corporations, such as those controlled by the Superintendency of Family Allowance and that of Health Care, among others.
- It can be used to generate results within intermediate systems<sup>58</sup>, such as: fiscal statistics, or special accounts of financial and non-financial corporations.

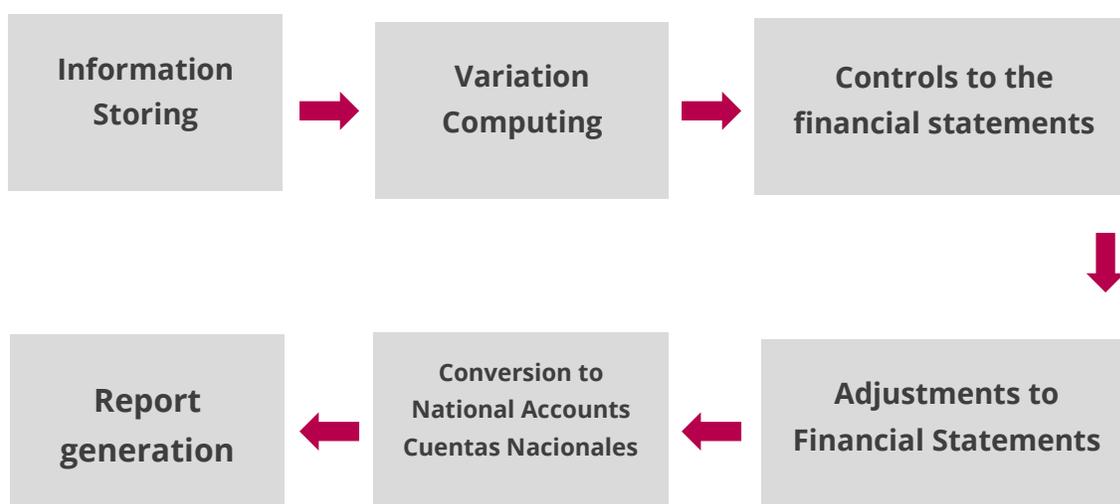
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<sup>58</sup> Intermediate systems are those built based on the basic information of sectors, with useful aggregations for economic analysis, but without making consistency adjustments with the rest of the economy.

## 9.6.2. Processes followed by the national accounts software

The system consists of the following stages: incorporation of the core files of the system, validation of information, generation of stocks, flows and variations, application of the adjustments to financial statements, conversion of accounting information adjusted in terms of national accounts, generation of reports and output tables by company and aggregate and final adjustments to the accounts. Figure 9 displays the steps of the system.

Figure 9. Processes followed by the software for the compilation of institutional sectors accounts with accounting information



Source: DANE

## 10. ACCOUNTS OF THE GENERAL GOVERNMENT SECTOR

### 10.1. OVERVIEW

This chapter presents the definition of the general government sector<sup>59</sup> and its subsectors and describes its specific features in terms of sources of information used, methodology followed in the compilation of the accounts, in particular the production account, as well as the final consumption expenditure, the calculation of the consumption of fixed capital and the consolidation of the transfers within the general government sector<sup>60</sup>.

The specific features of the compilation of the general government sector accounts can be summarized as follows:

- A specific procedure for the compilation of the production and generation of income accounts by industries according to ISIC 3.1, using the establishment as the statistical unit. For the rest of the accounts of the sector, the statistical unit is the institutional unit (see section 10.7.1. for the development of the issue).
- The output of the general government sector is typically non-market which is measured using the sum of costs (intermediate consumption, compensation of employees, other taxes on production and consumption of fixed capital (CFC)). The CFC is calculated using the perpetual inventory method (PIM). In Colombia the general government sector is the only one for which consumption of fixed capital is calculated, as it is a necessary step towards the estimation of non-market output; omitting to do so would entail an undervaluation of its contribution to GDP<sup>61</sup>. In section 10.3 the non-market production of general government is defined, as well as the method followed for its compilation and how it is broken down.

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<sup>59</sup> The general government comprises three (3) subsectors: the central government, the local government and social security funds.

<sup>60</sup> Annex 16 explains the operation of the system of social insurance in health and how it is described in the accounts.

<sup>61</sup> In section 10.4, the consumption of fixed capital is defined and the methodology that is used for its compilation is described

- Another specific feature of the accounts of the general government is the calculation of government final consumption expenditure (GFCE). This variable includes the non-market services produced by the general government and consumed for its own use, for example the general administration services, or non-market education, as well as market output purchased by entities belonging to the sector and provided to households without any transformation, as is the case health of care services.
- In order to compile the accounts of the general government it is necessary to reconcile the values of current transfers receivable and current transfers payable within the government sector itself. In principle, the amount that appears as income of the beneficiary must be equal to the amount of the expenditure of the payer, but this is not always the case; this identity is verified by using the matrix of internal transfers in which the records of the amounts payable and receivable are compared and the flows are reconciled<sup>62</sup>.

## 10.2. DEFINITION OF THE GENERAL GOVERNMENT SECTOR (S.13)

According to SNA 2008, “The general government sector consists mainly of central, state and local government units together with social security funds imposed and controlled by those units. In addition, it includes NPIs engaged in non-market production that are controlled by government units or social security funds”<sup>63</sup>. “Government units are unique kinds of legal entities established by political processes that have legislative, judicial or executive authority over other institutional units within a given area”<sup>64</sup>. The general government sector includes institutional units whose main function consists in producing non market goods and services, for individual households and the community in general. The main source of funding comes from compulsory payments (taxes, fees, fines, compulsory social security contributions or other transfers) of the other institutional units. In the same way, their main function is to conduct operations of distribution and redistribution of income and of national wealth.

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<sup>62</sup> Section 10.5 describes the matrix of internal transfers

<sup>63</sup> 2008 SNA paragraph 4.30.

<sup>64</sup> 2008 SNA paragraph 4.117

### 10.2.1. Identification of the institutional units that are part of the general government sector, 2005 base

For the 2005 base year, a special work was carried out in order to identify the institutional units that comprise the general government sector. A procedure was defined consisting in 3 questions to be answered in sequential form:

- Is the entity an institutional unit?
- Is the institutional unit a non-market producer?
- Is the institutional unit controlled by government?

The entities for which the response to the three questions were affirmative were understood as belonging to the general government sector; the starting point for the study was the register of the public entities, consolidated by DANE in resolution 38 of 2003 and updated in 2006<sup>65</sup>.

First of all, the list of entities that could be considered as institutional units, was established that is, those that met the characteristics of such units<sup>66</sup>. The organizations not considered as independent institutional units are to be part of the institutional unit that controls them.

A unit is considered as a non-market entity when its main function consists of carrying out transactions of redistribution of income or of national wealth. Otherwise, it is necessary to determine if the goods or the services produced are sold at a price that covers less than 50% of the production costs or what is the same, if it sells all or most of its production at non-economically significant prices.

In order to determine whether an institutional unit is controlled by a government unit, the capacity to determine its general policy, its program and, most frequently that of appointing its directors is analyzed. The control often implies the ownership of the unit or of its assets.

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<sup>65</sup> Section 10.2.2 refers to the register of entities belonging to the general government sector

<sup>66</sup> These will be analyzed in detail in the part of the definition of the institutional units.

## ▪ Definition of institutional units

In order to establish if an entity is an institutional unit, the definition of such units is to be considered: "An institutional unit is an economic entity that is capable, in its own right, of owning assets, incurring in liabilities and engaging in economic activities and in transactions with other entities. [...]. Either a complete set of accounts, including a balance sheet of assets and liabilities, exists for the unit, or it would be possible and meaningful, from an economic viewpoint, to compile a complete set of accounts if they were to be required"<sup>67</sup>.

From the point of view of government entities, we have first of all those which are included in the general budget of the nation, denominated budgetary entities, that although they present complete financial statements including profit and loss accounts and balance sheets to the General Accounting Office of the Nation, they do not fulfill all the characteristics of an institutional unit in the following aspects:

- Their assets are owned by the nation.
- They are not capable, in their own right in incurring liabilities. Their liabilities are assumed by the Ministerio de Hacienda y Crédito Público (Ministry of Finance and Public Credit), as representative of the public authority; and the latter has the obligation to make the corresponding payments to third parties through the resources that it transfers to those entities.
- Their income derives totally from the budget of the nation.
- The services provided are not sold.
- They perform non-market transactions.
- The President of the Republic appoints the heads of entities such as Ministers, Directors of Administrative Departments, Superintendents, Directors of Special Administrative Units, or in the case of the authorities of

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<sup>67</sup> 2008 SNA paragraph 4.2

the controlling or electoral bodies, they are chosen by the organs that represent the citizenship. This is the case of the Solicitor chosen by the Senate, that of the Comptroller which is elected by Congress and that of the Head of the Population Registrar Office who is elected by the Electoral National Council.

- The government through legislation takes part in the decisions of the public entity by appointing members of the directive body that orient its activities; as is the case in setting up the board of directors of the commissions of regulation of gas, drinkable water, health care, and telecommunications.

As a consequence, “the entities included in the general budget of the nation constitute a single unit that covers the fundamental activities of the executive, legislative and judicial powers of the nation. El Ministerio de Hacienda y Crédito Público – (The Ministry of Finance and Public Credit)-, or its equivalent, regulates and in most cases has authority on its income as well as on its costs through the general budget adopted by the legislative body. Most ministries, administrative departments, offices, commissions, judicial authorities, legislative bodies and other entities of the central government are not individual institutional units, but they are part of this primary budgetary unit of the central government because in general none of them is capable, in its own right, of acquiring assets, contracting liabilities or engaging in transactions”<sup>68</sup>. These entities constitute a single institutional unit denominated “National Central Government”<sup>69</sup>.

Additionally, there is a second group of entities, called extra-budgetary entities that comply with the characteristics that define institutional units. These entities not only receive contributions from the nation under the form of transfers, but they can also have their own sources of incomes and have autonomy to use their resources. Among these, we can mention the Instituto Geográfico Agustín Codazzi- IGAC - (the

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<sup>68</sup> Document on the classification of entities of the Colombian public sector. Ministerio de Hacienda y Crédito Público. Dirección General de Política Macroeconómica. Bogotá D.C (Ministry of Finance and Public Credit. General Direction of macroeconomic Policy). Bogotá D.C. November 2012. Paragraph 3.1.1

<sup>69</sup> See section 10.2

Colombian Cartographic Institute), the Instituto Colombiano de Bienestar Familiar – ICBF - (the Colombian Institute for Family Welfare), etc.

### ***Special cases of the general government sector***

As special cases of entities that are part of the general government sector, the following can be mentioned:

- The embassies, consulates, military bases and similar; although they are located in other countries, they are not considered as institutional units, because they do not have separate accounts but they are part either of the Ministry of Foreign Affairs or of the Ministry of Defense; additionally, according to SNA 2008 as well as to the Balance of Payments Manual, they are part of the economic territory<sup>70</sup> of the country they represent, regardless of their location.
- The funds of the government such as the Fondo de Solidaridad y Garantía – (FOSYGA) (Solidarity and Guarantee Fund of the Social Security System in Health Care), the Fondo de Prestaciones Sociales del Magisterio (Fomag) (Teachers’ Social Benefit Fund), the Fondo de Pensiones de las Entidades Territoriales (FONPET) (National Pension Fund of Regional Entities) and the Fondo de Pensiones Públicas del Nivel Nacional (FOPEP) (Public National Pension Funds): they are managed by trusts, and their purpose is, for the first of them, to handle the resources of the health care contributive system;

the second one is in charge of the payment of retirement savings allowance and other social benefits to the teachers, the third one manages the pension entitlements of the territorial entities and the last one is in charge of paying the pensions corresponding to public entities that have disappeared. These funds are considered as institutional units though they are not legal entities.

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<sup>70</sup> The economic territory also includes territorial enclaves in the rest of the world. These are clearly demarcated land areas (such as embassies, consulates, military bases, scientific stations, information or immigration offices, aid agencies, central bank representative offices with diplomatic immunity, etc.) located in other territories and used by governments that own or rent them for diplomatic, military, scientific, or other purposes with the formal agreement of governments of the territories where the land areas are physically located. 2008 SNA paragraph 4.11

### 10.2.2. Content of the register of entities of the general government

The register of entities of the general government sector which was used for the elaboration of the accounts of this sector for the 2005 base, derives from the work developed together on this topic by the entities that produce government statistics, among them the General Accounting Office, DANE and the Central Bank.

Taking into consideration the recommendations of the 2003 International Monetary Fund Public Finance Mission, that asked for the revision of the classification of entities of the public sector, some inter-institutional research was conducted in order to update and to harmonize the list of public entities; as a result of this work DANE generated an official register<sup>71</sup> of public entities.

For year 2006 the register of year 2003 was updated, taking into consideration the entities that were merged, divided, closed and created, obtaining a new list of entities that although not officially presented, is used by all entities as the basis of their public finance statistics; this list was used as an important element to make up the register of the entities of the general government, for the 2005 base. This register is reviewed annually with the purpose of including the new entities and to eliminate those that have merged or disappeared; it is worth mentioning that this process was important in 2011 and 2012 due to the new organization of the state that was developed through seventy decrees issued by the national government.

For the 2005 base year, the register of general government includes 1746 entities.

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<sup>71</sup> By DANE's resolution 38 of year 2003

### 10.2.3. Subsectors of the general government

The general government sector is broken down into three subsectors according to their field of responsibility: central government, local government and social security funds:

- The central government includes those institutional units which field of action includes the whole economic territory; it has the responsibility of imposing taxes on the resident and nonresident units that engage in economic activities in the country. Within its responsibilities the following ones are worth to be mentioned: the national defense, the relations with foreign governments, the adoption of laws and dispositions, and the maintenance of law and order.

This subsector includes:

The groups of budgetary entities that comprise the institutional unit of the “National Central Government”, include:

- The Ministries and Administrative Departments
- The Supervisory Bodies and Special Administrative Units
- The National Agencies and Commissions
- The Legislative Bodies and Judicial Power
- The Entities of Control and Electoral Power

Other extra-budgetary entities: this class of entities not only receives contributions from the nation under the form of transfers, but they can also have own sources of incomes and have autonomy to use their resources; the following ones can be mentioned:

- Public Establishments such as the Servicio Nacional de Aprendizaje- SENA – (National Learning Service), the Instituto Colombiano de Bienestar Familiar - ICBF – (Colombian Institute for Family Welfare),the Instituto Nacional de Vías- INVIAS - (the National Roads Institute ), etc.
- The Regional Autonomous Corporations

- The Public Universities and the technical and technological Institutes pertaining to the national level.
- *The local government:* it includes the institutional units whose fiscal, legislative and executive power extends to geographic areas smaller than that of the central government (departments and municipalities), it also includes the decentralized entities of the local level that meet the conditions requested to belong to the sector. The local government includes the departments and municipalities, the public establishments and the decentralized entities at department and municipal level, comprising the following governmental entities:
  - Mixed Culture Funds
  - Institutions of Higher Education
  - Metropolitan Areas
  - Municipalities Partnerships
  - Funds for Social Interest Housing
  - Healthcare entities
  - Institutes of Recreation and Tourism
- *The social security funds:* they include the institutional units that operate in all the levels of the government, and which are part of the social insurance system<sup>72</sup>, and are controlled by units of the government. Additionally, in the Colombian case, they also include the social insurances entities that protect exclusively employees of the public sector such as the employees of congress, teachers and the National Police; their main activity consists of providing social benefits and they meet the following conditions:

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<sup>72</sup> Annex 16 defines the social insurance system and how the contributive and subsidized social insurance system operate.

- Specific groups of the population are obliged to participate in the system or to pay contributions.
- The Government is in charge of the administration and management of the system, and determines the amount of the contributions and social benefits.

They are part of the system:

- The entities that manage and register affiliates.
- the Fondo de Solidaridad y Garantía (FOSYGA) (Solidarity and Guarantee Fund of the Social Security System in Health Care).
- The Instituto de los Seguros Sociales (ISS) (Social Security Institute) administrative unit.
- the ISS autonomous pension funds (old age, disability and survival) that handle the pensions of the defined benefit system which operate under Law 100 of 1993 or of special social insurance systems.
- the entities in charge of managing the social insurances in health for public employees that do not compensate in FOSYGA and whose incomes from social contributions do not cover the benefits payable and for that reason part of their resources derives from government transfers<sup>73</sup>.

Additionally this subsector includes the Cajas de Compensación Familiar (CCF) Family Allowance Funds, because in spite of not being public entities, they are imposed and controlled by the government with the purpose of collecting and managing the family allowance and other benefits for the families on behalf of the government. The international recommendations consider the family allowance as a typical social insurance benefit. Table 118 lists the entities that belong to this subsector.

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<sup>73</sup> See Annex 16

**Table 118. List of Entities that are part of the subsector of social security funds 2005**

Entities
Armed Forces Retirement Fund
National Police Retirement Fund
Congress autonomous Pension Fund
CAJANAL[1] autonomous pension fund
CAPRECOM[2] autonomous pension fund
Universidad del Cauca autonomous pension fund
ISS autonomous disability pension fund
ISS autonomous survivors pension fund
ISS autonomous old age pension fund
Social insurance of the employees of Congress
Teachers' social insurance fund
Social insurance Fund of Colombia's National Railway
Social insurance fund of the Superintendency of Finance (CAPRESUB[3])
Manager of Antioquia's pension fund
Solidarity and Guarantee Fund of the Social Security System in Health Care (including all its subaccounts) (FOSYGA[4])
Bucaramanga Municipal Social Insurance Fund
Boyaca Departmental Social Insurance Fund
Allowance Funds

Source: DANE, Division of national accounts (DSCN)

[1] National Social Security Fund Family, for its acronym in Spanish

[2] Communications Social Security Fund for its acronym in Spanish

[3] For its acronym in Spanish

[4] For its acronym in Spanish

## 10.3. CONCEPTUAL ASPECTS OF THE GENERAL GOVERNMENT ACCOUNTS

### 10.3.1. Measuring production

#### *Non-market production (P.13)*

The output of general government consists typically of non-market output. This output consists of individual or collective goods and services produced by general government and provided free of charge or at prices that are not economically significant, to other institutional units or to the community as a whole. It includes the collective public administration, defense, public order and safety services, whose output is organized collectively by general government units and financed through taxation and other compulsory contributions, and individual services of education, health care, recreation, for which the general government could charge, but refrains to do so, for social or economic policy reasons.

By convention non-market output is valued on the basis of production costs, including consumption of fixed capital<sup>74</sup>, plus taxes (less subsidies) on production. Any other incomes that government units perceive for non-market output (such as the entrance fees to museums or enrollments to public education establishments), are called partial payments of households and are part of non-market output (P131). The net operating surplus of establishments engaged in non-market production, is by definition equal to zero so that gross operating surplus is equal to the consumption of fixed capital.

According to data in table 119, last column, the total non-market output of general government establishments engaged in non-market production in thousand million pesos is equal to:

$$P.1 = \Sigma \text{ costs} = IC + CE + CFC + TP = 22.378 + 34.707 + 4.775 + 1.010$$

$$P.1 \text{ 2008} = 62.870$$

<sup>74</sup> The method used for the estimate of fixed capital consumption is explained in section 10.4

The establishments dedicated to non-market production can have a secondary market production; in this case, the value of their non-market output (P.13) is derived residually as the difference between the total value of output and their market output.

Non-market output (P.13) = Total output (P.1) - market output (P.11)

Non-market output (P.13) = 62.870 – 3.567 = 59.303

### **10.3.2. Breakdown of non-market output of general government. The non-market output of services of the general government is broken down into: collective services and individual services**

The collective services correspond to the services provided to the collectivity in general, such as general administrative services, administration of social security, the provision of security and defense, the maintenance of public order, justice, police, legislation, environmental protection, among others.

The individual services are provided individually to households for free or almost for free. They include education, health, recreation, and cultural services.

#### ***Individual Goods and Services***

“The individual goods and services are essentially “private”, as distinct from “public”, goods and services. They have the following characteristics:

- It must be possible to observe and record the acquisition of the good or service by an individual household or member thereof and also the time at which it took place.
- The household must have agreed to accept the provision of the good or service and to take whatever action is necessary to make it possible, for example, by attending a school or clinic.
- The good or service must be such that its acquisition by one household or person, or possibly by a small, restricted group of persons, precludes its acquisition by other households or persons”<sup>75</sup>.

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<sup>75</sup> 2008 SNA paragraph 9.92.

Among individual services the non-market services of education and leisure and recreation may be mentioned.

### **Collective Services**

They are those kinds of services that are provided collectively to the community as a whole; the characteristics of these collective services may be summarized as follows:

- a. "The collective services are delivered simultaneously to every member of the community or to particular sections of the community, such as those in a particular region or a locality;
- b. The use of such services is usually passive and does not require the explicit agreement or active participation of all the individuals concerned; and
- c. The provision of a collective service to one individual does not reduce the amount available to others in the same community or section of the community. There is no rivalry in acquisition"<sup>76</sup>.

Among these services, the following ones might be mentioned: the general public services, the provision of security and defense, the maintenance of law and order, legislation and regulation, etc.

Table 119 presents the breakdown of government services into collective and individual services for 2008.

**Table 119. Non-market output of general government broken down into individual and collective services 2008**

Thousand Million pesos	
Type of service	Non-market output (P.13)
Collective	42.789
Individual	16.514
<b>total</b>	<b>59.303</b>

Source: DANE, Division of national accounts (DSCN)

<sup>76</sup> 2008 SNA paragraph 9.96

### 10.3.3. Uses of general government non-market output

The non-market output of the general government goes to both household final consumption expenditure (equal to the partial payments made by households for non-market output) and government final consumption expenditure (output for own final use). By convention the entities that produce non-market goods and services are considered to be those that consume them, except for the payments made by households for non-market output.

Non-market output (P.13) = HFCE (partial payments made by households for non-market output (P.131) + Output for own final use (P.132) = 59.303 = 1.360 + 57.943 (see Table 120).

**Table 120. Uses of general government non-market output  
2008**

Thousand million pesos

Industries	Non-market output P.13)	Households partial payments (P.131)	Output for own final use P.132)
<b>Total</b>	59.303	1.360	57.943
5400 – Government and defense; management, administration and control of the social security system	42.789		42.789
5600 - Non-market education services	15.460	1.350	14.110
5700 - Human health and social services	256		256
6000 - Services of membership organizations, cultural, sports and other non-market services provided by institutions mainly financed by government	798	10	788

Source: DANE, Division of national accounts (DSCN)

The general government non-market output for own final use represents the general government final consumption expenditure of non-market products and amounts to 57.943 thousand million pesos in 2008.

### 10.3.4. Government Final Consumption Expenditure (GFCE)

The Government Final Consumption Expenditure includes the non-market goods and services produced by the general government and consumed by the general government itself, that is, the output for own final use, plus market products acquired by the government in order to be provided to households without any further transformation.

The market products consumed by government include the market goods and services acquired by government and provided directly to households. In the case of these products, “the role of the government unit is confined to paying for the goods or services and ensuring that they are distributed to households as social transfers in kind. The governmental unit does not engage in any further processing of such goods or services and the expenditures are treated as final consumption expenditure and not intermediate consumption of the government unit”<sup>77</sup>.

In the accounts for 2008, the following products were included in the government final consumption expenditure on market products: the healthcare services provided by hospitals as social assistance benefits to the population not affiliated to the social insurance system, the healthcare services and medicine provided as social security benefits to the population affiliated to the contributory and subsidized healthcare scheme; the contracts for the provision of education services and restaurants by state agencies, such as the ICBF, Social Action and municipalities; toiletry kits, education kits, mattresses or other elements, that the government provide to households.

GFCE is calculated in the following way:

GFCE = Non-market output for own final use + market output purchased and consumed by the government.

Table 121 presents GFCE broken down into non-market and market products. According to these data, the government expenditure on non-market products represents most of GFCE, 79% in 2008.

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<sup>77</sup> 2008 SNA paragraph 9.89

**Table 121. Government final consumption expenditure (GFCE) broken down into non-market and market products**

2008		Thousand million pesos
	Description	Value
<b>Total</b>		73.064
	Non-market Products	57.943
	Market Products	15.121

Source: DANE, Division of national accounts (DSCN)

Table 122 illustrates the GFCE on market products, broken down by product type in year 2008. In the columns of the table are included.

**Table 122. Government final consumption expenditure (GFCE) in market products by product type 2008**

2008			Thousand million pesos
Product code	Product description		total Market GFCE
020202	Vegetables, legumes, root vegetables and tubers		4
020599	Living plants: Flower buds, and seeds of flower, fruits and vegetables		1
030201	Poultry, live		8
110004	Refined vegetable oils		4
120001	Pasteurized and ultrapasteurized milk		74
120002	Concentrated milk and cream in solid forms		8
130101	Flour from wheat or other cereal, meal or groats		1
130102	Milled rice (polished or white) semi- or wholly milled; mixes for bakery		4
130103	Other vegetable flours and meals; and mixes for bakery		1
130201	Bakery products and pasta		14
130202	Macaroni, noodles, and similar farinaceous products		3
170299	Other food products n.e.c. juices and vegetable extracts		182
210001	bed linen, blankets, table linen, towels, kitchen linen, sleeping bags, curtains and other furnishing articles n.e.c.		20
210002	Other made-up textile articles		17
220202	Wearing apparel of yarn, knitted or crocheted		42
280105	Fertilizers and pesticides		6
280202	Pharmaceutical products		1.929
280203	Soap, cleaning preparations, perfumes and toilet preparations		17

Thousand million pesos		
Product code	Product description	total Market GFCE
300102	non-structural ceramic articles	8
310299	Other fabricated metal products	13
450201	Food serving services	1.245
460201	Road transport services of freight	15
520102	Renting or leasing services involving own or leased property	29
530206	Packaging services and other business services n.e.c.	25
550003	Secondary market education services	7
550005	Education services for adults and other market education services n.e.c.	1
570000	Market human health and social services	11.399
590005	Artistic and promotion services; shows organization	10
590011	Washing, cleaning and dyeing services; beauty and physical well-being services; funeral services and other miscellaneous personal services n.e.c.	34
<b>Total</b>		<b>15.121</b>

Source: DANE, Division of national accounts (DSCN)

### 10.3.5. General government expenditure on individual and collective goods and services and social transfers in kind

“The consumption expenditures incurred by government units have to be divided into those incurred for the benefit of individual households and those incurred for the benefit of the community as a whole, or large sections of the community”<sup>78</sup>.

The redistribution of income in kind account represents how the general government transfers to households via social transfers in kind (D.63), the expenditure it incurs into for the benefit of individual households.

The households are represented as receiving social transfers in kind from which they finance the acquisition of consumer goods and services (actual final consumption). For the government, its actual final consumption is equivalent to the collective final consumption expenditure.

<sup>78</sup> 2008 SNA paragraph 9.91.

Table 123 shows the GFCE broken down into individual and collective, the social transfers in kind from government to households and actual final consumption for year 2008.

**Table 123. The Use of Disposable Income, Redistribution of Income in Kind and Use of Adjusted Disposable Income Accounts 2008**

Thousand million pesos

Uses	Resources
<b>Use of Disposable Income Account</b>	
<b>Government</b>	
P.31 Final consumption Expenditure - Individual consumption	30.275
P.32 Final consumption Expenditure - Collective consumption	42.789
<b>Redistribution of Income in Kind Account</b>	
<b>Government</b>	
D.63 Social Transfers in Kind	30.275
<b>Households</b>	
D.63 Social Transfers in Kind	30.275
<b>Use of Adjusted Disposable Income Account</b>	
<b>Government</b>	
P.42 Actual Collective Consumption	42.789
<b>Households</b>	
P.42 Actual Individual Consumption	30.275

Source: DANE, Division of national accounts (DSCN)

In Table 124 the government final consumption expenditure is broken down into expenditure on individual goods and services and expenditure on collective services.

**Table 124. Government Final Consumption Expenditure broken down into consumption of individual goods and services and of collective goods and services 2008**

Thousand million pesos	
Final Consumption Expenditure	Value
<b>Total</b>	73.064
Individual	30.275
Collective	42.789

Source: DANE, Division of national accounts (DSCN)

Table 125 illustrates the individual expenditure broken down by type of goods and services and distinguishes market from non-market products.

**Table 125. Government final consumption expenditure on individual goods and services broken down by products – 2008**

Thousand million pesos		
Item	Market products	Non-market products
<b>Total</b>	15.121	15.154
Education	8	14.110
Healthcare	11.399	256
Recreation	44	788
Other products	3.670	0

Source: DANE, Division of national accounts (DSCN)

### 10.3.6. General Government Actual Final Consumption (AFC)

The government final consumption expenditure is broken down into individual and collective goods and services for the purposes of calculating the actual final consumption of general government. This represents the value of the expenditure incurred by the general government to provide collective services.

“Although collective services benefit the community, or certain sections of the community, rather than the government, the actual consumption of these services cannot be distributed among individual households, or even among groups of households such as subsectors of the household sector, or to enterprises, as just noted. It is therefore attributed to the government units that incur the corresponding expenditures”<sup>79</sup>.

The value of government actual final consumption is calculated as the difference between government final consumption expenditure, and the expenditure on individual goods and services provided to households as social transfers in kind.

$$\mathbf{AFC} = \text{GFCE} - \text{FCE individual}$$

In line with data that appear in Table 124, the general government Actual Final Consumption Expenditure (AFC) in thousand million pesos is equivalent to:

$$\mathbf{AFC} = 73.064 - 30.275 = 42.789$$

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<sup>79</sup> 2008 SNA paragraph 9.103.

## 10.4. THE CALCULATION OF THE CONSUMPTION OF FIXED CAPITAL (CFC)

Part of the general government's production costs corresponds to the consumption of fixed capital: This aggregate is calculated for the government in general. Valuing the consumption of fixed capital of the government it is a necessary step to calculate its non-market production; not doing so, would entail an undervaluation of its contribution to GDP.

Consumption of fixed capital (CFC) corresponds to the decrease in the value of fixed assets as a consequence of physical deterioration, foreseeable obsolescence and accidental damages; it is calculated on the produced fixed assets, valued at current year's prices, that is, at the cost valued at market price to replace the portion worn out during the year. The CFC is a different concept from accounting depreciation. Section 9.3.12 explains the difference between these two concepts.

In order to estimate the value of the stock of capital with the basic information of the CFC, the "Perpetual Inventory Method (PIM)" is used, as described by the Organization for Economic Cooperation and Development (OECD)<sup>80</sup>. This method is the most frequently used, since there are not always censuses data or records of the stock of the capital goods. It consists of estimating the value of the stock of capital goods by means of the accumulation of the flows of investment overtime.

The application of this method requires, on the one hand, historical series of detailed data on GFCF, by type of assets and on the other, series of price indices. Using the price indices makes it possible to transform the value of the capital goods purchased year to year, which are expressed at historical cost in the financial statements of the entities, into each year's current prices and into the base year's constant prices, in the present case year 2005.

The GFCF series was obtained from national accounts historical data compiled by DANE and by the Central Bank. These series corresponding to the 1939 -2007 period required an analysis of consistency over time and the matching of the partial time series.

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<sup>80</sup> OECD. Organization for Economic Co-operation and Development, "Measuring Capital: A Manual on the Measurement of Capital Stocks, Consumption of Fixed Capital and Capital Services" Page. 66, 2009

The series of gross fixed capital formation (GFCF) at historical data were expressed at each year's current prices using average price indices by type of assets. Once the GFCF had been calculated at current and 2005 constant prices, the existing assets were distributed over time according to the existing service life by type of asset, (see table 126).

**Table 126. Service Life of fixed assets, according to type of goods**

National Accounts Code	Description	Service Life (in years)
P.5112	Non-residential Buildings	60
P.5113	Infrastructure Civil Works	60
P.5114	Transport Equipment	10
P.5115	Machinery and Equipment	10
P.5116	Cultivated Assets	10
P.5122	Computer Software	5

Source: DANE, Division of national accounts (DSCN)

[1] See classification on Annex 5

The mortality pattern<sup>81</sup> is applied to the stock of capital of the general government, at previous year's constant prices and at current prices, so as to obtain the stock of capital of the general government, which is the data to which depreciation is applied; from this variable, the PIM is developed, taking into account the service life of each type of good, as shown in Figure 10. The straight-line depreciation<sup>82</sup> was used, which consists of applying a constant rate over the estimated service life of the asset, and assigning the remaining to the last period of the service life.

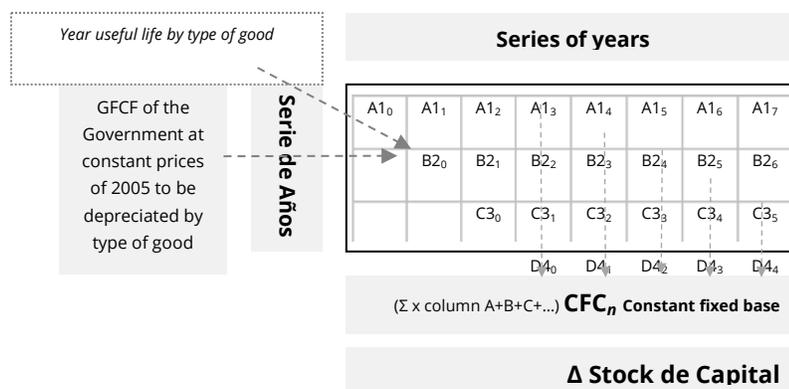
Similarly in figure 10, in the row corresponding to the  $CFC_n$ , the series of data is obtained that are to be understood vertically as the sum of annual depreciations; depending on the type of good or groups of goods, it must contain the same amount

<sup>81</sup>The removal pattern of fixed assets corresponds to the assumptions that have been adopted regarding the form and point of time in which capital goods are "actually" removed from the productive process, either due to obsolescence or because the cost of repairing it increases too much, regardless of the estimate of its depletion.

<sup>82</sup> This method of depreciation is the one recommended by the European system accounts (EUROSTAT, European Commission, 1996).

of data as years of useful life; the sub-index  $n$  indicates the year at which the CFC's final figure corresponds.

Figure 10. Development of the Perpetual Inventory Method (PIM)



G7<sub>0</sub> G7<sub>1</sub>

Source: DANE, DSCN

The results of the CFC are synthesized in tables 127 and 128, where the derived data are consolidated by type of good<sup>83</sup>, for years 2000-2008 at current prices and at year 2005 constant prices. The methodology used to calculate the CFC for the following years is the same as that used to construct the series 2000-2008, adding the GFCF of the last year and recalculating the values of CFC<sup>84</sup>.

<sup>83</sup> The correspondence of each code of the first column of tables 156 and 157 is the one that appears in table 155

<sup>84</sup> For further information about the methodology used to calculate the Consumption of Fixed Capital the following document might be consulted, "The consumption of fixed capital of the government in the National Account 2005 base", In "IB revista de la información básica estadística DANE, 2011" (DANE - basic statistical information magazine).

**Table 127. Consumption of Fixed Capital of the General Government by type of assets,  
at current prices  
2000-2008**

Thousand million pesos

Consumption of fixed capital – CFC	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Total</b>	2.170	2.495	2.786	3.207	3.564	3.746	4.117	4.462	4.767
P.5112	354	401	436	487	545	574	616	665	707
P.5113	1.142	1.282	1.397	1.569	1.782	1.896	2.141	2.377	2.683
P.5114	211	256	301	369	401	408	439	446	461
P.5115	438	509	585	697	732	752	816	872	807
P.5116	18	17	15	13	11	10	8	7	6
P.5122	7	30	52	72	93	106	97	95	103

Source: DANE, Division of national accounts (DSCN)

**Table 128. Consumption of Fixed Capital of the General Government by type of assets,  
at 2005 constant prices by chaining  
2000-2008**

Thousand Million pesos

Consumption of fixed Capital – CFC	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Total</b>	2.874	3.048	3.220	3.397	3.573	3.746	3.920	4.191	4.305
P.5112	508	523	537	550	562	574	586	599	572
P.5113	1.549	1.604	1.665	1.733	1.808	1.896	1.992	2.090	2.298
P.5114	282	312	341	369	390	408	433	470	505
P.5115	505	559	608	660	709	752	803	940	809
P.5116	24	21	18	15	12	10	8	6	5
P.5122	6	29	51	70	92	106	98	86	116

Source: DANE, Division of national accounts (DSCN) [1] It corresponds to estimates at 2005 constant prices

In Table 129 the consumption of calculated fixed capital for the general government for 2008 appears broken down by non-market activities and institutional subsectors.

**Table 129. Structure of the consumption of fixed capital by industry and subsector - 2008 at 2005 constant prices**

Thousand million pesos								
Consumption of Fixed capital -CKF	Government and defense; management, administration and control of the social security system (code 54)		Non-market education Services (code 56)		Human health and social services (code 57)		Services of membership organizations, cultural, sports and other non-market services provided by institutions mainly financed by government (code 60)	
	Government	Government	Government	Government	Government	Government	Government	Government
	Central	Local	Central	Local	Central	Local	Central	Local
	2.021	2.295	260	179	9	3	2	6

Source: DANE, Division of national accounts (DSCN)

### 10.5. SYNTHESIS OF CURRENT TRANSFERS WITHIN GENERAL GOVERNMENT (D.73)

“Current transfers within general government consist of current transfers between different government units. They include current transfers between different levels of government, which frequently occur between central and state or local government units, and between general government units, and between general government and social security funds. They do not include transfers of funds committed to finance gross fixed capital formation, such transfers being treated as capital transfers”<sup>85</sup>.

Part of the funding of general government entities comes from transfers from other entities; these transfers are included in D.73 code which mainly records the transfers made by the central government to departments and municipalities through the General Participation System. Under this system, the general government transfers

<sup>85</sup> 2008 SNA paragraph 8.126

resources to the local entities for a specific purpose such as: education, healthcare, school restaurant, sewage and water, sanitation or pension payments among others. The amount of transfers is defined by item 257 of the Constitution and is formalized through documents of the Consejo Nacional de Política Económica y Social – CONPES - produced by the Departamento Nacional de Planeación (DNP) (National Planning Department). Regarding decentralized entities of the national and regional level, transfers are made to cover operating expenses: in the case of social security entities, transfers are made in order to cover the payment of pensions.

In theory, the amount that appears as income in this transaction should be equal to the amount appearing as expenses. Nevertheless, this is not always the case; a synthesis procedure has to be carried out in order to bring them in line.

The synthesis procedure consists in comparing the amounts that appear as income for an entity, with those appearing as expenses of the counterpart entity; the reasons of the differences are determined and the appropriate data adjustments are performed to achieve the same value for both entities that take part in the transfer.

The synthesis process starts with a report issued by the computerized compilation system of the general government accounts, in which the transfers made by the general government subsectors central, local and social security funds are classified correspondingly. Some operations that are not related with transfers are removed because they are estimated from other source of information, such as transfers made by FOSYGA, calculated from direct information of this Fund, provided by the Ministry of Healthcare and Social Protection.

Table 130 presents the matrix of transfers for transaction D.73 for year 2008, after completing the synthesis process.

**Table 130. Matrix of transfers within the sector general government D.73  
 2008**

**Thousand million pesos**

		Paid		
		Central	local	Social Security
Received	Central	0	22	80
	local	21.146	0	1.631
	Social Security	10.030	0	0
		0	22	80
		21.146	0	1.631
		10.030	0	0

Source: DANE, DSCN

## 10.6. SOURCES OF INFORMATION USED FOR THE COMPILATION OF THE ACCOUNTS

The sources of information used to compile the general government accounts are mainly financial statements provided by the General Accounting Office, the Superintendency of Familiar Subsidy (for the family allowances funds) and individual data from some other entities.

For year 2008 for example, the information was processed for 2.017 entities that comprise the sector. The General Accounting Office provided the information for 1.966 of them; the Superintendency of Family Allowance provided the information for 47 entities, and for the remaining 4 entities, the information was collected directly from them: this reflects the high dependency of the National Accounts compilation

process on the general government sector on information provided by the General Accounting Office.

In the particular case of the social security subsector accounts, part of the required information is obtained directly from the corresponding entities and special funds, especially those that are managed by trust, e.g. FOSYGA, FOMAG, FOPEP, *Fondo de Solidaridad Pensional* –FSP (Pension Solidarity Fund) and FONPET.

## 10.7. COMPILATION OF THE GENERAL GOVERNMENT ACCOUNTS

The production and generation of income accounts of the general government are compiled by industries in which the observation unit is the establishment<sup>86</sup>. By contrast, the institutional unit is used to compile the allocation of primary income accounts, the allocation and redistribution of secondary income accounts, the accumulation and financial accounts, and the accounts are calculated by institutional subsectors: Central, Local and Social Security Funds.

### 10.7.1. The production and generation of income accounts by industries

The institutional units belonging to the general government sector, might develop one or various economic activities e.g. public administration, defense, healthcare, education, recreation<sup>87</sup>.

In order to compile the production accounts and generation of income accounts of the general government by industries, it is necessary to identify different establishments within the institutional units that develop more than one activity.

In case of an institutional unit developing more than one activity and that has separated accounting records for each of them, it is possible to identify two or more

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<sup>86</sup> The establishment is defined as “an enterprise, or part of an enterprise, that is situated in a single location and in which only a single productive activity is carried out or in which the principal productive activity accounts for most of the value added”, 2008 SNA paragraph 5.2 . An establishment can correspond to an entity of the government or part of it.

<sup>87</sup> Section 10.2.4 lists the groups of entities that comprise the general government sector.

establishments and for each of them the production accounts and the generation of income accounts are compiled. An example is the Ministry of Defense that is divided into two establishments: one engaged in the activity of public administration, this being its main activity and the second one dedicated to the production of health services in favor of its staff.

If the establishment is dedicated to non-market production and however records some incomes corresponding to market output (P11) though without complete accounting records of the corresponding production costs, this output is treated as a secondary market output. For example in the Ministry of Transport, the incomes corresponding to tolls are classified as a secondary market output, and classified as product code 490103 Supporting services for road and railway transport.

Within the local governments, usually two or more establishments are identified, one engaged in providing administration services and another one engaged in non-market education.

By contrast, in the case of DANE for example, that develops a single principal activity of producing statistics, the establishment coincides with the institutional unit.

### **Determining the establishments of the entities pertaining to the general government**

The first step consists in defining for each entity of the general government, the different establishments that make it up. For this purpose, the entities that report separately information on costs such as intermediate consumption (P.2), compensation of employees (D.1) and other taxes on production (D.29) for some administrative subunits are identified.

Within the establishments thus defined, some of them are engaged in market production and others in non-market production. The non-market establishments are characterized for producing goods and services provided to other units free of charge or at not economically significant prices<sup>88</sup>.

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<sup>88</sup> "A price is said to be not economically significant when it has little or no influence on how much the producer is prepared to supply and is expected to have only a margin influence on the quantities demanded. It is a price that is not quantitatively significant from the point of view of either supply or demand". 2008 SNA paragraph 6.97

The market establishments produce goods and services to be sold at economically significant prices.

From a practical point of view, establishments considered as non-market establishments are those in which the value of market output (P11) is equal to zero (0), or those in which the sum of the costs is greater than the value of market output. If this is not the case, the establishment is classified as a market establishment.

In Colombia there are entities such as for example the national police, the national army, and the national university, that provide healthcare services exclusively to their employees and beneficiaries, considered as social security benefits. These health service providers are called special scheme, and although their production is measured through costs, they are considered as government market output.

Table 131 presents, in summary, the criteria used to define when establishments are classified as market or non-market.

**Table 131. Criteria for the classification of establishments as market or non-market**

Classification	Criteria
Non-market establishments	$P11 = 0$
	$P11 < \sum (P2 + D1 + D29)$
Market establishments	$P11 > \sum (P2 + D1 + D29)$
Secondary market output	When the establishment engaged in non-market output records some value of market output (P.11) and the costs related to that activity are not reported independently.

Source: DANE, Division of national accounts (DSCN)

The establishments of the general government committed to non-market output are grouped in four industries, according to the national accounts classification:

**54** Public administration and defence; compulsory social security

**56** Non-market education

## 57 Market health and social work <sup>89</sup>

### 60 Other non-market community, social and personal service activities except Sewage and refuse disposal, sanitation and similar activities

The market establishments are classified in the corresponding industry: trade, market services, transport auxiliaries, etc.

#### **Compilation of the production accounts and generation of income accounts**

In order to compile the production and generation of income accounts of the general government by industry, the financial statements provided by the General Accounting Office of the Nation-CGN represent the starting point.

In the financial statements of entities the expenses are divided into: operational and administrative costs, identified with code 5 and for production, with code 7<sup>90</sup>.

The operational and administrative costs are broken-down into: administrative expenses (account 510000), operational expenses (account 520000), provisions, depreciations and amortizations (account 530000), transfers (540000), public social spending (account 550000), inter-institutional operations (570000), and other expenses (account 580000).

The production costs are divided into: production of goods (account 710000), of education services (account 720000), of healthcare services (account 730000), of transport services (account 740000), of public utilities (account 750000), of hotel services and promotion of tourism (account 760000); of other services (account 790000).

The submission of financial statements in the detail, as mentioned above enables the production accounts and generation of income accounts to be compiled by industry; as a consequence, the operational and administrative costs (accounts 5), except for the expenses in non-market education services (account 550100) are allocated to the

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<sup>89</sup> In the government there is a minimum production of non-market healthcare services, that it is included in the industry 57 -social services and market health.

<sup>90</sup> General public accounting plan- General Accounting Office of the Nation 2007

main activity of the entity, whereas the production costs of accounts 7 correspond to other economic activities such as healthcare, complementary and auxiliary transport services, business services, trade, etc.

For example, the Ministry of Defense and National Police develops two activities: public administration, (main activity) and the production of health services. The production costs corresponding to public administration are recorded in the account 5 (account 500000) and those to healthcare services are recorded in the account 7 (account 730000).

Another example are the universities that record the expenses of their principal activity in the account 5 and in the account 7 record the rest of their activities, among which, the production of healthcare services, research, etc.

Tables 132 and 133 present the production and generation of income accounts of the general government, broken down into market and non-market industries, for year 2008.

**Table 132. General Government, Production and Generation of Income accounts by non-market industries 2008**

**Thousand million pesos**

Transaction	SNA Description	Public administration and defense; compulsory social security	Non-market education services	Market human health and social services	Services of membership organizations, cultural, sports and other Non-market services provided by institutions mainly financed by government	Total non-market industries of General Government
		54	56	57	60	
P.1	Output	45.719	15.764	256	1.131	62.870
P.11	Market Output	2.930	304	0	333	3.567
P.13	Non-market output	42.789	15.460	256	798	59.303
P.131	Partial payments made by households		1.350	0	10	1.360
	For own final use	42.789	14.110	256	788	57.943

Thousand million pesos

Transaction	SNA Description	Public administration and defense; compulsory social security	Non-market education services	Market human health and social services	Services of membership organizations, cultural, sports and other Non-market services provided by institutions mainly financed by government	Total non-market industries of General Government
		54	56	57	60	
P.132						
P.2	Intermediate Consumption	18.972	2.662	68	676	22.378
B.1b	Value added, gross	26.747	13.102	188	455	40.492
K1.	Consumption of fixed capital	4.316	439	12	8	4.775
B.1n	Value added, net	22.431	12.663	176	447	35.717
D.1	Compensation of employees	21.845	12.268	170	424	34.707
D.11	Wages and salaries	17.645	10.553	161	366	28.725
D.12	Employers' social contributions	4.200	1.715	9	58	5.982
D.121	Employers' actual social contributions	2.141	1.546	6	55	3.748
D.122	Employers imputed social contributions	2.059	169	3	3	2.234
D.29	Other taxes on production	586	395	6	23	1.010
B.2b	Operating surplus	4.316	439	12	8	4.775

Source: DANE, Division of national accounts (DSCN)

**Table 133. Production and Generation of income accounts by industries of General Government 2008**

**Thousand million pesos**

SNA Code	SNA Description	Manufacture of coffee products	Manufacture of beverages	Wholesale and retail trade	Supporting and auxiliary transport activities; activities of travel agencies	Financial intermediation, including insurance and pension and severance funds	Renting and business activities	Market health and social work	Total
		14	18	43	49	51	53	57	
P.1	Output	1.064	750	471	379	138	203	1.295	4.300
P.11	Market output	1.064	750	471	379	138	203	1.295	4.300
P.2	Intermediate consumption	862	178	170	198	33	56	862	2.359
B.1b	Value added, gross	202	572	301	181	105	147	433	1.941
D.1	Compensation of employees	10	9	247	142	20	114	485	1.027
D.11	Wages and salaries	10	9	209	109	18	94	387	835
D.12	Employers' social contributions	-	-	38	33	2	20	98	191
D.121	Employers' actual social contributions	-	-	36	20	2	12	51	121
D.122	Employers' imputed social contributions	-	-	2	13	-	8	47	70
D.29	Other taxes on production	-	-	31	4	-	7	14	56
B.2b	Operating surplus, gross	192	563	23	35	85	26	66	858

Source: DANE, Division of national accounts (DSCN)

### 10.7.2. Compilation of the full sequence of accounts for the general government

In the general government sector, as explained above, the first two accounts, the production account and the generation of income account are obtained by aggregating the market and non-market industries accounts, summing the data that appear in Tables 119 and 120; the rest of the general government accounts are compiled by subsectors.

The process is performed on the basis of aggregated original data from entities that comprise the general government subsectors (central sector, local sector and social security funds), following stages 1, 2, 3, 4 and 6 which are described in section 9.5; then, this information is adjusted when performing the general synthesis<sup>91</sup> of the accounts.

When at the stage of National Accounts general synthesis, the adjustments for the general government sector are made by industry or subsector and no longer by entity, and are described as follow:

- FISIM is added to the intermediate consumption that is calculated for the general government based on accounting information. FISIM affects both interest payable and receivable; section 11.3.2 describes the meaning of FISIM, the method to calculate it and its effects on the variables of the accounts.
- Due to the fact that interests received by the General Government from investments in bonds and securities, are recorded jointly with the revaluation or devaluation of securities, within the income statement items called: “gains or losses on valuation of investments”, it is necessary to break them down into two components: interests and revaluations or devaluations of securities<sup>92</sup>; for this purpose, indirect methods are used, which are described in section 17.3.1 referring to the matrix of interests. This calculation entails to breakdown the item called “net valuations”<sup>93</sup> received by government into its two components: interests, revaluations or devaluations (holding gains and losses).

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<sup>91</sup> The overall synthesis process of National Accounts is explained in part IV of this document, chapters 15-17. These chapters provide a summary of the adjustments that affect the general government account.

<sup>92</sup> The revaluations or devaluations of the securities correspond to gains or losses for holding securities and are recorded in the revaluation account. These are originated in the changes of the interest rates of securities, which modify the market price of the securities themselves.

- The consumption of fixed capital - CFC is added to the production costs of the general government. The CFC is calculated independently but refers to the general government as a whole (see explanations in section 10.4).
- Other adjustments are those which result from the need to breakdown some items of the financial statements as they cover various national accounts transactions. Such situations happen mainly for items related to public social expenditure; such as codes 550106, 550306, 550506 of PUC (Plan Unico de Cuentas (standard chart of accounts)) corresponding to “allocation of goods and services”, or codes 550105, 550605, 50705 corresponding to “general and administrative expenses” which may include for example, expenses of school transport, healthcare services, etc.

From information requested directly to entities or through data from other sources (the SIIF or the FUT)<sup>94</sup> they are broken down into the following national accounts transactions: intermediate consumption, final consumption expenditure on market products, gross fixed capital formation, compensation of employees, transfers, etc. These adjustments are mainly applied to the expenditure incurred by the Colombian Family Welfare Institute - ICBF, The Presidential Agency for Social Welfare and International Cooperation - Social Welfare and the National Calamity Fund.

- On the other hand, some of the general government transactions are adjusted to ensure the consistency of results over time. Due to the changes that were carried out in the standard chart of accounts (PUC) of the General Accounting Office of the Nation, in 2007, the series were broken up, making it difficult to compare the results over time; for that reason, taking this year 2007 as a basis, part of the variables of the accounts of year  $n$  are calculated by applying the observed growth rates to the results of year  $n-1$ <sup>95</sup>, thereby modifying the original data.

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<sup>95</sup> SIIF -Sistema Integrado de Información financiero (Integrated system of financial information)- and FUT- Formulario Único territorial-(Standard territorial form)

- Similarly, the series of value added taxes (VAT), income taxes, import duties and other taxes are adjusted. The data reported in the financial statement show an irregular behavior for some years; hence, these taxes are calculated including the growth rates derived from statistical series of taxes, published by DIAN, (see details on section 17.4).
- Due to changes in the 2007 chart of accounts, some taxes that previously were reported independently are now included as aggregated items such as: fees, contributions, licenses and other taxes. In order to make the series comparable over time, these items are broken down including historical data.
- From the accounts of other institutional sectors, data are derived from some transactions, in particular dividends of public enterprises. From the General Government viewpoint, these dividends may appear as “other incomes”; which makes it necessary to transfer them from “other incomes” to “dividends”.
- In the local government, the contributions corresponding to health, pension and retirement savings allowance are added to the compensation of teachers; these contributions are transferred by the central government to the Teachers’ Social Benefits Fund (FOMAG). This corresponds to part of the compensation that is transferred directly to the FOMAG, without going through the regional entities. Therefore it is necessary to include it in the local government. This adjustment represented 1.941 thousand million pesos, in year 2008, an expenditure that was balanced with the record of a transfer received by the local government for the same value.
- As result of comparing the net lending/net borrowing with those derived from the financial accounts compiled by the Central Bank, there is a statistical discrepancy originated in some items of the financial statement which are not very clear, since the type of transaction, real or financial, is unknown, as is the case of items included as “adjustments to previous years accounts”, and “accounting cleansing”.

By way of illustration, Annex 15 shows the original data of the central government subsector and the adjustments that were made for year 2008.

## 10.8. PRESENTATION OF THE ACCOUNTS OF THE GENERAL GOVERNMENT SECTOR

Table 134 presents the general government accounts, for year 2008. The first two accounts, production and generation of income accounts are the result of aggregating the market and non-market industries (Tables 132 and 133). In these accounts, the production is broken down into: market and non-market; final consumption expenditure and actual final consumption are calculated.

These accounts are also published by subsectors: Central, Local and Social Security Funds.

**Table 134. The General Government Accounts  
2008**

Thousand million pesos					
National Accounts classification	Uses	2008	National Accounts classification	Uses	2008
<b>I. Production account</b>			<b>I. Production account</b>		
Intermediate Consumption	24.737	P.1	Output	67.170	
Value added, gross	42.433	P.11	Market output	7.867	
Consumption of fixed capital	4.775	P.13	Non-market output	59.303	
Value added, net	37.658				
<b>Total</b>		<b>67.170</b>	<b>Total</b>		<b>67.170</b>
<b>II.1.1 Generation of Income Account</b>			<b>II.1.1 Generation of Income Account</b>		
D.1	Compensation of employees	35.730	B.1b	Value added, gross	42.433
D.29	Other taxes on production	1.066			
B.2b	Operating Surplus, gross	5.637			
<b>Total</b>		<b>42.433</b>	<b>Total</b>		<b>42.433</b>
<b>II.1.2 Allocation of Primary Income Account</b>			<b>II.1.2 Allocation of Primary Income Account</b>		
D.4	Property income	14.585	B.2b	Operating surplus, gross	5.637
			D.2	Taxes on production and imports	52.693
			D.3	Subsidies	592
B.5b	Balance of primary incomes	62.420	D.4	Property income	19.267
<b>Total</b>		<b>77.005</b>	<b>Total</b>		<b>77.005</b>

Thousand million pesos

National Accounts classification	Uses	2008	National Accounts classification	Uses	2008
<b>II.2 Secondary Distribution of Income Account</b>			<b>II.2 Secondary Distribution of Income Account</b>		
D.5	Current taxes on income, wealth, etc.	105	B.5b	Balance of primary incomes	62.420
D.62	Social benefits other than social transfers in kind	37.354	D.5	Current taxes on income, wealth, etc.	29.104
D.7	Other current transfers	52.010	D.61	Social contributions	24.813
B.6b	Disposable income, gross	79.857	D.7	Other current transfers	52.989
	<b>Total</b>	169.326		<b>Total</b>	169.326
<b>II.3 Redistribution of Income in Kind Account</b>			<b>II.3 Redistribution of Income in Kind Account</b>		
D.63	Social transfers in kind	30.275	B.6b	Disposable income, gross	79.857
B.8	Adjusted disposable income	49.562			
	<b>Total</b>	79.857		<b>Total</b>	79.857
<b>II.4.1 Use of Disposable Income Account</b>			<b>II.4.1 Use of Disposable Income Account</b>		
P.3	Final consumption expenditure	73.064	B.6b	Disposable income, gross	79.857
B.8b	Saving	6.793			
	<b>Total</b>	79.857		<b>Total</b>	79.857
<b>II.4.2 Use of Adjusted Disposable Income Account</b>			<b>II.4.2 Use of Adjusted Disposable Income Account</b>		
P.4	Actual final consumption	42.789		Adjusted disposable income, gross	49.582
B.8b	Saving	6.793			
	<b>Total</b>	49.582		<b>Total</b>	49.582
<b>III.1 Capital Account</b>			<b>III.1 Capital Account</b>		
P.51	Gross fixed capital formation	13.635	B.8b	Saving	6.793
K.1	Changes in inventories	301	D.9	Capital transfers, receivable	-1.205
P.52	Acquisitions less disposals of valuables	-			
P.53	Acquisitions less disposals of non-produced non-financial assets	610			
K.2	Net lending(+) Net borrowing (-)	-			
B.9	<b>Total</b>	5.588		<b>Total</b>	5.588

Source: DANE, Division of national accounts (DSCN)

## 11. THE ACCOUNTS FOR FINANCIAL CORPORATIONS

The accounts for financial corporations are compiled according to the general methodology explained in chapter 9.

### 11.1. DEFINITION AND CONTENT OF THE SECTOR OF FINANCIAL CORPORATIONS (S.12)

The sector of financial corporations includes resident corporations or quasi-corporations mainly engaged in providing financial services including financial intermediation services, insurance corporations and pension funds, as well as the units facilitating financial intermediation.

The sector of financial corporations is broken down into five subsectors, taking into consideration their main activity in the market and the liquidity of their liabilities:

- **"The Central Bank** is the national financial institution that controls key aspects of the financial system"; it represents the monetary, credit and exchange authority. The central bank is in charge of issuing the national currency and managing the country's international reserves including the execution of monetary and banking policy. Usually, the Central Bank receives deposits of financial corporations and government.
- **Other deposit-taking corporations:** their main activity is to provide financial intermediation. They include institutional units that incur liabilities on their behalf with the purpose of acquiring financial assets through financial transactions in the market.

This subsector includes monetary institutions whose main financial recourses derive from deposits or financial instruments that are close substitutes for deposits (for example short-term certificates of deposit). The liabilities of these corporations are included in the measurement of money in a broad sense (M1). In Colombia, this subsector includes: the commercial banks, the financial corporations, the commercial funding corporations, the public lending institutions such as Banco de Comercio Exterior (BANCOLDEX) (Foreign Trade Bank of Colombia), Financiera de Desarrollo Territorial (FINDETER) (Financial Corporation

of Territorial Development) , Financiera Energética Nacional (FEN) (National Energy Fund), Fondo para el Fomento del Sector Agropecuario (FINAGRO) (Financial Fund of the Agricultural Sector), Fondo Financiero para Proyectos de Desarrollo (FONADE) (Financial fund for projects development) and the cooperative agencies of higher level.

- **Other financial intermediaries, except insurance corporations and pension funds:** These are corporations that leverage resources in the financial markets under different forms of deposits and which use them to acquire other types of financial assets. These include other institutional units that provide financial services in which the majority of assets or liabilities are not available on open financial markets. Generally, they are corporations engaged in investment funding either for capital formation, or to provide personal finance or consumer credits. They include the cooperatives and employees' savings funds, mutual investment funds, leasing corporations, county and municipal public financial corporations, severance funds, the Fondo Nacional de Ahorro ( FNA) (National Saving Fund) and the Caja de Promoción de la Vivienda Militar y de Policía (CAPROVIMPO) (Promotional Housing Fund for the Military and the Police).
- **Financial Auxiliaries:** they are institutional units mainly engaged in serving financial markets, but without taking ownership of the financial assets and liabilities they handle, as they generally act on behalf of other units. The corporations classified in this subsector include corporations such as stock exchange, stockbrokers, foreign exchange bureaux, managers of pension funds and retirement saving allowance funds, trust companies, Fondo de Garantía de Instituciones Financiera – FOGAFIN – (Guarantee Funds for Financial Corporations, the Fondo de Garantía de Entidades Cooperativas – FOGACOOOP – (Guarantee Fund for Cooperative Entities) and insurance brokers.

The auxiliary activities may represent a secondary activity of financial intermediation or the main activity of agencies or of specialized brokers, such as security brokers, corporations engaged in lending, loan brokers, etc. They provide services close to financial intermediation without taking the risk of incurring liabilities on their own account.

- **Insurances and pension funds:** “Insurance corporations consist of incorporated, mutual and other entities whose principal function is to provide life, accident, sickness, fire or other forms of insurance to individual institutional units or groups of units or reinsurance services to other insurance corporations”<sup>95</sup>. In Colombia, the subsector includes general and life insurance companies, the Empresas Administradoras de Planes de Beneficios (EAPB) (name given to the entities that affiliate and manage the affiliates to the contributive and subsidized social security system in health)<sup>96</sup>, managers of prepaid medical plans, social insurance funds in health and pension funds.

Pension funds are constituted as separate institutional units from the units which created them; they are set up for the purposes of providing retirement benefits for specific groups of employees. They have their own assets and liabilities and engage into financial transactions in the market on their own account. Employees and/or employers make regular contributions to these funds.

Table 135 displays the classification of enterprises in each subsector of the sector of financial corporations and their share in the output of the sector for the 2005 base year.

**Table 135. Subsectors of the financial corporations sector and their relative importance in the total output of the sector 2005**

Entities	Percentage
Total sector	100,0
Central Bank	1,72
Central Bank	1,72
Other deposit-taking corporations	
Monetary institutions	43,24
Banking establishments	43,24
Non-money depository corporations	6,46
Financial Corporations	0,77
Companies of traditional commercial funding	2,11
Public lending Institutions	3,15

<sup>95</sup> SNA 2008 paragraph 4.115

<sup>96</sup> See Annex 16

Entities	Percentage
Cooperative entities of higher level	0,04
Cooperative entities of financial nature	0,39
Other financial intermediaries except insurance corporations and pension funds	
Cooperative agencies and employees' savings funds	3,51
Mutual investment funds	0,02
Specialized corporations of commercial and leasing funding	1,35
Departmental and municipal public financial corporations	0,77
National Saving Fund (FNA)	0,5
Promotional Housing Fund for the Military and the Police (CAPROVIMPO)	0,76
Financial Auxiliaries	13,23
Stock Exchange	0,24
Security brokers	2,45
Corporations of investment management	0,05
FOGAFIN/FOGACOOP	0,27
Foreign exchange bureaus	1,08
Trust companies	1,81
Administrators of Pension funds and savings allowance funds (AFP)	4,49
NPI of financial corporations	0,2
Cooperative entities and insurance brokers	2,64
Pension fund and Insurance corporations	
General insurance corporations	10,88
Life insurance corporations	5,61
Prepaid medical plans enterprises (EMP)	1,53
EAPB of the contributive system (EPS - C)	5,98
EAPB of the subsidized system (EPS - S)	2,1
Others (Social security funds, prepaid ambulance service)	2,34
Pension and retirement savings allowance Funds [1]	0

Source: DANE, Division of national accounts (DSCN)

[1] 1993 SNA Annex 4 paragraphs 21 - 22. Since this is about private pension funds, i.e. A pension system that is not based on special funds, where the cost of managing the funds are included with the other elements of cost in the enterprise's production account in the same way as the costs of an ancillary activity. There is therefore no service charged applied in this case and thus no output of the funds. Those services charged are payable directly to the administrator of the pension funds.

## 11.2. INFORMATION SOURCES USED TO COMPILE THE ACCOUNTS FOR THE FINANCIAL CORPORATIONS' SECTOR

The financial statements reported by the following sources are used to calculate the accounts for the financial corporations' sector:

- The Central Bank provides the balance sheet following official guideline<sup>97</sup>.
- The Superintendency of Finance provides the financial statements of deposit-taking corporations, other financial intermediaries except employees' funds and saving and credit cooperative entities, financial auxiliaries, life and general insurance corporations, administrators of pension funds and those of pension funds.
- The Superintendency of Solidarity Economy provides the financial statements of the employees' savings funds and of the saving and credit cooperative entities.
- The Superintendency of Health provides the financial statements of EAPB and of managers of prepaid medical plans.
- The General Accounting Office of the Nation provides the financial statements of entities, enterprises and public funds (of funding, promotional and local development) at municipal and departmental levels.

## 11.3. ACCOUNTS FOR FINANCIAL CORPORATIONS, EXCEPT INSURANCE CORPORATIONS AND PENSION FUNDS

The following sections explain the production of financial corporations, except insurance corporations and pension funds, how to calculate the financial intermediation services indirectly measured (FISIM), the construction of the supply and use table of the product (code 510101). The last part explains how FISIM is calculated at previous year's constant prices.

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<sup>97</sup> Accounts report with high levels of disaggregation.

### 11.3.1. Content and definition of production

The characteristic output of financial corporations, except insurance corporations and pension funds, comprises the financial services provided for an explicit commission and the financial services provided in association with the interest charges on loans and deposits<sup>98</sup>.

#### **The financial services provided in exchange for explicit commissions**

The financial corporations charge commissions to households, companies and the general government for the use of cash machines, mortgages granting and loans in general, investment portfolio management, handling of credit cards, property management, among others. Similarly, companies are charged fees for arranging the placements of shares on the stock market or for managing the restructuring of groups of enterprises.

#### **The financial services linked to the payment of interests on loans and deposits**

One traditional way in which financial services are provided is through financial intermediation; most financial corporations do not charge explicitly the clients for those services, but they do so indirectly.

Financial intermediation is defined thus as: “[...] the process whereby a financial institution such as a bank accepts deposits from units wishing to receive interest on funds for which the unit has not immediate use and lends them to other units whose funds are insufficient to meet their needs. The bank thus provides a mechanism to allow the first unit to lend to the second. Each of the two parties pays a fee to the bank for the service provided, the unit lending funds by accepting a rate of interest lower than that payable by the borrower, the difference being the combined fees implicitly charged by the bank to the depositor and to the borrower”<sup>99</sup> (...) The implicit

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<sup>98</sup> SNA 2008 also identifies financial services associated with the acquisition and disposal of financial assets and liabilities in financial markets; these will be subject to a measurement in the next new base of national accounts; currently they are only recorded as financial transactions.

<sup>99</sup> 2008 SNA paragraph 6.163

charged fees represent what is called Financial Intermediation Services Indirectly measured or FISIM for short.

FISIM is quantified indirectly as the difference between the interests receivable on loans, credit cards and other arrangements (operations on assets) and the interests payable on deposits and certificates (operations on liabilities)<sup>100</sup>; the interests on bonds, securities and other investments are excluded. The calculation of FISIM is made using the reference rate method, as it is explained in section 11.3.2.

“The reference rate<sup>101</sup> to be used represents the pure cost of borrowing funds –that is, a rate from which the risk premium has been eliminated to the greatest extent possible and which does not include any intermediation services”<sup>102</sup>.

In order to illustrate the importance of the components of the output of financial intermediaries, Table 136 shows the characteristic output of financial intermediaries, deposit-taking corporations and other intermediaries broken down into incomes for invoiced services (commissions) and FISIM, for the 2000-2008 period.

**Table 136. Services of financial intermediation output of deposit-taking corporations and other financial intermediaries, by transaction 2000-2008**

		Thousand Million pesos								
		2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Transaction</b>										
P.11	Characteristic Output	7.127	7.704	8.266	9.582	10.806	12.190	12.632	16.837	21.476
	FISIM	5.791	5.481	5.760	6.526	7.577	8.703	9.548	12.163	16.087
	Invoiced services	1.936	2.223	2.506	3.056	3.229	3.487	3.084	4.674	5.389

Source: Superintendency of Finance; Superintendency of Solidarity Economy

Source: DANE, Division of national accounts (DSCN)

<sup>100</sup> This robust calculation has been nominated global SIFMI and represents the result of the calculation of FISIM using the reference rate method.

<sup>101</sup> 1993 SNA paragraph 6.128.

<sup>102</sup> However, nowadays, there is a debate about the place of the risk premium, that is, whether it should be included in FISIM or in the reference rate. Paragraph A4.33 of annex 4 - 2008 SNA, mentions that this issue has remained in the research agenda and a topic for the future review of the Manual.

“By convention within the SNA, these indirect charges in respect of interest apply only to loans and deposits and only when those loans and deposits are provided by, or deposited with, financial corporations”<sup>103</sup>. Therefore, FISIM is not calculated for interests on securities, bonds and other investments “since when the financial intermediaries buy or sell securities on the open market they cannot control neither the prices at which they buy or sell, nor the receivable/payable interest rates”<sup>104</sup>.

By convention, FISIM are calculated for deposit-taking corporations and other financial intermediaries applying the reference rate to the balances of loans and deposits. “The difference between these amounts and amounts actually payable to the financial institution are recorded as service charges payable by the borrower or depositor to the financial institution”<sup>105</sup>. In these measurements, the investments of own assets are even included, because in practice, the levels of loans are usually superiors to the levels of deposits, which implies risk-taking on behalf of intermediaries.

“It is seldom the case that the amount of funds lent by a financial institution exactly matches the amount deposited with them. Some money may have been deposited, but not yet loaned, some loans may be financed by the bank’s own funds and not from borrowed funds. However, the depositor of funds receives the same amount of interests and services whether or not his funds are then lent by the bank to another customer, and the borrower pays the same rate of interest and receives the same service whether his funds are provided by intermediated funds or the bank’s own funds. For this reason an indirect service charge is to be imputed in respect of all loans and deposits offered by a financial institution, irrespective of the source of the funds”<sup>106</sup>.

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<sup>103</sup> 2008 SNA 6.165

<sup>104</sup> Commission of the European Communities. (2002). Report of the Commission to the Council and the European Parliament on the allocation of FISIM: Vol. 8.

<sup>105</sup> 2008 SNA paragraph 6.164

<sup>106</sup> 2008 SNA paragraph 6.164

## **Output of the Central Bank**

The Central Bank produces three categories of services: monetary policy services, financial intermediation services and borderline cases, such as the services of supervision of financial corporations. Monetary policy services are collective in nature, serving the community as a whole and thus represent a non-market output. Under this argument, as it represents a benefit for the community in general, it must be recorded as final consumption of central government, without the latter incurring in additional costs, since these costs are assumed by the central bank. "Financial intermediation services<sup>107</sup> are individual in nature and in the absence of policy intervention the interest rates charged by the central banks, are considered as market production. The borderline cases, such as supervisory services<sup>108</sup> may be classified as market or non-market services depending on whether explicit fees are charged that are sufficient to cover the costs of providing the services"<sup>109</sup>.

As a consequence and according to SNA 2008, the central bank's production is considered as non-market and it is calculated adding its costs, intermediate consumption (P.2), consumption of fixed capital (K.1), remuneration of employees (D.1) and other taxes on production (D.29); its main activity is the provision of monetary policy services and the intervention on interest rates.

As said, the output of the central bank is considered as final consumption of general Government; a transfer from the central bank to the Government is imputed (D.76), to cover its purchase by government.

## **Specialized companies engaged in financial leasing**

Specialized companies engaged in financial leasing receive a special treatment in national accounts.

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<sup>107</sup> In Colombia, FISIM is not calculated for the Central Bank, due to its intervention on the interest rates.

<sup>108</sup> Nor was any monitoring services of financial corporations registered as it is the responsibility of the specialized superintendencies.

<sup>109</sup> 2008 SNA: paragraph 6.151.

“A financial lease is a contract between a lesser and a lessee whereby the lessor purchases machinery or equipment that is put at the disposal of the lessee and the lessee contracts to pay rentals which enable the lessor, over the period of the contract, to recover all, or virtually all, of his costs including interest”<sup>110</sup>.

From a national accounting perspective, a financial lease is considered as a procedure for financing the acquisitions of fixed assets, machinery and equipment. The treatment in the accounts supposes that the goods are bought by the lessee and financed by a loan from the lesser: “a loan is imputed between the lessor and the lessee. Regular payments under the lease are treated as being payments of interest and repayment of capital”<sup>111</sup>.

### **Auxiliary Financial Intermediation Services**

The financial auxiliaries perform activities related to financial intermediation, but they do not develop this activity directly; their main incomes derive from fees and commissions from which the value of their production is determined.

#### **11.3.2. Calculation of Financial Intermediation Services Indirectly Measured (FISIM)**

The Financial Intermediation Services Indirectly Measured - FISIM- is broken down into operations derived from operations on assets (loans) and operations on liabilities (deposits) of financial intermediaries. The method used is the reference rate method.

In line with the reference rate method, the output of FISIM on loans and deposits using a reference rate is calculated as the difference between the interests payable by borrowers to the banks and those calculated at a reference rate, plus the difference between interests calculated at the reference rate and the interests receivable by depositors. It can be expressed through the following formula:

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<sup>110</sup> 2008 SNA paragraph 6.118

<sup>111</sup> 2008 SNA paragraph 6.168

## Formula (1)

$$\text{FISIM}^{112} = (\text{Interests payable by borrowers} - \text{interest payable using the reference rate}) + (\text{Interest receivable by depositors using the reference rate} - \text{interests receivable by depositors})$$

## The choice of the reference rate

“The reference rate to be used in the calculation of SNA interest is a rate between bank interest rates on deposits and loans. However, because there is no necessary equality between the level of loans and deposits, it cannot be calculated as a simple average of the rates on loans and deposits [...] The rate prevailing for inter-bank borrowing and lending may be a suitable choice as a reference rate”<sup>113</sup>.

Various exercises were carried out in order to define the reference rate to be used in the 2005 base, using different interest rates: some general interest rates like the interbank benchmark interest rate (TIB), others averages such as the Midpoint rate - TPM and others specific ones as the rates on assets according to types of credit (commercial, consumption, mortgages, and micro-credit) or the rates on liabilities such as the DTF (the Fixed-Term Deposits rate). They provided different estimates of FISIM, some of them volatile and inconsistent throughout the series and not comparable with global FISIM<sup>114</sup>. Furthermore, negative values were found, that implied intermediation margins generating losses, a result that is totally inconsistent with the economic and financial conditions of the sector.

As a result of these exercises, it was concluded that the best results were obtained when using the TPM (Midpoint rate) due to three fundamental reasons: firstly, the global coherence, that is, when adding the FISIM on assets plus the FISIM on liabilities, the result is the value of global FISIM, so that the total is always under control;

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<sup>112</sup> The value of the global FISIM is equal to the interests receivable on loans (operations on assets) less the interests payable on deposits (operations on liabilities)

<sup>113</sup> 2008 SNA paragraph 6.166

<sup>114</sup> The global FISIM for the financial intermediaries is equal to the net difference between the interests receivable on loans and interests payable on deposits; thus, this global value is in a control of the measurement to which any method of calculation of these services should converge.

secondly, there were negative values neither for any intermediary nor for any financial operation, asset or liability; and thirdly, it was based on the concept of some intermediaries that agreed to state that the officially set reference rate are less convenient to finance themselves, than an interest rate to be found between interests on loans and on deposits, which is the case of the TPM<sup>115</sup>.

### Concepts of interest rates

From the calculation of the output of FISIM two concepts of interests are derived: the banking interests and the SNA interests, as follows:

The banking interest rates are equivalent to the actual interests payable or receivable by financial corporations, according to their financial statements. The expression “bank interest rate” is used to indicate the interest charged by a financial intermediary to its client.

The term “SNA interest” is used to record the amount that in national accounts is recorded as interests. They include the interests calculated using the reference rate, applied to the balances of loans and deposits.

SNA Interest on loans = Balance of loans\*reference rate

Interest SNA on deposits = Balance of deposits\*reference rate

On the basis of the above the total output of FISIM is calculated as the sum of the FISIM receivable on loans and FISIM receivable on deposits. The formula (1) can be expressed as:

FISIM on loans = Bank interests on loans - SNA Interests on loans. (FISIM on Assets).

FISIM on deposits = SNA<sup>116</sup> interests on deposits - bank Interests on deposits. (FISIM on Liabilities).

<sup>115</sup> Although the 2008 SNA has warned that such average reference rate is not necessarily the most appropriate, its application has contributed to refine the calculation of FISIM, as it has led to estimates consistent with the overall FISIM.

<sup>116</sup> The “SNA interests SNA” on deposits are greater than those actually payable by customers, (bank interest) because the SNA interest includes the value of the service provided.

## Formula (2)

FISIM = (bank interests on loans - SNA interests on loans) + (SNA interests on deposits - bank interests on deposits).

On the basis of the above, FISIM is calculated according to the following formula:<sup>117</sup>

$$\text{FISIM total} = (r_L - rr * y_L) + (rr * Y_D - r_D)$$

Where:

$r_L$  = Bank interests receivable on loans (operations on assets)

$r_D$  = Bank interests payable on deposits (operations on liabilities)

$y_L$  = Balance of assets (loans)

$y_D$  = Balance of liability (deposits)

$rr$  = Reference rate

$rr * y_L$  = SNA Interests calculated on assets

$rr * y_D$  = SNA Interests calculated on liabilities

This method provides the interests that are finally recognized in national accounts as receivable and payable, equivalent to the interests calculated on the levels of loans and deposits of financial corporations multiplied by the established reference rate, called SNA interests.

### ***Information used for the calculation of FISIM***

The calculation of FISIM is based on the information on the balances of assets and liabilities of financial intermediaries broken down into users classified by institutional sectors (general government, non-financial corporations, financial corporations, households and rest of the world), and the interests receivable and payable by these intermediaries. The financial statements reported by the Superintendency of Finance and the Superintendency of Solidarity Economy are used as source of information.

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<sup>117</sup> SNA 2008: paragraph A3.24

### **Calculation of the reference midpoint rate (TPM)**

The Midpoint Rate (TPM) is calculated as the ratio between the bank interests charged on loans ( $r_L$ ) plus the bank interests payable on deposits ( $r_D$ ) by the financial intermediaries and the average quarterly or annual balance of loans ( $y_L$ ) plus that of deposits ( $y_D$ ), according to the available source. Thus, the estimates of the output of FISIM are compiled on a quarterly basis for the corporations supervised by the Superintendency of Finance of Colombia (SFC) and annually for the corporations supervised by the Superintendency of Solidarity Economy.

$$TPM = (r_L + r_D)/(y_L + y_D)$$

For year 2008 on the basis of the average values of loans and deposits, and the interests receivable and payable (bank interests), reported by the SFC, the estimated Midpoint  $r_{(TPM)}$  reference rate was 11.94% (table 131).

### **Calculation of the output of FISIM on operations on assets and on liabilities**

During that year, the total reference interests amounted to \$15.422 (thousand million pesos), as a result of the sum of all four quarters of the year. Whereas, the FISIM on assets was equal to \$7.424 (thousands million pesos) and the FISIM on liabilities was equal to \$7.424 thousand million pesos, also summing all quarters, data that are presented in Table 137.

FISIM on operations on assets is calculated as the difference between the bank interests (actual interests payable to intermediaries by the borrowers) and the interests of reference,  $\$22.856 - \$15.422 = \$7.424$ ; whereas FISIM on operations on liabilities is equal to the difference between the interests compiled using the reference rate and the bank interests (actual interests payable to depositors),  $\$15.422 - \$7.988 = \$7.434$ . The sum of these two values corresponds to the total charges due to Financial Intermediation Services Indirectly Measured FISIM.

**Table 137. Financial Intermediation Services Indirectly Measured (FISIM) on assets and liabilities, according to the reference rate method - 2008 (I - IV quarters)**

		Thousand million pesos				
Description		Quarters				Total
		I	II	III	IV	
(1)	Balance of loans yL	141.154	147.013	153.932	160.274	150.593
(2)	Balance of deposits yD	100.730	104.939	109.331	115.644	107.661
(3)	Bank Interests receivable rL	5.228	5.520	5.871	6.237	22.856
(4)	Bank Interests payable rD	1.714	1.918	2.074	2.282	7.988
(5)	Total FISIM : (5) = (3) - (4)	3.514	3.602	3.797	3.955	14.868
(6)	Midpoint Rate (in %): (6) = [(3) + (4)]/[(1) + (2)]	2,87	2,951	3,018	3,087	11,94
(7)	Interest at Reference rate: (7)= [(1) + (2)]/ 2)*(6)	3.471	3.719	3.973	4.259	15.422
(8)	FISIM on assets: (8) = (3) - (7)	1.757	1.801	1.898	1.978	7.434
(9)	FISIM on liabilities: (9) = (7) - (4)	1.757	1.801	1.899	1.977	7434
(10)	Total FISIM: (10) = (8) + (9)	3.514	3.602	3.797	3.955	14.868

Sources: Financial Statements of corporations supervised by the Superintendency of Finance.

The same calculation is applied for the source of information of the Superintendency of Solidarity Economy, but with annual data; the corresponding TPM for year 2008 is 12.81%.

Table 138 presents the FISIM calculated for the 2000-2008 series, separating the estimates made from the data of the Superintendency of Solidarity Economy.

**Table 138. Financial Intermediation Services Indirectly Measured (FISIM) according to assets and liabilities 2000-2008**

		Thousand million pesos								
Variables	2000	2001	2002	2003	2004	2005	2006	2007	2008	
Superintendency of Finance										
Balance of loans	49.301	50.726	53.117	59.113	68.541	80.190	96.545	124.434	150.593	
Balance of liabilities	31.484	38.315	42.802	46.461	53.039	64.209	74.927	91.652	107.661	
Interests receivable	7.555	7.740	8.303	8.657	10.046	11.488	12.328	16.395	22.856	
Interests payable	2.337	2.860	3.207	2.903	3.335	3.756	3.809	5.390	7.988	
Total FISIM = Int. Receivable-payable	5.218	4.880	5.096	5.754	6.711	7.731	8.519	11.005	14.868	

Thousand million pesos

Variables	2000	2001	2002	2003	2004	2005	2006	2007	2008
Mid-point rate (%)	12,25	11,90	12,00	10,95	11,01	10,56	9,41	10,08	11,94
Interests at mid-point rate	4.946	5.300	5.755	5.780	6.690	7.622	8.069	10.893	15.422
FISIM on assets <sup>1</sup>	2.609	2.440	2.548	2.877	3.356	3.866	4.259	5.502	7.434
FISIM on liabilities <sup>2</sup>	2.609	2.440	2.548	2.877	3.355	3.866	4.260	5.503	7.434
<i>Sum FISIM on assets and liabilities</i>	5.218	4.880	5.096	5.754	6.711	7.732	8.519	11.005	14.868
Superintendency of Solidarity Economy									
Balance of loans	3.037	3.435	3.972	4.694	5.487	6.424	7.593	8.872	9.524
Balance of liabilities	1.462	1.687	1.925	2.171	2.495	2.893	3.476	3.935	4.351
Interests receivable	687	720	791	909	1.039	1.167	1.234	1.396	1.498
Interests payable	115	120	127	137	173	195	205	239	280
Total FISIM = Int. Receivable-payable	573	600	664	772	866	971	1.029	1.158	1.219
Mid-point rate (%)	17,82	16,40	15,57	15,22	15,18	14,62	12,99	12,77	12,81
Interests at mid-point rate	401	420	459	523	606	681	719	817	889
FISIM on assets <sup>1</sup>	286	300	332	386	433	486	514	579	609
FISIM on liabilities <sup>2</sup>	286	300	332	386	433	486	514	579	609
<i>Sum FISIM on assets and liabilities</i>	573	600	664	772	866	971	1.029	1.158	1.219
<b>Total FISIM</b>	<b>5.791</b>	<b>5.481</b>	<b>5.760</b>	<b>6.526</b>	<b>7.577</b>	<b>8.703</b>	<b>9.548</b>	<b>12.163</b>	<b>16.087</b>

Source: Financial Statements of corporations supervised by the Superintendency of Finance and the Superintendency of Solidarity Economy

Calculations: DANE, Division of national accounts (DSCN)

1 Interest receivable minus interests at mid-point rate

2 Interests at midpoint rate minus interests payable

FISIM is calculated for the following *subsectors*: *other deposit-taking corporations and other financial intermediaries except insurance corporations and pension funds*. Table 139 shows the production of SIFMI broken down by type of intermediary for the 2000-2008 period.

**Table 139. Output of Financial Intermediation Services Indirectly Measured (FISIM), by type of financial intermediary  
2000-2008**

Intermediary	Thousand million pesos								
	2000	2001	2002	2003	2004	2005	2006	2007	2008
Other deposit taking corporations	286	300	332	386	433	486	514	579	609
Other financial intermediaries except insurance corporations and pension funds- with annual information	0	0	0	0	0	0	0	0	0
Other financial intermediaries except insurance corporations and pension funds - with quarterly information	5.791	5.481	5.760	6.526	7.577	8.703	9.548	12.163	16.087
Annual FISIM b	6.077	5.781	6.092	6.912	8.010	9.189	10.062	12.742	16.696

Source: Superintendency of Finance - SFC, Superintendency of solidarity economy - SES

Calculations: DANE, Division of national accounts (DSCN)

a Information from saving and loans cooperatives, employees savings funds, among others - SES

b The total of financial intermediation is studied at annual level for corporations supervised by the SFC and SES (those only report their financial statements annually) which explains the difference between the annual and quarter values

### 11.3.3. Supply and demand of FISIM

In the same way as for other products, the balance between supply and demand of the service is established for FISIM. The supply is made of production and imports and uses include the different components of demand, as shown in the following formula:

$$P + M = IC + HFCE + X$$

Where:

- P: Production
- M: Imports
- CI: Intermediate Consumption
- HFCE: Household final consumption expenditure
- X: Exports

## Imported FISIM

The financial corporations that produce FISIM need not be residents nor their clients need be residents either; therefore, they are possibly imports and exports of this service. Non-resident financial intermediaries generate FISIM in the operations conducted with resident units; for example, when granting loans to the general government and to (financial and non-financial) corporations.

## Calculation of Imported and exported FISIM

FISIM on imports and exports is calculated on the basis of the information from the Balance of Payments – BoP- (interests) and from the International Investment Position - IIP (balances) reported by the Central Bank. In the case of imports their estimation is based on the services charged for loans by nonresident intermediaries to the resident sectors; while exports include the services charged for loans by resident financial intermediaries to nonresidents; in both cases FISIM is only calculated on loans (assets operations). The six months Libor rate is used<sup>118</sup> as the reference rate (London InterBank Offered Rate), as it has an ample commercial use, and is used in a good number of transactions of the country with the foreign financial sector. Table 140 shows imported and exported FISIM.

Table 140. Exports and Imports of Financial Intermediation Services Indirectly Measured (FISIM)

Thousand million pesos

FISIM	Years								
	2000	2001	2002	2003	2004	2005	2006	2007	2008
Exports	16	22	18	26	20	25	3 8	5 1	75
Imports	56	1.7	2.1	2.	1.	1.	6	7	1.84
Reference Libor rate	6,7 %	3,7 %	1,9 %	1, 2%	1, 8%	3, 8%	5, 3%	5 ,3%	3,1 %

Source: BoP and IIP from the Central Bank

Calculations: DANE, Division of national accounts (DSCN)

<sup>118</sup>There are other options to determine the reference rate, one of which is to include the risk factor in the benchmark rate, which results in a different breakdown of the interest, ie, lower levels of FISIM imported and exported, and higher SNA interest levels

### 11.3.4. Allocation of FISIM

“The 2008 SNA recommends that the consumption of FISIM should be allocated between users (lenders as well as borrowers), treating the allocated amounts either as intermediate consumption by enterprises or as final consumption or exports”<sup>119</sup>. According to this recommendation, the calculated FISIM are treated as expenses of the customers who engage in transactions with financial intermediaries, that is, as intermediate consumption of corporations and of quasi-corporations of households including the owners of their own dwellings, as final consumption when it comes to transactions of households, or as exports. Chapter 17 explains the methodology used to allocate FISIM among users.

### 11.3.5. Supply and use table of FISIM.

Once the estimates of produced and imported FISIM (supply) are available and allocated according to economic use (demand), the supply and use table are built; the results of 2000-2008 series can be seen in Table 141.

**Table 141. Supply-Use table of Financial Intermediation Measured Indirectly (FISIM) 2000-2008**

FISIM	Thousand Million pesos								
	Years								
	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total Supply	6.3	7.2	7.9	9.1	9.5	9.7	10.	12.	17.9
	51	00	43	12	44	99	163	868	32
Imports	561	1.7	2.1	2.5	1.9	1.0	614	705	1.84
		19	83	86	67	96			5
National Production	5.7	5.4	5.7	6.5	7.5	8.7	9.5	12.	16.0
	91	81	60	26	77	03	48	163	87
Total Demand	6.3	7.1	7.9	9.1	9.5	9.7	10.	12.	17.9

<sup>119</sup> 2008 SNA paragraph A3.26.

FISIM	Thousand Million pesos								
	Years								
	2000	2001	2002	2003	2004	2005	2006	2007	2008
	51	99	43	11	44	99	163	868	32
Intermediate Consumption	4.2	5.1	5.7	6.5	6.4	6.0	5.9	7.4	10.6
	90	30	17	62	54	86	56	39	40
Financial Corporations	418	537	495	546	502	451	489	589	659
Deposit-taking corporations including Central Bank	170	293	242	262	211	163	181	185	222
Other Financial Intermediaries	158	137	134	147	156	161	168	229	310
Financial Auxiliaries	5	6	6	7	7	7	8	9	7
Insurance corporations and pension funds	85	101	113	130	128	120	132	166	120
Government	983	1.2	1.3	1.5	1.4	1.1	874	1.3	2.37
		06	92	86	92	22		49	3
Central Government	618	823	1.0	1.1	1.1	779	563	808	1.50
			05	38	05				6
Local Government	365	383	388	448	387	343	311	541	867
Non-financial corporations	1.0	1.3	1.5	1.8	1.8	1.7	1.8	2.1	3.28
	13	34	28	60	27	18	01	21	3
Private non-financial corporations	915	1.2	1.1	1.7	1.6	1.5	1.6	1.9	2.95
		10	86	04	79	70	63	40	2
Public non-financial corporations	98	124	140	156	148	148	138	181	331
Households	1.8	2.0	2.3	2.5	2.6	2.7	2.7	3.3	4.32
	76	53	02	70	33	95	92	80	5
Individual entrepreneurs	828	1.0	1.1	1.3	1.2	1.2	1.1	1.5	2.11
		44	86	15	55	51	76	32	2

FISIM	Years								
	2000	2001	2002	2003	2004	2005	2006	2007	2008
Recipients of property income and transfers	1.0	1.0	1.1	1.2	1.3	1.5	1.6	1.8	2.21
	48	09	16	55	78	44	16	48	3
Final Consumption	2.0	2.0	2.2	2.5	3.0	3.6	4.1	5.3	7.21
	45	47	08	23	70	88	69	78	7
Households	2.0	2.0	2.2	2.5	3.0	3.6	4.1	5.3	7.21
	45	47	08	23	70	88	69	78	7
Exports	16	22	18	26	20	25	38	51	75

Source: Financial Statements from Superintendency of Finance and Superintendency of Solidarity Economy.  
Calculations: DANE, Division of national accounts (DSCN)

### 11.3.6. Presentation of the accounts.

#### The production and generation of income accounts

Table 142 presents the production accounts and the generation of income accounts of financial corporations except insurance corporations and pension funds, broken down by subsectors. Market production includes the financial services provided in exchange of explicit fees, FISIM that constitutes the characteristic production; additionally income derived from leasing and others are added (secondary production).

**Table 142. The Production and Generation of Income accounts, by financial subsectors (except insurance corporations and pension funds) 2008**

Transactions and Balancing Items	Total	Thousand Million pesos		
		Other Deposit-taking Corporations and other Financial Intermediaries		Financial Auxiliaries
		Monetary, Central Bank and Non-monetary institutions	Other Financial Intermediaries	
<b>I. Production Accounts</b>				
P.11 Market Output Intermediate	25.953	19.772	2.469	3.712
P.2 Consumption	8.646	6.305	1.213	1.128
B.1g Value added, gross	17.307	13.467	1.256	2.584
<b>II.1.1 Generation of Income account</b>				
D.1 Compensation of employees	5.521	3.884	573	1.064
D.29 Taxes on products	577	383	110	84
D.39 Other subsidies on production	-	-	-	-
B.2g Operation surplus, gross	11.209	9.200	573	1.436

Source: Financial statements Superintendency of Finance and Superintendency of Solidarity Economy.  
Calculations: DANE, Division of national accounts (DSCN)

### **Rest of accounts of the subsectors belonging to financial corporations except insurance corporations and pension funds**

Table 143 shows the system of accounts for the subsectors belonging to financial corporations except insurance corporations and pension funds: the production and the generation of income account. The allocation of income account shows the SNA interests receivable and payable.

These accounts like those of other institutional sectors are compiled from financial statements, and adjustments related to the general synthesis of national accounts are

made, among which the incorporation of FISIM; these adjustments are explained in the fourth section of this document, Chapters 15-17.

**Table 143. Accounts of financial corporations (except insurance corporations and pension funds) 2008**

National Accounts Classification	Uses	Total	National Accounts Classification	Resources	Total
I.	Production account		I.	Production account	
P.2	Intermediate consumption	8.646	P.11	Market Output	25.953
B.1b	Value added, gross	17.307	P.111	Typical output	25.953
	Total	25.953		Total	25.953
II.1.1	Generation of Income Account		II.1.1	Generation of Income Account	
D.1	Compensation of Employees	5.521	B.1b	Value added, gross	17.307
D.11	Wages and Salaries	4.288			
D.12	Employers' Social Contributions	1.233			
D.121	Employers' actual Social Contributions	912			
D.122	Employers' imputed Social Contributions	321			
D.29	Other taxes on production	577			
D.39	Other subsidies on production	0			
B.2b	Operating Surplus, gross	11.209			
	Total	17.307	Total		17.307
II.1.2	Allocation of Primary Income Account		II.1.2	Allocation of Primary Income Account	
D.4	Property income	29.305	B.2b	Operating Surplus, gross	11.209
D.41	Interests	24.504	D.4	Property income	29.475

National Accounts Classification	Uses	Total	National Accounts Classification	Resources	Total
D.42	Distributed Income of Corporations	4.381	D.41	Interests	28.209
D.421	Dividends	4.381	D.42	Distributed Income of Corporations	1.196
D.422	Withdrawal from income of Quasicorporations	0	D.421	Dividends	1.196
D.43	Reinvested earnings of foreign direct investment	420	D.422	Withdrawal from income of Quasicorporations	0
D.44	Investment income attributable to insurance policy holders	0	D.43	Reinvested earnings of foreign direct investment	0
D.45	Rent	0	D.44	Investment income attributable to insurance policy holders	70
B.5b	Balance of Primary income, gross	11.379	D.45	Rent	0
	Total	40.684		Total	40.684
II.2	Secondary Distribution of Income Account	0	II.2	Secondary Distribution of Income Account	0
D.5	Current taxes on income, wealth, etc.	2.398	B.5b	Balance of Primary income, gross	11.379
D.51	Taxes on income	1.783	D.61	Social Contributions	486
D.59	Other current taxes	615	D.611	Actual Social Contributions	165
D.62	Social benefits other than social transfers in kind	426	D.6111	Employers' actual Social Contributions	165
D.622	Private funded social benefits	0	D.6112	Employees' Social Contributions	0
D.623	Unfunded employee social benefits	105	D.6113	Social Contributions of self-employed or autonomous persons	0
D.7	Other current transfers	321	D.612	Imputed Social Contributions	321

National Accounts Classification	Uses	Total	National Accounts Classification	Resources	Total
D.71	Net non-life insurance premiums	1.095	D.7	Other current transfers	952
D.72	Non-life insurance claims	362	D.71	Net non-life insurance premiums	0
			D.72	Non-life insurance claims	407
D.75	Miscellaneous current transfers	521	D.75	Miscellaneous current transfers	545
D.76	Transfers from Central Bank to the Central Government	212			
B.6b	Disposable Income, gross	8.898			
	Total	12.817		Total	12.817
II.4.1	Use of Disposable Income Account	0	II.4.1	Use of Disposable Income Account	0
D.8	Adjustment for the change in net equity of households in pensions funds	534	B.6b	Disposable Income, gross	8.898
B.8b	Saving, gross	8.364			0
	Total	8.898		Total	8.898
III.1	Capital Account	0	III.1	Capital Account	0
P.51	Gross Fixed Capital Formation	802	B.8b	Saving, gross	8.364
P.511	Acquisitions less disposals of tangible fixed assets	766	D.9	Capital transfers, receivable	667
P.5111	Acquisitions of new tangible fixed assets	0	D.91	Capital taxes	0
P.5112	Acquisitions of existing tangible fixed assets	401	D.92	Investment grants	667
P.5113	Disposals of existing tangible fixed assets	0	D.99	Other capital transfers	0

National Accounts Classification	Uses	Total	National Accounts Classification	Resources	Total
P.5114	Transport equipment	12			
P.5115	Other machinery and equipment	353			
P.5116	Cultivated biological resources	0			
P.512	Acquisitions less disposals of intangible fixed assets	34			
P.5121	Acquisitions of new intangible fixed assets	34			
P.5122	Acquisitions of existing intangible fixed assets	0			
P.5123	Disposals of existing intangible fixed assets	0			
P.513	Addition to the value of non- produced non-financial assets	2			
P.5131	Major improvements to non-produced non-financial assets	0			
P.5132	Costs of ownership transfer on non-produced non- financial assets	2			
P.52	Change in inventories	254			
P.53	Acquisitions less disposals of valuables	0			
K.2	Acquisitions less disposals of non-produced non- financial assets	93			
K.21	Acquisitions less disposals of land and other tangible non-produced assets	93			

National Accounts Classification	Uses	Total	National Accounts Classification	Resources	Total
K.22	Acquisitions less disposals of non-produced intangible assets	0			
B.9	Net lending (+) net borrowing (-)	7.882	B.10.1	Changes in net worth due to saving and capital transfers	0
<b>Total</b>		9.031	<b>Total</b>		9.031

Source: DANE, Division of national accounts

### 11.3.7. Calculation of FISIM at previous year's constant prices

The production of FISIM is calculated through agreements and arbitrary elements, at both current and previous year's constant prices, being even more complex this measurement in the latter case, mainly when the changes in quality are considered an important factor<sup>120</sup>. Once FISIM at previous year's prices has been calculated, the corresponding values are converted into 2005 constant prices by chaining, applying the concepts and the general methodology explained in chapters 3 and 7 of this document.

Since there is no price nor quantity directly observable that fully represents the output of FISIM and in the absence of an accurate method<sup>121</sup> for the deflation of FISIM, the recommendation is to use methods based on detailed indicators of data or on the application of interests margins of the base period to the balances of loans and deposits (at constant prices). The first method requires precise information on prices

<sup>120</sup> Handbook on prices and volumes in National Accounts. Eurostat, 2005.

<sup>121</sup> The Handbook on prices and volumes in National Accounts describes possible well differentiated methods of deflation: methods A: more suitable methods; Methods B: methods that can be used if the method A cannot be applied; and Methods C: methods that should not be used. Being the most suitable those that contained more precise information and sufficient on prices and quantities of each product.

and quantities by financial instrument, that in practice, becomes complex; while the second method requires the use of a price index of the real change of the cost of money, which although in practice is not possible, can be supported anyway on a general price index, since it measures the change of the purchasing power of money.

The estimation method of FISIM at previous year's constant prices in the new 2005 base accounts approximated the second recommended method. The balances of loans and deposits were deflated by a consumer price index (CPI) excluding fuels and food, in order to reduce the distortions caused by the changes in the prices of petroleum and *commodities*<sup>122</sup>.

The margins of interest applied to the balances of assets and liabilities were estimated as the difference between the implicit asset rate<sup>123</sup> and the midpoint rate, and between the midpoint rate and the implicit liability rate<sup>124</sup>, of the base period (previous year).

FISIM at constant prices are calculated as the product of the balances of assets and liabilities at previous year's prices and the margins estimated for the base year (previous year). The formula applied is shown below:

$$\text{FISIM}_{n/n-1} = (rL_{n-1} - rr_{n-1}) yL_{n-1} + (rr_{n-1} - rD_{n-1}) yD_{n-1}$$

Where:

rL= Interests charged on assets operations of the previous year

rD= Interests payable on liability operations of the previous year

<sup>122</sup> Goods traded in the financial market

<sup>123</sup> Implicit bank interest rate for assets, ie, the rate that results from the ratio between the receivable interest on loans and loans arranged according to the accounting information of financial intermediaries, less the reference rate.

<sup>124</sup> Reference rate less the bank interest rate implicit by liabilities, ie, the rate that results from the relationship between interest payable on deposits and the receivable deposits according to the accounting information of financial intermediaries.

yL= Balance of operations on assets at previous year´s prices

yD= Balance of operations on liabilities at previous year´s prices

rr= Reference rate of previous year

Table 144 presents the results of FISIM at previous year´s constant prices; in a second stage they are converted at 2005 price by chaining.

**Table 144. Supply-Use Table of Financial Intermediation Services Indirectly Measured FISIM, at previous year´s constant prices 2000-2008**

FISIM	Years									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	
Total Supply	5.91 2	5.39 9	7.26 7	8.63 6	9.53 4	10.0 53	11.3 35	12.6 63	14.8 67	
Imports	539	582	1.77 6	2.35 0	2.19 2	1.59 1	1.06 4	611	721	
National Production	5.37 3	4.81 8	5.49 1	6.28 6	7.34 1	8.46 2	10.2 71	12.0 52	14.1 46	
Total Demand	5.91 2	5.39 9	7.26 7	8.63 6	9.53 4	10.0 53	11.3 35	12.6 63	14.8 67	
Intermediate Consumption	4.06 7	3.64 0	5.09 5	6.17 5	6.53 7	6.41 0	6.84 3	7.33 6	8.47 9	
Financial Corporations	396	381	441	514	508	475	562	581	525	
Deposit-taking corporations including Central Bank	161	208	216	247	214	172	208	182	177	
Other Financial Intermediaries	150	97	119	138	158	170	193	226	247	
Financial Auxiliaries	5	4	5	7	7	7	9	9	6	
Insurance corporations and pension funds	81	72	101	122	130	126	152	164	96	
Government	932	856	1.24 1	1.49 3	1.51 1	1.18 2	1.00 4	1.33 0	1.89 1	
Central Government	586	584	895	1.07	1.11	820	647	797	1.20	

**Thousand million pesos**

FISIM	Years									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	
				1	9					0
Local Government	346	272	346	422	392	361	357	534	691	
Non-financial corporations	960	947	1.18 2	1.75 0	1.85 0	1.80 9	2.06 9	2.09 2	2.61 6	
Private non-financial corporations	867	859	1.05 7	1.60 4	1.70 1	1.65 4	1.91 1	1.91 3	2.35 2	
Public non-financial corporations	93	88	125	147	150	156	159	178	264	
Households	1.77 8	1.45 7	2.05 2	2.41 8	2.66 7	2.94 4	3.20 8	3.33 3	3.44 7	
Individual entrepreneurs	785	741	1.05 7	1.23 7	1.27 1	1.31 8	1.35 1	1.51 1	1.68 3	
Recipients of property and transfer incomes	994	716	995	1.18 1	1.39 6	1.62 6	1.85 7	1.82 2	1.76 4	
Final Consumption	1.82 8	1.73 8	2.15 6	2.43 6	2.97 7	3.62 0	4.45 1	5.27 6	6.32 3	
Households	1.82 8	1.73 8	2.15 6	2.43 6	2.97 7	3.62 0	4.45 1	5.27 6	6.32 3	
Exports	17	22	16	25	19	24	41	51	66	

Source: Financial statements Superintendency of Finance and Superintendency of Solidarity Economy.  
 Calculations: DANE, Division of national accounts (DSCN)

## 11.4. THE ACCOUNTS OF THE SUBSECTOR OF INSURANCE CORPORATIONS AND PENSION FUNDS

The accounts of financial corporations include those of the subsector of insurance corporations and pension funds. This subsector includes the general and life insurance corporations; enterprises engaged in the provision of prepaid ambulance services, or prepaid medical services, the managers of professional risks, the funds dedicated to social insurance in health and the above mentioned (EAPB). The EAPB include those of the health social insurance contributory system including those adapted to the system<sup>125</sup> and those corresponding to the subsidized system.

It also include the pension funds considered as institutional units which were created with the purpose of providing the payment of retirement allowances to certain employee groups, except those corresponding to public employees which are classified in the government sector.

### 11.4.1. Operation of the insurance corporations and pension funds subsector

The main function of insurance corporations is to insure, that is, to transform individual risks into a collective risk, guaranteeing the recognition of a claim or payment in case of the occurrence of the insured contingency; furthermore, these entities create reserves under capitalization principles in order to guarantee the corresponding payments for the insured risks. In order to obtain this benefit, the companies receive the insurance premiums as the most important income and as expenses, the insurance claims. In the case of (EAPB) their main income are the Capitation Payment Units (UPC) (equivalent to a premium) and their expenses are the purchase of health care services to be provided to affiliates<sup>126</sup>.

On the other hand, the enterprises that belong to this subsector conduct direct insurance and reinsurance operations; in the case of direct insurance, the policies are issued by an insurance corporation to an institutional unit belonging to a different

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<sup>125</sup> This group includes companies that directly manage the health and pension benefits for their employees, for instance the Medellín Public Enterprises and the Railways Social Liability Fund.

<sup>126</sup> See Annex 16

sector. The insurances between an insurance corporation and another insurance corporation are called reinsurance.

There are two types of direct insurance, life and non-life insurance. Life insurance is a kind of savings system, since in this system, “the policyholder makes regular payments to an insurer, in return for which the insurer guaranteed to provide the policyholder (or in some cases another nominated person) with an agreed sum, or an annuity, at a given date, or earlier if the policyholder dies beforehand.[...] . Although, the date and sum may be variable, a claim is always payable with respect of a life of policy. Non-life insurance is an activity similar to life insurance except that it covers all other risks, accidents, sickness, fire, etc”<sup>127</sup>; in this case a claim is payable only if a previously specified contingency occurs.

One of the characteristics of the units that belong to this subsector is that they conduct risk distribution operations. In the case of non-life insurance, the redistribution of risk occurs among different units within the same period. “Many client units pay relatively small policy premiums or fees and a small number of them receive relatively large claims or payments. For life insurance, annuities and pension schemes, the redistribution is primarily, though not entirely, between different periods for a single client. In fulfilling their responsibilities as managers of these funds, insurance companies and pension funds are involved in both, risk management and liquidity transformation, the prime functions of financial corporations”<sup>128</sup>.

#### **11.4.2. Measurement of the output of insurance services**

For insurance companies, output represents the cost that is charged for the service of being insured; companies do not invoice explicitly this service, which is indirectly calculated as the difference between the sum of premiums receivable and property income receivable, and the sum of adjusted claims incurred and technical reserves constituted.

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<sup>127</sup> 2008 SNA paragraph 17.6

<sup>128</sup> 2008 SNA paragraph 6.176.

The differences in the way life and non-life insurances operate generate differences in how output is calculated in each case.

### **Non- life Insurance**

The output of non-life insurances is estimated as follows:

Total premiums earned,

Plus: premium supplements,

Less: adjusted claims incurred

“The premium earned is the part of the actual premium that relates to cover provided in the accounting period. For example, if an annual policy with a premium of 120 units comes into force on April 1 and accounts are being prepared for a calendar year, the premium earned in the calendar year is 90. The unearned premium is the amount of the actual premium receivable that relates to the period past the accounting point”<sup>129</sup>; the actual premium corresponds to the total amount payable to the insurer, whose coverage corresponds frequently to a year.

The premium supplements correspond to the property income derived for the investment of reserves. “The insurance corporation has at its disposal reserves consisting of unearned premiums and claims outstanding. These reserves are called technical reserves and are used by the insurance company to generate investment income. Because the technical reserves are a liability of the insurance corporation to the policyholders, the investment income they generate is treated as being attributed to the policyholders. However, the amounts remain with the insurance corporation and are in effect a hidden supplement to the apparent premium. This income is therefore treated as a premium supplements payable by the policyholder to the insurance corporation”<sup>130</sup>.

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<sup>129</sup> 2008 SNA paragraph 6.187

<sup>130</sup> 2008 SNA paragraph 6.188.

“A claim (benefit) is the amount payable to the policyholder by the direct insurer or reinsurer in respect of an event covered by the policy occurring in the period for which the policy is valid. Claims normally become due when the event occurs, even if the payment is made some time later. Claims that become due are described as claims incurred. In some contested cases the delay between the occurrence of the event giving rise to the claim and the settlement of the claim may be several years. Claims outstanding cover claims that have not been reported, have been reported but are not yet settled or have been both reported and settled but not yet paid”<sup>131</sup>.

2008 SNA recommended calculating the non-life insurance output using the “adjusted claims”; it is a measurement in which the volatility which may exist in the occurrence of the risk is eliminated; the level of claims corresponding to non-life insurance policies may vary from year to year and there may be exceptional events that cause a particularly high level of claims, causing irregular variations of the calculated output. “However, the concept of insurance service is the service of providing cover against risk; production occurs continuously and not simply when the risk occurs”<sup>132</sup>.

The SNA suggests two methods to determining the suitable level of claims (called adjusted claims). “One is an ex ante method, described as the expectation method, and estimates the level of adjusted claims from a model based on the past pattern of claims payable by the corporation. The other means of deriving adjusted claims is to use accounting information. Within the accounts for the insurance corporations there is an item called “equalization provisions” that gives a guide to the funds the insurance corporation sets aside to meet unexpectedly large claims. Adjusted claims are derived ex post as actual claims incurred plus the change in equalization provisions”<sup>133</sup>.

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<sup>131</sup> 2008 SNA paragraph 6.187.

<sup>132</sup> 2008 SNA paragraph 17.21.

<sup>133</sup> 2008 SNA paragraph 6.189

In Colombia and following the 2008 SNA recommendation, the adjusted claims incurred are considered in an approximate way, seeking to eliminate the fluctuations of random character in the calculated value of the output of insurance. The method consists in considering that the relationship between the value of premium and the value of the service can be considered as fixed overtime, on the basis of the relationship observed for a relatively regular year taken as a basis; in fact, this situation occurred in year 2005, which led to establish a fixed coefficient service charge to premium earned for all the following years.

Based on the above, the output of current years is calculated year after year using the value index of the values of gross premiums<sup>134</sup> by the general insurance corporations<sup>135</sup>.

$P_n = P_{n-1} \times \text{value index of premiums}$

The net premium is calculated in the following way:

$\text{Net Premium} = \text{Gross Premium} + \text{Premium complements} - \text{Output}$

In the past output was calculated every year as the difference between premiums and claims of the year; consequently this value could strongly fluctuate year after year due to reasons linked to the distribution of actual events as explained above.

## **Life insurance**

The output of life insurance is calculated following the same general principles as for non-life insurances but given the time interval between the moment in which the premiums are receivable and the moment in which the claims are payable, companies must do special allocations in order to constitute the technical reserves that will allow them to respond for the claims in the future.

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<sup>134</sup> Output = Premium earned + Premium supplements - claims

<sup>135</sup> For the calculation of output, premiums data are available classified according to the types of risks: general insurances except pensions, pension commutation, voluntary pensions and autonomous patrimonial funds, which are calculated on the basis of costs.

The output of life insurance is calculated in the following way:

Premiums earned,

Plus: Premium supplements,

Less: Benefits due,

Less: Increases (plus decreases) in life insurance technical reserves.

In life insurance premiums earned are defined in the same way as for non-life insurance but the amounts of premium supplements are more important. "The insurance corporation cumulates premiums payable until the promised date when benefits become payable and in the meantime uses the reserves to produce investment income. Some of the investment income is added to the life insurance reserves belonging to the policyholders to meet benefits in future. This allocation is an asset of the policyholders but is retained by the insurance corporation which continues to invest the amounts until benefits become payable. The remainder of the investment income not allocated to the policyholders is retained by the insurance corporation as its fee for the service they provide"<sup>136</sup>.

The claims are registered as they are assigned or they are payable; there is no need to consider an adjusted figure, since there is no such volatility as is the case for non-life insurance.

In the case of life insurance, there are technical reserves similar to those of non-life insurance, but, there are additionally two other elements of insurance reserves: the actuarial reserves for life insurances and the insurance reserves with participation in the benefits.

### **Pension Insurance**

The output of branches of insurance that correspond to the payment of pensions, that is, commutation of pension, voluntary pensions and independent patrimonial fund, that all correspond to the management of pension by insurance corporations

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<sup>136</sup> 2008 SNA paragraph 6.193.

according to Law 100 of 1993, is calculated using their current costs, due to fluctuations that appear in the reported value of the premiums at the moment in which the total pension liability of pensioners or (pensioners to be) enters the insurance corporations, either because the pensions fund to which he is affiliated decides to remit its operations to an insurance corporation (what is called “commutation”) or because the pensioner of a pension fund operating under a defined contribution system opts for receiving his pension under the form of an annuity payable through an insurance company.

### **Groupings of companies considered in the measurement of output**

From a practical point of view and according to the information available, the output of insurance is calculated based on the following groupings of companies: the companies managing non-life and life insurance as well as those managing annuities, on the one hand, which information comes principally from the Superintendency of Finance using a unique format, and, the companies managing prepaid medical insurance, the EAPB and the entities adapted to the social insurance system in health which information is collected under a unique common format by the Superintendency of Health. The example that follows illustrates the case of companies managing prepaid medical insurance:

#### **Prepaid medical insurance**

The activity of these companies is similar to that of other insurance corporations; their output is calculated as the difference between the operational income and operational expenses related to risk protection. Incomes include the premiums for the different types of contracts: individual, familiar, collective, integral health care services, occupational health, inscriptions, bonds or vouchers, and entrance examinations. Expenses include all those related with the risks insured by insurance policies, such as medical and dentist consultation, urgencies, hospitalization, maternity, surgery, etc. Table 145 shows the data used in the estimate of output for year 2008.

In the estimate of output, the treatment via adjusted claims is not applied for prepaid medical insurance due to the absence of large fluctuations in the claims

**Table 145. Output corresponding to prepaid medical insurance – 2008**

		Thousand million pesos
Code	Description	Values
P.11	Insurance Output	410
	Premiums earned (+)	1318
	Premium supplements (+)	31
	Claims due for payment (-)	939

Source: National Superintendency of Health.  
 Calculations: DANE, Division of national accounts (DSCN)

### Output of EAPB- and entities adapted to the system

In these corporations, output is defined as the value charged for services of the contributory and subsidized scheme of social security in health. It is calculated as the difference between the value of the Units of Payment by Capitation - UPC<sup>137</sup> receivable and the social benefits payable. The benefits include the expenses for hospitalization, surgeries, medical services, dentist treatments, maternity, etc<sup>138</sup>. Table 146 shows output calculated for these corporations for year 2008.

The net premium is calculated as follows:

Net premium = Premiums (UPC of the contributory and subsidized scheme) + Premium supplements- Output.

<sup>137</sup> In a strict sense, the output of the EAPB should be calculated according to the percentage set by the government for management costs (article 23 of law 1438 of 2011), which is up to 10% of the value of the UPC for entities managing the contributive system and 8% of this value for the entities managing the subsidized system. Based on the above, the formula to calculate the output of corporations will be revised in the new base of National Accounts.

<sup>138</sup> The EAPB recognize those costs through contracts with healthcare providers.

**Table 146. Output corresponding to EPS (C and S) 2008**

		Thousand million pesos
Code	Description	Values
P 111	Insurance output	2.966
	Premiums earned (UPCs)	13.285
D 41	Premium supplements (+)	92
	Claims payable (social benefits)	10.381

Source: Ministry of Social Protection - National Superintendency of Health.  
Calculations: DANE, Division of national accounts (DSCN)

### 11.4.3. The accounts of pension funds

Pension funds are institutional units separated from the units that create them; they are established with the purpose of providing retirement benefits to specific groups of persons such as employees, self-employed and autonomous persons<sup>139</sup>; they have their own assets and liabilities and engage in financial transactions on their own account in the market; they are organized and run by individual private or public employers, or jointly by individual employers and their employees; employees and/or employers contribute regularly to such funds. In Colombia this group includes the so called private pension funds<sup>140</sup>.

The accounts of the pension funds are compiled with a different methodology from that of the rest of entities of the subsector. Their source of information are the financial statements including the change in net worth that pension funds must report to the Superintendency of finance. The net property income earned by the pension funds by investing the technical reserves are presented in the financial statements;

<sup>139</sup> In Colombia some entities which provide social benefits to government employees such as Caja de Retiro de las Fuerzas Militares – CREMIL – (the Military Retirement Fund) , la Caja de Sueldos de Retiro de la Policía Nacional – CASUR – (The Police Retirement Fund) and Fondo de Previsión Social del Congreso de la Republica – FONPRECON – (Social protection fund of congress) are presently included in the subsector of social security funds of the General Government sector. According to 2008 SNA, they should be part of the subsector of insurance corporations and pension funds; in the new national accounts base, they will be transferred to the corresponding subsector.

<sup>140</sup> In the Colombian regulation, they are designated as private pension funds managed under the individual saving scheme (private); they are defined contribution pension funds.

the change in net worth presents the elements that explain the change in the pension entitlements; the change in net worth records the social contributions, the property incomes receivable, the pensions payments, the transfers between funds, the commissions payable to the managers of the pension funds<sup>141</sup>, the insurance premiums and other expenses that are charged to the accounts. This financial information is complemented with non-monetary statistics regarding the number of affiliates and their characteristics.

The methodology used for current years is equivalent to that followed for year 2005 and is explained in detail in the document describing the 2000 base of national accounts<sup>142</sup>.

#### **11.4.4. Presentation of accounts of the subsector of insurance corporations and pension funds**

Table 147 presents the accounts for the subsector of insurance corporations and pension funds. The production account shows the value obtained by the sale of insurances services including those provided by life and non-life insurance corporations, the EAPB and the corporations providing prepaid medical services.

The allocation of primary income account records the property income derived from putting the resources of insurance corporations and pensions funds on the market (interests and dividends). The use side records any interests payable for loans and other obligations and the net income generated by the investment of insurance reserves and pension funds that are transferred to the affiliates under the form of “property income attributed to policyholders” (D.44)<sup>143</sup>.

In the current transfers, the values of net premiums on non-life insurance are included as income (D.71) receivable by the insurance corporations and the claims payable are recorded as expenses (D.72). The use of income account includes the

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<sup>141</sup> The managers of pension funds are part of the subsector of financial auxiliaries

<sup>142</sup> Colombia National Accounts Methodology of the 2000 base volume 3, section 33.2

<sup>143</sup> Property income receivable less property income payable is considered as belonging to property the affiliates; it is recorded as an expense of the pension funds and an income of households.

“adjustment for the change of net equity of households in pension funds” (D.8). This transaction aims to display as a component of savings of households, the changes year to year of the reserves of the pension funds. This transaction appears as an expense of the pension funds and as an income of households, in a manner analogous to that for social contributions (D.61)<sup>144</sup>, deducing the social private benefits based on special funds (D.62).

**Table 147. The accounts of the insurance corporations and pension funds subsector 2008**

Thousand Million pesos					
National Accounts Classification	Uses	2008	National Accounts Classification	Resources	2008
<b>Total</b>			<b>Total</b>		
I.	Production Account		I.	Production Account	
P.2	Intermediate Consumption	3.196	P.1	Output	7.277
B.1b	Gross value added	4.081	P.11	Market output	7.277
			P.13	Other non-market output	0
	Total	7.277		Total	7.277
II.1.1	Generation of income account		II.1.1	Generation of income account	
D.1	Remuneration of employees	1.534	B.1b	Gross value added	4.081
D.29	Other taxes on production	127			
B.2b	Operating surplus	2.420			
	Total	4.081		Total	4.081
II.1.2	Allocation of primary income account		II.1.2	Allocation of primary income account	
D.4	Property income	6.223	B.2b	Operating surplus	2.420
D.41	Interests	84	D.2	Taxes on production and imports	
D.42	Distributed income of corporations	223	D.3	Subsidy	
D.43	Reinvested earnings on direct foreign	41	D.4	Property income	5.020

<sup>144</sup> In the social contributions of employees and self-employed persons and unemployed autonomous persons, the property income obtained by the placements of pension funds is included.

Thousand Million pesos

National Accounts Classification	Uses	2008	National Accounts Classification	Resources	2008
Total			Total		
	investment				
D.44	Property income attributed to insurance policy holders	5.875	D.41	Interests	3.389
B.5b	Balance of primary incomes	1.217	D.42	Distributed income of corporations	364
			D.43	Reinvested earnings on direct foreign investment	0
			D.44	Property income attributed to insurance policy holders	1.267
	Total	7.440		Total	7.440
II.2	Secondary distribution of income account		II.2	Secondary distribution of income account	
			B.5b	Balancing item of gross primary incomes	1.217
D.5	Current taxes on income, wealth, etc.	152	D.5	Current taxes on income, wealth, etc.	0
D.62	Social benefits other than transfers in kind	1.129	D.61	Social contributions	10.459
D.621	Social security benefits in cash	0	D.611	Actual social contributions	10.428
D.622	Private funded social benefits	1.098	D.6111	Employers' actual social contributions	7.161
D.623	Unfunded employee social benefits	31	D.6112	Employee's social contributions	2.669
			D.6113	Social contributions of unemployed person and of independent	598
			D.612	Imputed social Contributions	31
D.7	Other current transfers	15.580	D.7	Other current transfers	14.089
B.6b	Disposable income, gross	8.904		Total	25.765
	Total	25.765			
II.4.1	The use of disposable income account		II.4.1	The use of disposable income account	
P.3	Final consumption expenditure	0	B.6b	Disposable income, Gross	8.904

Thousand Million pesos

National Accounts Classification	Uses	2008	National Accounts Classification	Resources	2008
		<b>Total</b>			<b>Total</b>
D.8	Adjustment for the change in net equity of households in pensions funds	9.329			
B.8b	Saving Gross	-425			
	<b>Total</b>			<b>Total</b>	
II.4.2	The use of adjusted disposable income account		II.4.2	The use of adjusted disposable income account	
P.4	Actual final consumption		B.7b	Adjusted disposable income, gross	8.904
B.8b	Saving Gross	-425			
	<b>Total</b>			<b>Total</b>	
III.1	Capital Account		III.1	Capital Account	
P.51	Fixed capital formation, Gross	60	B.8b	Gross Saving	-425
P.52	Change in inventories	0	D.9	Capital transfers	0
P.53	Acquisitions less disposals of valuables	0			
K.2	Acquisitions less disposals of non-produced non-financial assets	0			
B.9	Net Lending (+) net borrowing (-)	-485			
	<b>Total</b>	-425		<b>Total</b>	-425

Calculations: DANE, Division of national accounts (DSCN)

## 12. ACCOUNTS FOR NON-FINANCIAL CORPORATIONS

The accounts for non-financial corporations are compiled following the general methodology explained in chapter 9 and in annex 15. The data sources used are the financial statements reported by regulation and monitoring entities such as the superintendencies and the General Accounting Office of the Nation.

The particularities of this sector refer to the methodology used to compile the accounts of national private non-financial corporations, as well as the breakdown of production and generation of income accounts by industries.

The present chapter presents the methods used for the subsectors of public and of private corporations.

### 12.1. DEFINITION AND CLASSIFICATION OF THE SECTOR OF NON-FINANCIAL CORPORATIONS (S.11)

The sector of non-financial corporations includes the resident institutional units, whose main activity is the production of goods or non-financial services in order to sell them on the market at prices that are economically significant<sup>145</sup>.

#### 12.1.1. Definition of the sector

The sector of non-financial corporations includes the following resident institutional units:

- The resident non-financial corporations, irrespective of the residence of their shareholders.
- The resident non-financial quasi-corporations including the branches or subsidiaries of foreign-owned non-financial corporations that are engaged in

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<sup>145</sup> Prices are considered as economically significant when prices have a significant effect on the amounts that producers are willing to supply and on the amounts purchasers wish to buy.

significant amounts of production in the economic territory on a sufficiently long basis.

- The resident NPIs that are market producers of goods or non-financial services. They are created under the legal form of non-profit entities and generally provide education and health services such as schools, universities, clinics, etc.
- The NPIs financed by corporations, and committed to defending and promoting their interests; they include associations and partnerships of producers, for example: The Colombian coffee, cotton, cocoa professional growers' associations, the Colombian Farmers Association (SAC), the chambers of commerce, etc. and the corporations of solidarity economy dedicated to non-financial activities.

"Some non-financial corporations or quasi-corporations may have secondary financial activities; for example, producers or retailers of goods may provide consumer credit directly to their own customers. Such corporations or quasi-corporations are nevertheless classified as belonging in their entirety to the non-financial corporate sector provided their principal activity is non-financial"<sup>146</sup>.

Corporations may adopt the legal forms of a joint-stock company, limited liability partnership, industrial and commercial enterprise of the state, foreign branch, or cooperative.

### 12.1.2. Classification according to the control of corporations

The sector of non-financial corporations is divided into two subsectors on the basis of the types of institutional units that exercise control over the corporations, quasi-corporations or market NPIs, that is, either those belonging to the government, to the rest of the world<sup>147</sup> or to any other institutional sectors. The control over a

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<sup>146</sup> 2008 SNA paragraph 4.95

<sup>147</sup> The SNA distinguishes a third subsector, the corporations under foreign control, that includes the corporations controlled by non-resident units; so far these accounts have not been compiled for this subsector in Colombia; the corporations controlled by non-resident units are part of the subsector of private corporations. A project is being developed with the purpose to present in the future the accounts for this subsector independently.

corporation is defined as the ability to determine its general policy. As a practical rule, the control over a corporation is guaranteed when an institutional unit owns more than 50% of the voting shares of a corporation. The subsectors being considered are the public non-financial corporations and the private non-financial corporations.

### ***Classification by economic sectors***

Additionally to the breakdown into public and private corporations, the non-financial corporations are classified by economic sectors. An economic sector groups corporations that are engaged in the same principal activity. In the classification by economic sectors, what matters is the enterprise as a whole; thus for example the corporation ECOPETROL that develops three activities: crude oil extraction, oil refining and transport, is classified in the economic sector that corresponds to its main activity, in that case crude oil extraction. So far, in Colombia complete accounts by economic sectors have not been elaborated; they will be developed for the future new base of national accounts.

### ***Classification by industries***

In order to identify and classify separately the different economic activities that enterprises undertake, they are divided into smaller, more homogenous units. According to SNA an establishment is defined as: “[...] an enterprise, or part of an enterprise, that is situated in a single location and in which only a single productive activity is carried out or in which the principal productive activity accounts for most of the value added”<sup>148</sup>.

The number of establishments of an enterprise depends on the location of its industrial plants, the activity in which they are engaged and the accounting system. Units located in the same place, engaged in different activities and having separate accounts are considered different establishments, in the same way that units engaged in the same economic activity but in different locations, constitute separate establishments. Back to the example of Ecopetrol, develops its economic activity in various establishments, located in different places, which are grouped into three industries.

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<sup>148</sup> 2008 SNA paragraph 5.2

The establishment is the unit of observation for the classification by industries. An industry consists of a set of establishments engaged in identical or similar types of activity.

The accounts by industries that are derived from the process of setting up the accounts of the sector of non-financial corporations represent an important complement to the compilation of the goods and services accounts, as they make it possible to obtain the accounts for industries for which there are no economic surveys such as electricity, gas and water supply, crude oil, coal and rest of the mining industries, or to complement the estimates of some activities like business services or trade that are only partially covered in the economic surveys.

The methodologies used to compile the production and generation of income accounts by industries of public corporations and private non-financial corporations are explained in sections 12.2.1 and 12.3.1.

### **12.1.3. Relationship between the classification by economic sectors and by industries**

The classifications by economic sectors and by industries are mutually linked; in the former, the statistical unit is the enterprise and in the latter, it is the establishment.

Two cases are possible: that of enterprises that develop a unique productive activity in a unique location, in which case the enterprise is equal to the establishment<sup>149</sup>. The other case is that of enterprises that develop one or several activities in different locations; for each of them, separate establishments are defined; in that case the enterprise is equal to the sum of its establishments.

For the study of production and its costs, the enterprise is broken down into establishments when speaking of industries, but is taken as a unique entity when working by economic sectors.

Table 148 present the example of enterprise A, which is made of two establishments, one engaged in the industrial production of sugar and the other one, in the

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<sup>149</sup> This is the case of the majority of corporations

agricultural production (sugar cane cultivation). Each establishment is allocated to the corresponding industry, the manufacturing industry and agriculture; the enterprise is classified as a whole in the sector with the major value added, in this case the manufacturing industry.

**Table 148. Production and generation of income accounts  
 Enterprise A (fictitious)**

Enterprise	Transactions						
	Market output	Intermediate Consumption	Value Added	Wages and Salaries	Employers' actual social contributions	Other taxes on production	Operating Surplus, gross
	(P11)	(P2)	(B1)	(D11)	(D121)	(D29)	(B2)
<b>Total</b>	2.700	900	1.800	1.000	124	31	645
1 Agriculture	600	100	500	150	37	3	310
2 Manufacturing Industry	2.100	800	1.300	850	87	28	335

Calculations: DANE,  
 Division of national  
 accounts (DSCN)

## 12.2. THE SUBSECTOR OF PUBLIC NON-FINANCIAL CORPORATIONS

It includes resident corporations and quasi-corporations under the control of government units.

### 12.2.1. Definition of public non-financial corporations

These corporations are defined by the units which control them, as explained below:

- a) The government owns more than half of the voting rights or controls in any other way, more than half of the voting rights of the shareholders; or,
- b) As consequence of some legal act, decree or regulation, the government has the right to determine the corporation's policy or to nominate its board of directors.

In order to control more than half of the voting of the shareholders, a government unit does not need to directly own the shares with voting rights; for example, a public corporation can be a subsidiary of another public corporation in which the government owns the majority of the shares with voting rights.

This subsector includes: the state's industrial and commercial corporations, that are corporations created by law, which undertake industrial and commercial activities according to the regulation corresponding to the private sector, with formal legal status and administrative autonomy, government owned independent capital, such as the Colombian Oil Company (ECOPETROL), the Colombian Military Industry (INDUMIL), corporations in the electrical energy, water supply, sewerage and sanitation and communication sectors, in which the government has a majority of shares; the Governmental Social Corporations (ESE) that mainly provide market health care, such as public hospitals.

Public quasi-corporations whose ownership corresponds directly to governmental unit, such as the lotteries, also belong to this sector.

### **12.2.2. The accounts for public non-financial corporations**

The accounts for public non-financial corporations are compiled on the basis of financial statements reported to the General Accounting Office of the Nation, and the Superintendency of Public Utilities; every year the financial statements of all the public corporations collected by these agencies are processed from which their accounts are compiled.

The production and generation of income accounts are compiled by industries and the rest of the accounts (from the allocation of primary income account up to the capital account), globally for the subsector as a whole.

The methodology used to compile the production and generation of income accounts depends on whether the corporations are engaged in one or several activities and on how the information is displayed.

For corporations that develop a single activity in a single location, which is the case of the majority of public corporations, as we have seen, the establishment unit coincides with the enterprise unit; the accounts by industry are derived directly from the accounting information; ii is the case, for example, of the public hospitals that provide healthcare services, or INDUMIL engaged in the production of the ammunition (machinery and equipment industry), or Bogotá's Telephone Company (ETB) engaged in providing telecommunication services.

In the case of corporations that develop more than one activity and present separate financial statements for each of the businesses<sup>150</sup>, the production and generation of income accounts by industry are compiled on the basis of this accounting information as in the previous case. This is the case of corporations providing public utilities, among them, Medellín's Public Utility Corporation (EPM) that provides various services such as water supply, electricity, gas and sanitation and presents separate financial statements for each of them.

Finally in the cases such as that of ECOPETROL that develops three activities: mining and quarrying, oil refinery and transport services, all the related information is included into a single financial statement; in a first stage the accounts are elaborated for the total enterprise and in a second stage, the accounts are broken down into establishments on the basis of information collected through the Annual Manufacturing Survey (EAM). In current years, the accounts by industries are established based on the data on production and costs structures broken down by industries for year n-1.

Table 149 presents the production and generation of income accounts of public non-financial corporations broken down by industry. The rest of the accounts (from the allocation of primary income account up to the capital account) are presented for the subsector as a whole (Table 150)<sup>151</sup>.

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<sup>150</sup> The businesses represent the establishments of the enterprise.

<sup>151</sup> Currently, the accounts for the non-financial corporations are not compiled, by economic sectors; they are planned to be compiled in the future new base of national accounts.

The public corporations have their importance in activities such as mining and quarrying (crude oil extraction), manufacturing industry (oil refining), production of electricity, gas, water, communications (Medellín's Public Utility Corporation) and market health (public hospitals-ESE).

**Table 149. The Production and Generation of Income Accounts of public non-financial corporations by industries 2008**

**Thousand million pesos**

Description	Mining and quarrying	Manufacturing Industries	Electricity, gas and water supply	Transport, storage and communications	Market health	Other community social and personal services	Total
	(activity 07)	(activities 10 to 36)	(activities 38-39 and 40)	(activities 46 to 50)	activity (57)	(activities 52-53-55-58 and 59)	
P.1 Market Output	14.727	20.088	16.266	1.526	6044	4.808	63.45
Intermediate							9
P.2 Consumption	2.773	9.466	6.381	589	2630	2.099	23.93
							8
B.1 Value Added	11.954	10.622	9.885	937	3.414	2.709	39.52
Wages and							1
D.11 salaries	112	388	1.417	76	1586	1.122	4.701
Employers' actual							
D.12 social							
1 contributions	28	103	331	18	430	275	1.185
Employers'							
D.12 Imputed social	32	28	183	11	28	33	315
2 contributions							
Other taxes on							
D.29 production	200	144	355	5	101	178	983
Gross Operating							32.33
B.2g Surplus	11.582	9.959	7.599	827	1.269	1.101	7

Source: DANE, Division of national accounts (DSCN)

Table 150 . Accounts for public non-financial corporations

Thousand million pesos					
National Accounts Classification	Uses	2008	National Accounts Classification	Resources	2008
I.	Production Account Intermediate		I.	Production Account	
P.2	Consumption	23.938	P.1	Output	63.459
B.1b	Value added, gross	39.521	P.11	Market output	63.459
K1.	Consumption of fixed capital		P.13	Other non-market output	
B.1n	Value added, net				
	Total	63.459		Total	63.459
	Generation of Income Account			Generation of Income Account	
II.1.1	Compensation of employees		II.1.1		
D.1	Other taxes on production	6.201	B.1b	Value added, gross	39.521
D.29	Operating surplus	983			
B.2b	Total	32.337		Total	42.433
	Allocation of Primary Income Account			Allocation of Primary Income Account	
II.1.2	Property income		II.1.2		
D.4		9.737	B.2b	Operating surplus	32.337
			D.2	Taxes on production and imports	
			D.3	Subsidies	
B.5b	Balance of primary incomes	25.809	D.4	Property income	3.209
	Total	35.546		Total	35.546
	Secondary Distribution of Income Account			Secondary Distribution of Income Account	
II.2	Current taxes on income, wealth, etc.		II.2	Balance of primary incomes	
D.5	Social benefits other than social transfers in kind	2.517	B.5b		25.809
D.62	Other current transfers	1.565	D.5	Current taxes on income, wealth, etc.	
D.7		2.566	D.61	Social contributions	1.028
B.6b	Disposable income,	24.099	D.7	Other current transfers	3.910

Thousand million pesos					
National Accounts Classification	Uses	2008	National Accounts Classification	Resources	2008
	gross				
	Total	30.747		Total	30.747
II.4.2	Use of Adjusted Disposable Income Account		II.4.2	Use of Adjusted Disposable Income Account	
P.4	Actual final consumption		B.7b	Adjusted disposable income	24.635
B.8b	Saving, gross	24.635			
	Total	24.635		Total	24.635
III.1	Capital Account		III.1	Capital Account	
P.51	Gross fixed capital formation	10.438	B.8b	Saving, gross	24.635
K.1	Consumption of fixed capital		D.9	Capital transfer, receivable	506
P.52	Changes in inventories	255			
P.53	Acquisitions less disposals of valuables	0			
K.2	Acquisitions less disposals of non-produced non-financial assets	251			
B.9	Net lending (+) Net borrowing (-)	14.197			
	<b>Total</b>	<b>25.141</b>		<b>Total</b>	<b>25.141</b>

Source: DANE, Division of national accounts (DSCN)

## 12.3. THE SUBSECTOR OF PRIVATE NON-FINANCIAL CORPORATIONS

### 12.3.1. Definition of the private non-financial corporations

The subsector includes all the resident non-financial corporations and quasi-corporations, which are characterized for not being under government control. This category includes:

- The resident non-financial corporations, regardless of the residence of their shareholders;
- The mixed public-private corporations, in which the share of private capital exceeds 50%.
- The resident non-financial quasi-corporations, including branches or subsidiaries of foreign non-financial corporations which undertake a significant production in the economic territory, during a sufficiently long period.
- The NPIs that produce market goods or services, organized legally as non-profit institutions which generally provide education and health care services such as schools, universities and clinics. Are also included the NPIs that serve corporations, for example: the Colombian Coffee, Cotton, Cocoa Growers' federations, the Colombian Farmers Association -(SAC), chambers of commerce, etc. and the companies of solidarity economy engaged in non-financial activities.

Generally, this subsector comprises all the national private corporations, including the corporations listed in the stock exchange, the private public utilities corporations (ESP), the port authorities, the branches of non-resident units, the general deposit warehouses, as well as the NPIs that serve non-financial corporations.

### 12.3.2. The accounts for private non-financial corporations

The methodology used to compile the accounts of the subsector in current years is different from that used for the base year; in the base year, the purpose is to

establish the levels of the variables of the accounts; in the current years, the purpose is to establish the changes in those variables over time.

For the base year 2005, the accounts are compiled using information for the universe of the existing non-financial corporations and quasi-corporations and in the current years, the results of a sample of corporations are used. In what follows, the methodologies used for the 2005 base year and for current years are explained.

### ***The accounts for the 2005 base year***

The accounts for the 2005 base year of private non-financial corporations result from the union of several sources of information such as: the financial statements reported by the Superintendency of Companies, the Superintendency of Public Utilities, the Superintendency of Solidarity Economy, the Superintendency of Finance for the general deposit warehouses and the non-financial corporations that list in the Stock Exchange, and DANE for the non-profit institutions that serve corporations<sup>152</sup>; these data are complemented with the Annual Economic Surveys on manufacture, trade and services that DANE conducts on a regular basis; information is also derived from the National Tax and Customs Directorate (DIAN) regarding corporations that are not obliged to report to any of the previous sources.

The methodology used to compile the accounts of the base year differs in the case of the production and generation of income accounts, and for the rest of accounts (from the allocation of primary income account up to the capital account). In this case also, the former accounts are compiled by industry and the rest of accounts for the subsector as a whole.

The tasks developed for the base year included the following stages:

- Crosschecking the business registers to which different information sources are associated;
- Compilation of each of the accounts.

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<sup>152</sup> DANE directly requested them to provide the financial statements.

▪ ***Crosschecking the business registers to which different information sources are associated***

The information sources available to compile the accounts of this subsector involve different groups of corporations, some of which being included in more than one source and others in none of them; in order to make compatible the information reported by different sources and to complement the coverage of the subsector, the first stage of the work consisted of crosschecking the registers of the corporations included in each source.

Crosschecking the registers had the following purpose:

- To build and cleanse a unique register of corporations belonging to the subsector of private non-financial corporations;
- To have a tool of control when consolidating the different groups of corporations, avoiding duplications or omissions;
- To establish the list of corporations without information based on surveys or the superintendencies.

Table 151 lists the number of units reporting operational income by information source, that were used as the basis for crosschecking the registers for year 2005.

**Table 151. Number of institutional units reporting operational income by type of source 2005 base year**

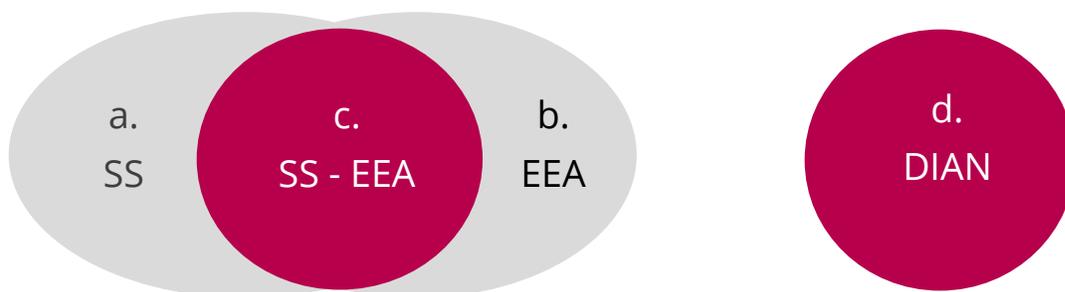
Information source	Total
Annual Manufacturing Survey	7.428
Annual Trade Survey	6.969
Annual Services Survey	4.199
Superintendency of Companies	15.260
Superintendency of Solidarity Economy	5.211
Superintendency of Securities	106
Superintendency of Ports and Transport	296
Family Allowance Funds	51
General Accounting Office of the Nation (Public Corporations)	470

Source: DANE, Division of national accounts

Based on the crosschecking of registers four groups of corporations can be identified (figure 11); each of them being subject of a special treatment, as follows:

- a) Corporations that report information only to the monitoring and control institutions, superintendencies (SS).
- b) Corporations only included in DANE's economic surveys (EEA).
- c) Corporations included simultaneously in DANE's economic surveys and the monitoring and control institutions (SS-EEA).
- d) The private non-financial corporations and quasi-corporations that do not belong to any of the previous groups, whose accounts are being compiled from information reported in aggregated form by DIAN.

**Figure 11. Groups of corporations resulting from crosschecking registers from DANE's economic surveys, the superintendencies and DIAN**



Source: DANE, DSCN

Taking for example the procedure consisting in comparing the registers of corporations monitored by the Superintendency of companies (total row 2: 15.260 in total) and the corporations surveyed by DANE in the economic surveys (EAM, EAS, EAC) ((1), (2) and (3) in row 2 table 152), we find the following results: 5.410 corporations are simultaneously monitored by the Superintendency of companies and included in DANE's economic surveys (SS-EEA), ( 2729 also surveyed by EAM, 2053 surveyed by EAC and 659 surveyed by EAS, less 31 companies that report to more

than one survey and therefore are counted several times); 9.850 corporations that only reported to the superintendencies (SS).

Reading now the bottom part of Table 152, we find that within the corporations surveyed by DANE, 4611 of those surveyed by EAM are not controlled by the superintendencies, and the same situation occurs for 4.860 surveyed by the EAC and 3.508 of those surveyed by the EAS (row 8 of table 152).

**Table 152. Number of institutional units appearing when crosschecking registers  
2005 Base year**

Information source	Total (1)+(2)+(3) - (4)+(5)	Number of companies				
		Annual Manufacturing Survey (EAM)	Annual Trade Survey EAC	Annual Services Survey EAS	Corporations included in more than one economic survey	Corporations monitored only by superintendencies (SS)
		(1)	(2)	(3)	(4)	(5)
1 Total	21.394	7.428	6.969	4.202	44	15.818
2 Superintendency of Companies	15.260	2.729	2.053	659	31	9.850
3 Superintendency of Securities	106	38	6	3	2	61
4 Superintendency of Solidarity Economy	5.211	27	32	12	2	5.142
5 Superintendency of Ports and Transport	296	9	4	2	1	282
6 General Accounting Office of the Nation <sup>a</sup>	470	13	0	7	0	450
7 Family allowances funds	51	1	14	11	8	33
8 Those only included in surveys (EEA)	--	4.611	4.860	3.508	--	--

Source: DANE, Division of national accounts to Public Corporations.  
--:Not applicable

For the units included in each information source the system of accounts was constructed, including the production and generation of income accounts. For corporations with accounting information, the accounts were elaborated following the methodology explained in chapter 9 on the transformation of accounting information in terms of national accounts. In the case of those included only in the economic

surveys, the accounts were elaborated on the basis of these surveys data. These are the guiding principle to calculate the accounts of 4 groups listed in figure 1; the accounts of the subsector of private non-financial corporations of 2005 base year resulted from the aggregation of the four subgroups of data. The work carried out for each group is explained below.

**a. Accounts of the corporations that only report information to the institutions of monitoring and control (SS).**

This group includes corporations monitored by the superintendencies and not covered by the economic surveys either because their activity is not subject to current surveys conducted by DANE or because the register does not include them. For this group of corporations, the work consisted in compiling the accounts taking the financial statements from superintendencies as the only source of information. The principal activity of each corporation was determined on the basis of its operational incomes, taking into account those of major significance.

**b. Accounts of the corporations that are only subject of some of DANE's economic surveys.**

This group includes the corporations not monitored by the Superintendencies though part of the coverage of DANE's economic surveys; for this group the full sequence accounts was compiled, based on the information collected in those economic surveys.

**c. Accounts of corporations simultaneously included in the coverage of DANE's economic surveys and controlled and monitored by some superintendency (SS-EEA).**

For this group of corporation, the production and generation of income accounts were compiled taking as sources both the economic surveys (information available at the establishment level) and the financial statements (by company); the latter source of information was also used for the rest of accounts of the enterprise (from the allocation of primary income account up to the capital account).

The compilation of the production and generation of income accounts included of making coherent the data of the enterprises and those of the establishments included

in each of them. For this, the information reported in each source was compared, its differences, and causes were established and the adjustments to be made were defined; the purpose was to get value of the operating surplus (B2) of the enterprise equal to the sum of those of the establishments that compose it.

The data from surveys were complemented with data from the enterprise, so as to obtain a single result. Thus in the case of the EAM the uninformed income and expenses were added (non-operational income and expenses), the data of auxiliary units, for those that did not include them and in case in which the enterprise included some activity not included in the survey, some estimates were made of the corresponding accounts.

In order to determine the causes of differences, a representative group of enterprises was analyzed, finding that cases were recurrent, which allowed to generalize the causes and in this way to define the methodology to apply in each one of the groups. The methodology used in base 2005 is the same as that applied in base 2000<sup>153</sup>.

**d. Accounts of the private non-financial corporations and quasi-corporations that not belong to any of the previous groups, whose accounts were compiled from information reported in aggregated form by the DIAN**

This group refers to the corporations included neither in DANE's annual surveys nor in the registers of the superintendencies: their accounts were calculated from information reported in aggregated manner by the DIAN<sup>154</sup>.

DIAN provided the data aggregated by economic sectors (at four-digit ISIC), which was the basis to define the industries. Due to the reduced detail that the fiscal records provide, expenses were broken down using the structure of expenses corresponding to groups of corporations of similar characteristics.

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<sup>153</sup> For further information, refer to "Colombian National Accounts Methodology 2000 base year, chapter 29.

<sup>154</sup> To obtain the data of this group of companies, DANE sent the register of companies for which it had information to the National Tax and Customs Office (DIAN). DIAN consolidated the data of companies aggregated by economic activity (ISIC at four-digit) that were not included in this report and sent the consolidated data to DANE.

According to the information available, the accounts for the private non-financial corporations for year 2005 derived from the aggregation of data of the four groups of corporations. The results are presented in Table 153.

**Table 153. Production and Generation of Income Accounts by groups of companies**  
Base year 2005

		Thousand million pesos				
Transactions	Corporations that only report information to the organisms of monitoring and control (SS)	Corporations included simultaneously in the registers of DANE's economic surveys and those of the organizations of monitoring and control (SS-EEA)	Corporations only Included in the registers of DANE's economic surveys	Private non-financial corporations not included into any of the previous groups, (DIAN)	Total sector	
P.11	Market output	58.924	114.176	16.686	99.604	289.390
P.2	Intermediate Consumption	22.759	74.796	9.096	61.596	168.247
B.1g	Value Added, gross	36.165	39.380	7.590	38.008	121.143
D.11	Wages and salaries	7.338	14.989	3.937	14.605	40.869
D.121	Employers' actual contributions	1.006	2.387	704	3.836	7.933
D.122	Employers' imputed contributions	33	2	0	0	35
D.29	Other taxes on production	1.248	1.192	273	1.735	4.448
B.2g	Gross Operating surplus	26.540	20.810	2.676	17.832	67.858

Source: DANE, Division of national accounts (DSCN)

### ***The accounts for the current years***

The methodology used to compile the private non-financial corporations for current years use as a base the data of the accounts of the previous year and the results derived from a sample of corporations. The sample consists of companies that have information in the superintendencies databases during two consecutive years, plus the companies created minus the companies that were shut down in the period of analysis. For the year 2008 the selected sample included 17.925 companies. Table 154 shows the share of production of the sample on that of private non-financial corporations (by industries and total).

**Table 154. Percentage share of the sample in the production of private non-financial corporations  
 Major industry groupings and total  
 2008**

National Accounts Industry Groupings	%	Thousand million pesos	
		Value of the Sample	Total Value
Agriculture, forestry and fishery (01 - 05)	62,11	6.077	9.784
Trade, restaurants and hotels (43 - 45)	81,97	22.500	36.226
Construction (41 - 42)	52,74	33.970	54.694
Electricity, gas and water supply (38 - 40)	100	8.144	13.113
Community, social and pers. Serv. Pub. ad (51 - 59)	77,73	52.631	84.738
Mining and quarrying (06 - 09)	92,7	18.068	29.090
Manufacturing (10-36)	80,57	98.051	157.867
Transports, storage, and communication (46-50)	57,92	11.798	18.996
<b>Total</b>	<b>70,14</b>	<b>251.239</b>	<b>404.508</b>

Source: DANE, Division of national accounts (DSCN)

The accounts of every year are calculated on the basis of the results of the sample. Table 155 presents, as an example, for the activity (30), "Manufacture of other non-metallic mineral products", the production and generation of income accounts for the years 2007 and 2008 and the corresponding change in value; based on these value indices the production and generation of income accounts corresponding to the private non-financial corporations are calculated; the same methodology is applied for the rest of accounts, but the estimates are only presented for the total of the subsector.

The results obtained for the non-financial corporations are compared with the results of the total industry and in the stage in which the data by sectors and by industries are crosschecked, they are made consistent. The methodology used is explained in chapter 16 of this document.

**Table 155. Production and generation of income account - Activity 30 Manufacture of other non-metallic products 2007-2008**

		Thousand million pesos		
	Description of transaction	2007	2008	Annual Change (%)
P.11	Market output	9.921	10.503	6
P.2	Intermediate Consumption	5.746	6.129	7
B.1g	Value Added	4.175	4.374	5
D.11	Wages and salaries	1.114	1.129	1
D.121	Employers' social contributions	196	228	16
D.29	Other taxes on production	136	151	11
B.2g	Gross operating surplus	2.729	2.866	5

Source: DANE, Division of national accounts (DSCN)

Table 156 shows the production and generation of income accounts of the subsector of private non-financial corporation, calculated for year 2008, and broken down by industries.

**Table 156. The production and generation of income accounts by economic activity of industries  
 Private non-financial corporations  
 2008**

		Thousand million pesos							
Description of national accounts		Agriculture, forestry and fishing	Mining and quarrying	Manufacturing	Electricity, gas and water supply	Construction	Trade, restaurant and hotel	Transport, storage and communications	Activities of social, communal and personal services
		(01-05)	(06-09)	(10 - 36)	(38-40)	(41-42)	(43-45)	(46 - 50)	(51-59)
(P.11)	Market output (P11)	9.784	29.090	157.867	13.113	54.694	36.226	18.996	84.738
(P.2)	Intermediate Consumption (P2)	6.477	5.875	114.471	6.049	32.069	19.032	12.793	38.567
(B.1)	Value Added (B1)	3.307	23.215	43.396	7.064	22.625	17.194	6.203	46.171
(D.11)	Wages and Salaries (D11)	1.789	2.391	15.425	595	4.642	9.524	2.305	21.178
(D.121)	Employers' actual Contributions (D121)	393	491	3.218	152	1.315	2.402	578	5.309
(D.122)	Employers Imputed Contributions (D122)	0	0	0	45	0	0	0	14
(D.29)	Other taxes on production (D29)	103	303	1.890	430	936	766	360	1.996
(B.2)	Gross operating surplus (B2)	1.022	20.030	22.863	5.842	15.732	4.502	2.960	17.674

Source: DANE, Division of national accounts (DSCN)

Table 157 shows the accounts of private non-financial corporations accounts for year 2008.

**Table 157. The accounts for the private non-financial corporations subsector 2008**

Thousand Million pesos					
National Accounts Classification	Uses	2008	National Accounts Classification	Resources	2008
I.	Production Account		I.	Production Account	
P.2	Intermediate Consumption	235.333	P.1	Output	404.508
B.1b	Value added, gross	169.175	P.11	Market output	404.508
	<b>Total</b>	<b>404.508</b>		<b>Total</b>	<b>404.508</b>
II.1.1	Generation of Income Account		II.1.1	Generation of Income Account	
D.1	Compensation of employees	71.766	B.1b	Value added, gross	169.175
D.29	Other taxes on production	6.784			
B.2b	Operating surplus, gross	90.625			
	<b>Total</b>	<b>169.175</b>		<b>Total</b>	<b>169.175</b>
II.1.2	Allocation of Primary Income Account		II.1.2	Allocation of Primary Income Account	
D.4	Property income	58.186	B.2b	Operating surplus	90.625
B.5b	Balance of primary incomes	43.830	D.4	Property income	11.391
	<b>Total</b>	<b>102.016</b>		<b>Total</b>	<b>102.016</b>
II.2	Secondary Distribution of Income Account		II.2	Secondary Distribution of Income Account	
D.5	Current taxes on income, wealth, etc.	17.795	B.5b	Balance of primary incomes	43.830
D.62	Social benefits other than social transfers in kind	885			
D.7	Other current transfers	3.706	D.61	Social contributions	851
B.6b	Disposable income, gross	25.705	D.7	Other current transfers	3.410

Thousand Million pesos

National Accounts Classification	Uses	2008	National Accounts Classification	Resources	2008
	Total	48.091		Total	48.091
II.3	Redistribution of Income in Kind Account		II.3	Redistribution of Income in Kind Account	
D.63	Social transfers in kind		B.6b	Disposable income, gross	25.705
D.8	Adjustment for the change in net equity of households in pension funds	-181			
B.8	Adjusted disposable income	25.886			
	Total	25.886		Total	25.705
II.4.1	Use of Disposable Income Account		II.4.1	Use of Disposable Income Account	
P.3	Final consumption expenditure		B.6b	Disposable income, gross	25.886
B.8b	Saving, gross	25.886			
	Total	25.886		Total	25.886
III.1	Capital Account		III.1	Capital Account	
P.51	Gross fixed capital formation	57.471	B.8b	Saving, gross	25.886
K.1	Consumption of fixed capital	ND	D.9	Capital transfer, receivable	-20
P.52	Change of inventories	1.163			
P.53	Acquisitions less disposals of valuables	0			
K.2	Acquisitions less disposals of non-produced non-financial assets	911			
B.9	Net lending (+)/ Net borrowing (-)	-33.679			
	Total	25.866		Total	25.866

Source: DANE, Division of national accounts (DSCN)

## 13. ACCOUNTS FOR NON-PROFIT INSTITUTIONS SERVING HOUSEHOLDS (NPISHs)

This chapter presents the methodology used to compile the accounts for non-profit institutions serving households accounts, (NPISHs) in current years. Part I defines the sector and determines its content; part II outlines the conceptual aspects; and part III explains the methodology used to compile the accounts.

### 13.1. DEFINITION AND CONTENT OF THE SECTOR OF NPISHS

This sector includes NPIs that provide non-market goods and services to their members or other recipients and that are financed mainly out of transfers from non-government sources, such as households, corporations or non-resident units. They are divided into: Institutions created to provide mainly services to households that are their members.

Charities created for philanthropic purposes and to provide services to households in need.

The former are financed by regular payments by their members, that is, groups of persons united towards a common goal. In this category we find political parties, trade unions, churches and social, cultural, recreational or sport clubs, professional as well as parents associations. The political parties are considered NPISH despite the fact of being mainly financed by government resources because they act with complete autonomy in managing these resources and their governing bodies are appointed with total independence from government.

The latter are institutions financed by endowments in kind or cash, from government (in a proportion less than 50% of total funding), enterprises or the population in general, which purpose is to serve the population affected by disasters, wars or subhuman conditions. A clear example of this type of institutions are the non-governmental organization NGO and the non-market foundations.

## 13.2. CONCEPTUAL ASPECTS OF THE NPISHS ACCOUNTS

### 13.2.1 Content of production

The main production of NPISHs is non-market by nature and consists of individual or collectives goods and services provided free of charge or at not economically significant prices. Conventionally, non-market production is measured as the sum of costs incurred into in the provision of the services, (intermediate consumption, compensation of employees, other net taxes on production and consumption of fixed capital) (see Table 158).

### 13.2.2. Recording transactions in the accounts of NPISHs<sup>155</sup>

The value of the non-market output of NPISHs is calculated by adding the costs less the secondary market production.

The membership fees, the subscription payments and voluntary endowments made regularly or occasionally, are recorded as transfers received from other resident and non-resident institutional units. Their purpose is to cover the production costs of the NPISHs engaged in non-market production and to provide the funds from which current transfers can be made to the resident and non-resident households under the form of social benefits. For the year 2008 these transfers received by NPISHs amounted to 2.156 thousand million pesos.

The non-market production of the NPISHs for the period 2008 was 1.434 thousand million pesos and this same value is recorded in the use of income account as final consumption expenditure of the NPISHs.

In the redistribution of income in kind, the non-market production is recorded as a social transfer in kind, that households receive to finance the final actual consumption of households.

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<sup>155</sup> In order to facilitate the explanation, the accounts for year 2008 that are presented in Table 158 are used.

**Table 158. NPISH sector Accounts  
2008**

Thousand million pesos

National Accounts Classification	Uses	2008	National Accounts Classification	Resources	2008
I.	Production Account		I.	Production Account	
P.2	Intermediate Consumption	1.147	P.1	Production	2.052
B.1b	Value added, gross	905	P.11	Market output	618
			P.12	Output for own final use	0
			P.13	Other non-market output	1.434
	Total	2.052	Total	Total	2.052
II.1.1	Generation of Income Account		II.1.1	Generation of Income Account	
D.1	Compensation of employees	898	B.1b	Value added, gross	905
D.29	Other taxes on production	7			
B.2b	Operating surplus, gross	0			
	Total	905	Total	Total	905
II.1.2	Allocation of Primary Income Account		II.1.2	Allocation of Primary Income Account	
D.4	Property income	6	B.2b	Operating surplus, gross	0
B.5b	Balance of primary incomes, gross	92	D.4	Property income	98
	Total	98	D.41	Interest	98
			Total	Total	98
II.2	Secondary Distribution of Income Account		II.2	Secondary Distribution of Income Account	
D.7	Other current transfers	638	B.5b	Balance of primary incomes, gross	92
D.71	Net non-life insurance premiums	1	D.7	Other current transfers	2.157
D.75	Current transfers to NPISH	637	D.72	Non-life insurance claims	1
B.6b	Disposable income, gross	1.611	D.75	Miscellaneous current transfers	2.156
	Total	2.249	Total	Total	2.249
II.3	Redistribution of Income in Kind Account		II.3	Redistribution of Income in Kind Account	
D.63	Social transfers in kind	1.434			
D.632	Transfers of individual non-market goods and services	1.434			
B.7b	Adjusted disposable income, gross	177			
	Total	1.611	Total	Total	1.611

Thousand million pesos

National Accounts Classification	Uses	2008	National Accounts Classification	Resources	2008
II.4.1	Use of Income Account		II.4.1	Use of Income Account	
P.3	Final consumption expenditure	1.434			
P.31	Individual consumption expenditure	1.434			
P.32	Collective consumption expenditure	0			
D.8	Adjustment for the change in net equity of households in pension funds	0	B.7b	Disposable income, gross	177
B.8b	Saving, gross	177			
	<b>Total</b>	<b>177</b>		<b>Total</b>	<b>177</b>
III.1	Capital Account		III.1	Capital Account	
P.51	Gross fixed capital formation	79	B.8b	Saving, gross	177
P.511	Acquisitions, less disposals, of new or existing tangible fixed assets	76	D.9	Capital transfers, receivable	0
P.5112	Other buildings and structures	72			
P.5114	Transport equipment	4			
P.513	Additions to the value of non-produced non-financial assets	3			
P.5132	Costs of ownership transfer on non-produced non-financial assets	3			
B.9	Net lending (+) / net borrowing (-)	98	B.10.1	Changes in net worth due to saving and capital transfers	177
	<b>Total</b>	<b>177</b>		<b>Total</b>	<b>177</b>

Source: DANE, Division of national accounts (DSCN)

### 13.3. COMPILATION OF THE NPISHS ACCOUNTS IN CURRENT YEARS

In current years the accounts of this sector are compiled by groups of entities, using different methodologies and sources of information. Among them the following groups are considered: political parties, trade unions, churches and social, cultural, recreational or sport clubs, professional as well as parents associations and other non-government institutions.

#### 13.3.1. Political parties

Political parties are not controlled by government despite the fact that they are mainly financed by government. They have autonomy in the management of their resources and for this reason they are classified in the sector of NPISHs.

The parties and political movements must submit annually to the National Electoral Council (CNE) a report on their income and expenses. In the income report they must include the donations, members contributions and additionally the public funds that they received as refunds for the political campaigns and for their operation; in the expenses they must include those corresponding to administration, repayment of credit, and the refund of campaigns expenses that are made to the candidates through the parties, except when they are independent candidates, in which case the funds are directly delivered to the candidates.

The compilation process corresponding to the accounts of these entities includes three stages: the update of the register, the verification of the coverage of information and the elaboration of the accounts.

The first stage consists of considering the political parties that have been created and those which have disappeared during the year, in the second stage the universe of political parties that reported information is established and in the third phase, based on these data, the accounts are compiled.

Every year the accounts are elaborated on basis of a sample of entities from which the growth rates of income and expenses are determined, which are then applied to the structure of the accounts of year n-1<sup>156</sup>.

The information on income and expenditure included in form No.1 of the “annual income and expenses report” of the National Electoral Council –CNE, is transformed in terms of the variables of national accounts and from this the growth rate of income and expenses for year n is determined and the accounts are built. The totals calculated are allocated among variables of national accounts based on the structure of income and expenditure as defined in the sample.

Table 159 show the income and expenses estimated for political parties in 2008 and the correspondence with national accounts; Table 156 presents the production and generation of income accounts compiled for year 2008.

**Table 159. Income and expenses report estimated for political parties, by CNE codes 2008**

Thousand million pesos				
Codes	Transactions	Corresponding NA Variable	% per variable	Value
100	Total annual income			96
101	Members contributions	D752	100	1
102	Donations	D75	100	1
103	Return on investments	D41	100	1
104	Net return of public events	D752	100	0
105	Loans	F4	100	7
106	Aid in kind valued at market price	D755	100	1
107	Public funds for operating	D751	100	26
108	Public funds for refund of campaigns expenses	D751	100	50
109	Other incomes	D75	100	10
200	Total annual expenses			82
201	Administrative Expenses(a)			16
	Wages and salaries	D11	57	9
	Social Contributions	D12	11	2
	Taxes on production and imports	D2	3.5	1
	Intermediate Consumption	P2	28	4
202	Expenses for running of the office and acquisitions	P2	100	2
203	Investment in materials and publications	P2	100	1

<sup>156</sup> In years 2007 and 2008, the sample used represented approximately 80% of the total of income of these entities.

Codes	Transactions	Corresponding NA Variable	% per variable	Value
204	Public events	P2	100	1
205	Transport service	P2	100	1
206	Training and public investigation expenses	D75	100	1
207	Legal fees and accounting expenses	P2	100	0
208	Political lobbying expenses	P2	100	4
209	Repayment of loans	F4	100	16
210	Expenses that exceed the amount fixed by the National Electoral Council	P2	100	0
211	Refund of expenses to candidates	P2	100	35
212	Other expenses (b)			4
	Gross fixed capital formation	P51	26	1
	Intermediate consumption	P2	74	3

Source: The National Electoral Council (CNE)

Calculations: DANE, Division of national accounts

Note: a See Annex 5, classifications of economic transactions b. These percentages correspond to the structure of expenditure of a sample of accounts of political parties c. The item: "other expenses" was broken down according to a specific research: Intermediate consumption 74%; and gross fixed capital formation 26%.

### 13.3.2. Other groups of NPISHs

The other groups of entities includes trade unions, religious associations, social clubs, professional and parents associations as well as non-governmental organizations (NGO). The production accounts of year n are estimated from a value indicator from which production is estimated. Once production is estimated, it is broken down according to the structure of income and expenditure established for year n-1. In the unions, the indicator is established using the number of unionized workers (volume indicator) reported every year by the National Labor Union School (ENS)<sup>157</sup> and the legal minimum wage (prices indicator).

In the religious associations, social clubs and parent associations<sup>158</sup> it is assumed that their current accounts follow the trend of household final consumption

<sup>157</sup> The ENS is an entity specialized in the collection and updating of trade union statistics

<sup>158</sup> For the base year 2005, the value of households expenditures in monthly contributions or payment of services (baptisms, funerals, masses, maintenance fees, etc.), was calculated on the basis of National income and expenses survey conducted from October 2006 up to September 2007. The value of the following years was estimated on the basis of the annual change of household final consumption expenditure.

expenditure (DANE's GEIH). Table 160 shows the indicators used in the measurement of production and in Table 161 the estimates made for these groups of entities, for year of 2008 are presented.

**Table 160. Indicators used in the estimation of the NPISHs groups, other than political parties 2008**

Institutions	Indicators
Unions	Number of union members for the volume indicator and the legal minimum wage, for the price indicator and with those indicators obtain a value indicator.
Religious associations, social clubs, professional associations and family parents	Value index of households final consumption expenditure
Non-governmental organizations (NGO)	Value index of compensation of employees

Source: DANE, Division of national accounts (DSCN)

For religious associations, social clubs professional associations and parents associations, the final consumption expenditure is projected as the total annual of the household final consumption expenditure -HFCE of national accounts.

For the other NGOs, the incomes and expenditures are estimated based on a value index of compensation of employees that is calculated in national accounts.

Expenditure include the compensation of staff without vocational qualifications or untrained who receive a legal minimum wage -SMLV for concept of compensation. According with the study conducted in the base year 2005 when multiplying the legal minimum wage by the number of workers the total compensation paid for this group of persons is obtained; in the same way for employees at professional or technical level, the compensation was estimated as corresponding to three times the legal minimum wage -SMLV by employee.

The expenditure is represented in the following formula:

$R.A = (\text{Legal minimum wage} - \text{SMLV} \cdot (\text{number of staff without vocational qualifications or untrained}) + (\text{Legal minimum wage} - \text{SMLV} \cdot 3 \cdot \text{number of vocational and technician staff}).$

This process is carried out for 66 entities that report financial information and the same structure is applied for the estimate of 1.498 entities of the sample.

**Table 161. Annual change of households final consumption expenditure (HFCE), by type of institutions 2008**

**Thousand Million pesos**

Institutions	HFCE	
Religious Associations		
2007	470	
2008	530	12,65
Social clubs		
2007	70	
2008	79	12,65
Professional and Parents Associations		
2007	70	
2008	79	12,65

Source: DANE, Division of national accounts (DSCN)

Table 162 presents the production and income generation accounts calculated by groups of entities for year 2008.

**Table 162. Production and Generation of Income Accounts by groups of NPISH  
2008**

Thousand Million pesos

National accounts classification	Transactions and balancing items	Political parties	Unions	Religious Associations	Social clubs	Professional and parents Association	Non-governmental Organizations (NGO)	Total	Synthesis adjustments	Reported Value
<b>I. Production Account</b>										
P.1	Output	66	60	530	16 5	83	1.053	1.95 6	96	2.052
P.11	Market output	0	0	0	86	4	449	539	79	618
P.12	Output for own final use	0	0	0	0	0	0	0		
P.13	Non-market production	66	60	530	79	79	604	1.41 7	17	1.434
P.2	Intermediate consumption	55	34	312	10 4	51	542	1.09 8	49	1.147
B.1g	Value added, gross	11	26	218	61	32	511	859	46	905
<b>II 1.1 Generation of Income Account</b>										
B.1	Value added, gross	11	26	218	61	32	511	859	46	905
D.1	Compensation of employees	11	25	218	56	32	511	852	46	898
D.11	Wages and salaries	9	20	185	47	27	429	718	39	757
D.12	Employees' social contributions	2	5	33	9	5	82	135	6	141
D.121	Employees' actual social contributions	2	5	33	9	5	82	135	6	141
D.122	Employees' imputed social contributions	0	0	0	0	0	0	0	0	0
D.2	Taxes on production	0	1	0	5	0	0	6	1	7
B.2g	Operating surplus, gross	0	0	0	0	0	0	0	0	0

Source: DANE, Division of national accounts (DSCN)

## 14. REST OF THE WORLD ACCOUNT

The rest of the world accounts capture transactions that take place between resident institutional sectors and non-resident units. It is broken down into: other rest of the world and the economic enclave. The former, “other rest of the world” records the transactions between resident and non-resident agents and in later, “the economic enclave” refers to the production of narcotics and related economic flows.

Four accounts are compiled for the rest of the world: the external balance of goods and services, the current external balance, the external capital account and the financial account.

The methodology used to compile the accounts for current years is the same as that used for the year base 2005.

### 14.1. OTHER REST OF THE WORLD

#### 14.1.1. The external balance of goods and services

This account records, on the resource side, the imports of goods and services, and on the use side, the exports of goods and services. The balancing item of the account is called *external balance of goods and services*, and is calculated as the difference between imports and exports. A positive balancing item reflects a surplus for the rest of the world and a negative balancing item, a deficit<sup>159</sup>. Table 163 displays the results of this account<sup>160</sup>.

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<sup>159</sup> On the contrary, for the total economy, a positive balance indicates a deficit and a negative one, a surplus.

<sup>160</sup> The data referring to exports and imports of goods and services derive from the compilation of the goods and services accounts, see section 5.3.

**Table 163. External Account of goods and services  
 2008**

		Thousand million pesos		
Transaction		Other rest of the World	Enclave	Total rest of the world
Uses				
P.6	Exports of goods and services	85.619	736	86.355
P.61	Exports of goods	79.539	736	80.275
P.62	Exports of services	6.080	-	6.080
Resources				
P.7	Imports of goods and services	96.891	387	97.278
P.71	Imports of goods	87.315	387	87.702
P.72	Imports of services	9.576	-	9.576
B.11	External balance of goods and services	11.272	-349	10.923

Source: DANE, Division of national accounts (DSCN)

#### 14.1.2. External account of primary income and current transfers

This account starts with the external balance of goods and services and, records the items receivable and payable by the rest of the world, referring to the compensation of employees, property income and other current transfers. The balancing item of the account is named current external balance, and when positive indicates a surplus of the rest of the world, (a deficit of the total economy), and when negative, a deficit of the rest of the world (a surplus of the total economy).

Table 164 shows the external account of primary income and current transfers for year 2008.

**Table 164. External Account of primary income and current transfers  
2008**

		Thousand million pesos		
Transactions		Other Rest of the world	Enclave	Total Rest of the World
<b>Uses</b>				
D1	Compensation of employees	82	2.472	2.554
D.11	Wages and salaries	82	2.472	2.554
D.4	Property income	3.267	0	3.267
D.41	Interests	2.309	0	2.309
D.42	Distributed income of corporations	958	0	958
D.421	Dividends	958	0	958
D.7	Other current transfers	12.116	2.821	14.937
D.72	Non-life insurance claims	525	0	525
D.74	Current international cooperation	377	0	377
D.75	Miscellaneous current transfers	11.214	2.821	14.035
B.12	Current external balance	18.940	-5.642	13.298
<b>Resources</b>				
B.11	External balance of goods and services	11.272	-349	10.923
D1	Compensation of employees	58	0	58
D.11	Wages and salaries	58	0	58
D.4	Property income	21.793	0	21.793
D.41	Interests	4.626	0	4.626
D.42	Distributed income of corporations	12.489	0	12.489
D.421	Dividends	12.489	0	12.489
D.43	Reinvested earnings on direct foreign investment	4.678	0	4.678
D.7	Other current transferences	1.282	0	1.282
D.71	Net non-life insurance premiums	523	0	523
D.74	Current international cooperation	47	0	47
D.75	Miscellaneous current transfers	712	0	712

Source: DANE, Division of national accounts (DSCN)

### 14.1.3. Capital account

The capital account includes: on the resource side, the capital transfers, receivable and payable, and on the uses side, the acquisitions less disposals of non-produced nonfinancial assets, between non-residents and residents, either in cash or in kind.

The balancing item of the account is called net lending (if there is surplus) or net borrowing (if there is deficit) of the rest of the world.

**Table 165. Capital Account of the rest of the world  
 2008**

Thousand million pesos

Transactions and balancing items		Other rest of the world	Enclave	Total rest of the world
<b>Uses / Changes in Assets</b>				
K.2	Acquisitions less disposals of non-produced non-financial assets	-	-	-
B.9	Net lending (+)/ net borrowing (-)	18.940	-5.642	13.298
	Total	18.940	-5.642	13.298
<b>Resources / Changes in liabilities and networkth</b>				
B.12	Current External balance	18.940	-5642	13.298
D.9	Capital transfers, receivable	-	-	-
D.9	Capital transfers, payable	-	-	-
B.10.1	Changes in net worth due to saving and capital transfers	-	-	-
	<b>Total</b>	18.940	-5.642	13.298

Source: DANE, Division of national accounts (DSCN)

#### 14.1.4. Transfer of information of balance of payments BoP to national accounts

The main source of information for the compilation of the accounts of the rest world is the balance of payments - current accounts; it is complemented with the estimates of smuggling, of illicit crops and results of the institutional sectors accounts (general synthesis).

The information of the balance of payments is presented in US dollars, it is converted into Colombian pesos multiplying it by the average quarterly exchange rate of the period study.

The data of exports and imports of goods and services are the result of the accounts of goods and services, (for further explanation see first section of the document, section 5.3). The point of departure of the compilation of the other accounts are the BoP data; some adjustments are made among which those referring to FISIM: the

values of exported and imported FISIM are subtracted from interests receivable and payable as the former are considered as exports and imports of services.

Table 166 presents how the BoP data are transformed into the accounts of the rest of the world for year 2008.

**Table 166. Transformation of BOP information into the accounts of the rest of the world 2008**

Thousand million pesos						
National Accounts Code	BoP Transaction	RoW Transaction	BoP US\$ (million)	Value pesos (Thousand Million)	Adjustments	RoW Results
<b>Uses</b>						
D.11	Compensation of employees	Wages and salaries	42	82		82
D. 4		Property income		3.267		3.267
D.41	<b>Interests</b>	Interests	1.218	2.393	FISIM	-84
D.42	Profits and dividends	Distributed income of corporations	486	958		958
D.7		Other current transfers		12.116		12.116
D.72		Non-life insurance claims		525	Source: format 290 Superintendency of Finance	525
D.74	Current Transfers - General Government	Current international cooperation	192	377		377
D.75	Current Transfers - Other sectors	Miscellaneous current transfers	5.706	11.214		11.214
<b>Resources</b>						
D.11	Compensation of employees	Wages and salaries	29	58		58
D. 4		Property income		21.793		21.793
D.41	Interests	Interests	3.284	6.454	FISIM	-
D.42	Earnings and dividends <sup>a</sup>	Distributed income of corporations	6.374	12.528	Differences between annual and quarterly average exchange rate	1.828
D.43	Reinvested earnings <sup>b</sup>	Reinvested earnings on direct foreign investment	2.390	4.584		4.678
D.7		Other current		1.282		1.282

		transfers			
D.71		Net non-life insurance premiums		523	523
					Source: format 290 Superintendencia of Finance
D.74	Current transfers - General Government	Current international cooperation	24	47	47
D.75	Current transfers - Other sectors	Miscellaneous current transfers	362	712	712

Source: DANE, Division of national accounts (DSCN)

a The item "earnings and dividends" includes the earnings related to direct foreign investment in Colombia

b It includes the reinvested earnings and expenditure for portfolio investment in Colombia

a The item "earnings and dividends" includes the earnings relating to direct foreign investment in Colombia

b It includes the reinvested earnings and expenditure for portfolio investment in Colombia

## 14.2. REST OF THE WORLD ACCOUNT (ENCLAVE)<sup>161</sup>

The enclave is a virtual economic space belonging the national territory, created artificially in order to record, separately form the national economy, all the productive activities related to narcotics, ranging from coca, poppy and marihuana growing until their industrial transformation into hydrochloride of cocaine and heroin. From the perspective of economic measurement, a productive enclave is treated as if it were an "intermediate" territory between the national economy and the rest the world.

The enclave does not have inhabitants, only productive units; therefore its transactions with the national economy only refers to the provision of production factors: inputs, labor and capital; and in return it receives remuneration and mixed income. In this sense, the enclave buys inputs (national and imported) for production and sends a portion of the production of narcotics to the national economy. The portion of output not consumed by the national economy is sent to the rest of the world.

<sup>161</sup> This document includes a summary of the enclave accounts, for a further description see report on: "PIB de enclave de cultivos ilícitos- fases agrícola e industrial" –GDP of the enclave of illicit crops-agricultural and industrial phases, DANE october 2011.

[http://www.dane.gov.co/files/investigaciones/pib/especiales/metodologia\\_enclave\\_ilicitos\\_2000\\_2010.pdf](http://www.dane.gov.co/files/investigaciones/pib/especiales/metodologia_enclave_ilicitos_2000_2010.pdf).

Given its character of intermediate territory, the transactions of Colombia with the enclave are recorded in the rest of the world account. In goods and services, the exports of Colombia to the enclave are included that correspond to chemical inputs (organic and inorganic), products and sub-products of oil refinery, concrete and plastic products required by the production process of narcotics (736 thousand million pesos in 2008). In return Colombia imports from the enclave a proportion of cocaine base,<sup>162</sup> marihuana, hydrochloride of cocaine and heroin for household final consumption expenditure (387 thousand million pesos in 2008)<sup>163</sup>.

The transaction “compensation of employees” (D1) of the enclave is reported as use and makes reference to the compensation of employees and mixed income generated in the processes of production and narcotic transformation in its two phases, agricultural and industrial. The agricultural phase refers to the activities of: i) cocaine growing and its transformation to cocaine base, ii) poppy growing and its processing to poppy latex and iii) marihuana growing. The industrial phase relates to the activity of transformation and processing of hydrochloride of cocaine and heroin. For 2008 the compensation of employees of the enclave to Colombia reports a value of 2.472 thousand million pesos.

Finally, the transfers from the Rest of the World towards the national economy include the income generated by the cocaine hydrochloride production net of the value of production acquired as the final consumption of the national economy, for a total value of 2.821 thousand million pesos in 2008.

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<sup>162</sup> A proportion of cocaine base is allocated for the consumption of crack.

<sup>163</sup> The 2008 data, included in this report, differ from data included in the document “PIB de enclave de cultivos ilícitos- fases agrícola e industrial”,- GDP of enclave of illicit crops- agricultural and industrial phases; this is due to the updating that was made to the estimate of illicit crops. The new data were incorporated in national accounts beginning with the information of 2009. The updating of the methodology covered: the cost structure of the productive activities (cocaine base and hydrochloride), the analysis of supply, the seizures of marihuana products, hydrochloride of cocaine and heroin as reduction of exportable supply. The detail of this research can be seen on:

[http://www.dane.gov.co/files/investigaciones/pib/especiales/metodologia\\_enclave\\_ilicitos\\_2000\\_2010.pdf](http://www.dane.gov.co/files/investigaciones/pib/especiales/metodologia_enclave_ilicitos_2000_2010.pdf)

Tables 163, 164, 165 and 166, present the data of the accounts of the enclave that are recorded in the rest of the world account.

## 15. THE INTEGRATED ECONOMIC ACCOUNTS. (IEA) AND THE GENERAL SYNTHESIS OF NATIONAL ACCOUNTS

### 15.1. PRESENTATION OF THE INTEGRATED ECONOMIC ACCOUNTS

“The integrated economic accounts (IEA) give a complete picture of the accounts of the total economy including balance sheets, in a way that permits the principal economic relations and the main aggregates to be shown<sup>164</sup>. “The table brings together in one presentation: the institutional sectors accounts, the rest of the world accounts, and the goods and services account.”<sup>165</sup> It presents among others, the following aggregates: GDP, national income, national disposable income, saving, consumption, and gross fixed capital formation.

The IEA includes the complete sequence of accounts of the institutional sectors: the current accounts, the accumulation accounts and the balance sheets, (see figure 12).

#### 15.1.1. The columns of the IEA

The columns of the IEA present the accounts of each institutional sector: non-financial corporations (S11), financial corporations (S12), general government (S13), households (S14), Non-profit Institutions Serving Households NPISHs (S15), the sum of the institutional sectors which appear in the columns called total economy S1 (TE), the transactions with the rest of the world S2 (RW), the goods and services account (G&S), and finally a column total (T) equal to the sum of the columns: total economy (TE), rest of the world S2 (RW) and goods and services (G&S). The codes of transactions and balancing items (flows, assets and liabilities and their denomination) and their description appear in the center of the table.

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<sup>164</sup> 2008 SNA para 2.127

<sup>165</sup> 2008 SNA para 16.59

### 15.1.2. The rows of the IEA

The rows of the IEA show the complete sequence of accounts of the institutional sectors, of the rest of the world and of the total economy. They are grouped in different accounts denominated production account, generation of income account, allocation of primary income account, secondary distribution of income account, redistribution of income in kind account, use of income account, capital account, financial account and balance sheets<sup>166</sup>. The balancing item of each account appears as income of the following one.

The format of this table is similar to that of the other accounts: the resources (income), the change in liabilities and liabilities are shown on the right hand side of the table and while the uses (expenses), the change in assets and assets are shown on the left hand side.

Figure 12. Integrated economic accounts

Uses									Resources											
Total	Goods and services	Rest of the world	Total	Economy	NPISHs	Households	General Government	Financial Corporations	Non-financial corporations	Code	Non-financial corporations	Financial Corporations	Government	Households	NPISHs	Total	Economy	Rest of the world	Goods and services	Total
(T)	(B&S)	S2	S1	S15	S14	S13	S12	S11		S11	S12	S13	S14	S15	S1	S2	(B&S)	(T)		
Accounts and transactions																				

1. Production Account
2. Generation of income Account
3. Allocation of primary income Account
4. Secondary distribution of income Account
5. Redistribution of income in kind Account

<sup>166</sup> The content of each account is explained in chapter 8, and the classification of transactions, other flows, assets and liabilities are presented in annex 5

- 6. Use of income Accounts
- 7. Capital Account
- 8. Financial Account
- 9. Balance Sheets

Source: DANE, Synthesis and National Accounts Division (DSCN)

Each row of the table corresponds to a transaction, a balancing item or an asset or liability and for each of them, total resources are equal to total uses. Table 167 shows as an example the row corresponding to taxes on income (D.51): the income of government (25.289 thousand million pesos in 2008), are balanced with taxes paid by all sectors (25.289).

Table 167. Tax on income (Code D.51) 2008

Uses						Resources						
S1	S15	S14	S13	S12	S11	S11	S12	S13	S14	S15	S1.	
Total Economy	NPISHs	Households	General Government	Financial Corporations	Non-financial corporations	Transactions						Total Economy
25.289	0	417	6	1.982	19.185	D.51 Taxes on income						25.289
						Non-financial corporations	Financial Corporations	General Government	Households	NPISHs		
											25.289	
											25.289	

Source: DANE, Synthesis and National Accounts (DSCN)

Table 168 presents a simplified version of the Integrated Economic Accounts (IEA) for year 2008, with only four columns<sup>167</sup> so as to facilitate its reading; the first column represents the sum of the five sectors that make up the total economy<sup>168</sup> (non-financial corporations, financial corporations, general government, NPISHs and households). Then follow the columns for the Rest of the World, the goods and services, and finally a column that represents the sum of the three previous ones. In this last column, for each line, total resources are equal to total uses.

Due to the fact that balance sheets have still not been developed in Colombia, the integrated economic accounts disseminated by DANE includes only up to the capital account. The compilation of the financial accounts is under the responsibility of the Central Bank (Banco de la República).

**Table 168. Colombian Integrated Economic Accounts. Summary 2008**

Thousand million pesos									
Uses					Resources				
Total	Goods and services (Income)	Rest of the world	Total Economy	Code	Transactions	Total Economy	Rest of the world	Goods and services (Expenses)	Total
<b>1. Production account</b>									
0	97.278	0	0	P.7	Imports of goods and services	0	97.278		97.278
85.405		85.405	0	P.6	Exports of goods and services	0	0	85.405	0
0	829.396	0	0	P.1	Production	829.396	0		829.396
390.785		0	390.785	P.2	Intermediate consumption	0	0	390.785	0

<sup>167</sup> The simplified IEA is similar to the one shown in table 2.13 of the 2008 SNA

<sup>168</sup> The complete version of the IEA shows the accounts of institutional sectors and transactions at a greater detail, for example the production account is classified into market production for final individual consumption and non-market production, taxes on products are classified by type, as is the case of the GFCF.

Thousand million pesos

Uses					Resources				
Total	Goods and services (Income)	Rest of the world	Total Economy	Code	Transactions	Total Economy	Rest of the world	Goods and services (Expenses)	Total
					Taxes less				
0	41.476	0	0	D.21-D.31	subsidies on products	41.476	0		41.476
438.611		0	438.611	B.1*	Gross value added	438.611	0		438.611
			480.087		Gross domestic product				
11.873		11.873	0	B.11	External balance of goods and services	0	11.873		11.873
<b>2. Generation of income account</b>									
154.577		2.554	152.023	D.1	Compensation of employees	154.519	58		154.577
52.101		0	52.101	D.2-D.3	Taxes on products, except subsidies and imports duties	53.285	0		53.285
41.476		0	41.476	D.21-D.31	Taxes less subsidies on products	41.476	0		41.476
10.625		0	10.625	D.29-D.39	Other taxes less subsidies on production	10.625	0		10.625
		0	163.317	B.2	Operating surplus	163.317	0		
		0	112.646	B.3	Mixed income, gross	112.646	0		
<b>3. Allocation of primary income account</b>									
131.113		3.267	127.846	D.4	Property income	109.320	21.793		131.113
		0	464.057	B.5*	Balance of primary income, gross national income	464.057	0		

Thousand million pesos

Uses					Resources				
Total	Goods and services (Income)	Rest of the world	Total Economy	Code	Transactions	Total Economy	Rest of the world	Goods and services (Expenses)	Total
<b>4. Secondary distribution of income account</b>									
29.104		0	29.104	D.5	Current taxes on income, wealth, etc.	29.104	0		29.104
37.637		0	37.637	D.61	Social contributions	37.637	0		37.637
40.659		0	40.659	D.62	Social benefits other than social transfers in kind	40.659	0		40.659
99.644		14.937	84.707	D.7	Other current transfers	98.362	1.282		99.644
		0	477.712	B.6	Disposable income, gross	477.712	0		
<b>5. Redistribution of income in kind account</b>									
31.709		0	31.709	D.63	Social transfers in kind	31.709	0		31.709
		0	477.712	B.7	Adjusted disposable income, gross	477.712	0		
<b>6. Use of income account</b>									
477.712		0	477.712	B.6	Gross disposable income	477.712	0		
379.201		0	379.201	P.4	Actual final consumption	0	0	379.201	0
379.201		0	379.201	P.3	Final consumption expenditure	0	0	379.201	0
9.146		0	9.146	D.8	Adjustment for the change in net equity of households in pension funds	9.146	0		9.146
		0	98.511	B.8	Saving, gross	0	0		0
14.248		14.248	0	B.12	Current external balance	0	0		0

Thousand million pesos

Uses				Resources					
Total	Goods and services (Income)	Rest of the world	Total Economy	Code	Transactions	Total Economy	Rest of the world	Goods and services (Expenses)	Total
<b>8. Capital account</b>									
0		0	0	B.8	Saving, gross	98.511	0		
					Current				
0		0	0	B.12	external balance	0	14.248		14.248
110.786		0	110.786	P.51	Gross fixed capital formation	0	0	110.786	0
1.973		0	1.973	P.52	Changes in inventories	0	0	1.973	0
					Changes in net worth due to				
0		0	0	B.11	saving and capital transfers	98.511	14.248	0	112.759
					Net lending (+)/net borrowing(-)				
		14.248	-14.248	B.9		-14.248	14.248		

Source: DANE, Synthesis and National Accounts Division (DSCN)

### 15.1.3. Content of the columns of the IE

**Goods and services.** In order to maintain the balance of the accounts in the IEA, a column called “Goods and services” is included at each side of the table. All transactions on goods and services recorded within the institutional sectors accounts are recorded in this column, which allows the uses and the resources to be balanced; in this specific case, the transactions are presented in inverse form as compared to the case of the institutional sectors accounts: production, imports, taxes and subsidies on products are recorded as uses and the elements of the demand: intermediate consumption, final consumption expenditure, gross fixed capital formation, change in inventories and exports are recorded as resources.

For year 2008 the components of column (G&S) that are extracted from the IEA presented in table 168 appear in table 169. Taxes and subsidies on products enable to establish the balance between resources recorded at basic prices and uses recorded at purchaser prices.

**Table 169. Colombia. Transactions of goods and services  
2008**

Thousand million pesos			
Uses		Resources	
Production	829.396	Intermediate Consumption	390.785
Imports of goods and services	97.278	Final consumption expenditure	379.201
Taxes less subsidies on products	41.476		
		Gross capital formation	110.786
		Changes in inventories	1.973
		Exports of goods	85.405
<b>Total of resources</b>	<b>968.150</b>	<b>Total of uses</b>	<b>968.150</b>

Source: table 168, DANE, Synthesis and National Accounts Division (DSCN)

**Total Economy (TE).** The aggregates associated with the national economy are shown in the column called Total economy S1 (TE); they are equal to the sum of the intermediate balancing items of the institutional sectors accounts. Thus, national income is obtained as the sum of the balance of primary income of the institutional sectors, or GDP is equal to the value added of the sectors plus the taxes less subsidies on products<sup>169</sup>. Due to the fact that fixed capital consumption is not accounted for as a production cost, all the balancing items are presented gross in the Colombian national accounts. For the transactions, the total Economy (TE) column shows total interests, dividends, social contributions, social benefits, etc.

The aggregates that are presented in the IEA are: gross value added, GDP, operating surplus, gross mixed income, gross national income, gross disposable income, adjusted disposable income, gross saving, final consumption, gross fixed capital formation, net lending/ net borrowing of the economy. Most of them represent the balancing items or the key variables of each of the accounts in which the transactions, the assets or the liabilities have been grouped.

**Gross Domestic Product (GDP).** GDP can be derived following three different approaches: from the production approach, from the demand approach and from the primary income approach<sup>170</sup>. Table 170 presents the GDP components as they are shown in the IEA.

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<sup>169</sup> In order to balance value added estimated at basic prices and the elements of demand recorded at purchaser prices, the taxes less subsidies on products need to be added to the value added.

<sup>170</sup> Section 2.4 describes how GDP can be derived from the three approaches.

**Table 170. Colombia. Gross Domestic Product  
2008**

**Thousand million pesos**

National Accounts Code	Production Approach	Value	National Accounts Code	Demand Approach	Value	National Accounts Code	Primary income approach	Value
B.1*	Total GDP	480.087	B.1*	GDP	480.087	B.1*	GDP	480.087
						D.1	Compensation of employees	152.023
			P.3	Final consumption expenditure Households final	379.201			
			P.31	consumption expenditure General government final	304.703			
B.1	Value added	438.611	P.32	consumption expenditure NPISHs final	73.064	D.2	Taxes on production and imports	52.693
			P.33	consumption expenditure	1.434			
D.21-D.31	Taxes less subsidies on products	41.476				D.3	Subsidies	-592
			P.5	Gross capital formation	112.759			
			P.51	Gross fixed capital formation	110.786	B.2	Gross operating surplus	163.317
			P.52	Change in inventories	1.973			
			P.53	Acquisition less disposals of valuables	N.D.	B.3	Mixed income, gross	112.646
			P.6	Exports	85.405			
			P.7	Imports	-97.278			

Source: table 168 DANE, Synthesis and National Accounts Division(DSCN)

**Gross National Income (GNI).** Represents the total balance of primary income of the resident institutional sectors. It is derived, adding together the balance of primary income of all institutional sectors (table 171).

**Table 171. Colombia. Gross National Income 2008**

Thousand million pesos							
S.1	S.15	S.14	S.13	S.12	S.11		
Total Economy	ISFLSH	Households	Government	Financial corporations	Non-financial corporation	Code	Transactions
464.057	92	319.310	62.420	12.596	69.639	B.5*	Balance of primary income, gross/ gross national income

Source: table 168 DANE, Synthesis and National Accounts Division(DSCN)

GNI is equal to GDP, less primary income payable to non-resident units, plus primary income receivable from non-resident units.

“Primary incomes generated in the production activity of resident producer units are distributed mostly to other resident institutional units; however, part of them may go to non-resident units. Symmetrically, some primary incomes generated in the rest of the world may come from resident units. This leads to the definition and measurement of gross national income” (GNI) (2008 SNA para. 2.143)

Table 172 shows the data from which GNI is estimated, starting off from GDP.

**Table 172. Colombia. Gross National Income  
2008**

<b>Thousand million pesos</b>	
Concepts	Value
Gross Domestic Product	480.087
+ Compensation of employees paid by the rest of the world	2.554
+ Property income paid by the rest of the world	3.267
- Compensation of employees paid to the rest of the world	58
- Property income paid to the rest of the world	21.793
Gross National Income (GNI m.p)	464.057

Source: table 168 DANE, Synthesis and National Accounts Division(DSCN)

**Gross National Disposable Income (GNDI).** Is derived by adding together the disposable income of all the resident institutional sectors.

Gross national disposable income is equal to GNI less current transfers (other than taxes, less subsidies, on production and imports) payable to non-resident units, plus the corresponding transfers receivable by resident units from the rest of the world. Gross national disposable income measures the income available to the total economy for final consumption and gross saving. (2008 SNA para. 2.145)

Table 173 shows the data from which gross national disposable income is estimated, starting off from gross national income.

**Table 173. Colombia. Gross National Disposable Income  
2008**

<b>Thousand million pesos</b>	
Concepts	Value
Gross National Income (GNI)	464.057
+ Current Transfers received from the rest of the world	14.937
- Current Transfers paid to the rest of the world	1.282
Gross National Disposable Income (at market prices) (GNDI m.p.)	477.712

Source: table 168 DANE, Synthesis and National Accounts Division(DSCN)

**Gross saving.** It is the balancing item of both the use of disposable income account and the use of adjusted disposable income account. It represents part of the disposable income of institutional sectors that is not used for final consumption. Gross saving is also equal to the part of the adjusted disposable income that is not used for actual final consumption.

- **The rest of the world.** This column shows the transactions with the rest of the world. The IEA published by DANE shows three accounts: the external trade in goods and services account, the external primary income and current transfers account and the external capital account, each with its corresponding balancing item: the balancing item of the external trade in goods and services, the current external balance and the net lending/net borrowing of the rest of the world. As mentioned before, the compilation of the financial account is under the responsibility of the Banco de la República.

## 15.2. THE GENERAL SYNTHESIS OF NATIONAL ACCOUNTS

The general synthesis of national accounts designates the final phase of the compilation process of annual accounts; in this phase the tasks carried out independently by the different working groups are collected and made mutually consistent. This process is developed around the integrated economic accounts; this entails generating consistency between production and generation of income accounts compiled by industries and by institutional sectors, allocating resources and expenses of distributive transactions, complementing data for sectors that lack direct information, (mainly households), allocating in the accounts the transactions that have been calculated independently such as FISIM, and finally obtaining the main aggregates.

The households sector accounts, the integrated economic accounts and the economic aggregates, such as the national disposable income, the national income and saving are final results of the national accounts general synthesis process.

The starting point of the general synthesis of national accounts is the partial syntheses made from the transactions of goods and services using commodity

balances and the supply and use tables<sup>171</sup> and from some institutional sectors accounts compiled independently for: general government, financial corporations, NPISHs and the rest of the world<sup>172</sup>. These data are brought together into the integrated economic accounts. At this stage of the process, the accounts are unbalanced and the households sector accounts have not been built; total production and totals of the generation of income accounts as estimated by industry and by sector are different, as well as the transactions of allocation of income, distribution and redistribution of income; the purpose of the procedure consists thus in balancing the accounts and compiling the households sector accounts.

The working tables used in the process of setting up the general synthesis of national accounts are: the Gross Fixed Capital Formation (GFCF) matrix, the cross-classification of industries and institutional sectors, the transactions accounts and the “from-whom-to-whom” matrices.

- In the GFCF matrix, the reconciliation of the GFCF estimated by product and that estimated by institutional sector is performed<sup>173</sup>.
- In the cross-classification of industries and institutional sectors, the results from the production and generation of income accounts compiled by industry are made consistent with those compiled by institutional sector<sup>174</sup>.
- In the synthesis process, FISIM is included into the accounts of industries and institutional sectors<sup>175</sup>.

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<sup>171</sup> The process followed in the reconciliation of transactions on goods and services is described in chapter 6.

<sup>172</sup> The methodology used in the compilation of the accounts of the institutional sectors and of the rest of the world is explained in chapters 10 to 14.

<sup>173</sup> The methodology used to establish the GFCF matrix is explained in section 5.4.

<sup>174</sup> Explanation is given in chapter 16

<sup>175</sup> Explanation is given in Chapter 17



## 16. ALLOCATION OF FINANCIAL INTERMEDIATION SERVICES INDIRECTLY MEASURED (FISIM)

### 16.1. OVERVIEW

This chapter explains the methodology used to allocate the Financial Intermediation Services Indirectly Measured (FISIM) among users. As explained in section 11.3.1, a traditional way to provide financial services is through financial intermediation.

“Some financial intermediaries are able to provide services for which they do not charge explicitly by paying or charging different rates of interest to borrowers and lenders (and to different categories of borrowers and lenders). They pay lower rates of interest than would otherwise be the case to those who lend them money and charge higher rates of interest to those who borrow from them.” (SNA 1993 para 6.124).

Financial Intermediation Services Indirectly Measured. (FISIM) represent the services for which the intermediaries do not charge explicitly.

FISIM are indirectly measured using the reference rate method<sup>176</sup>. FISIM are broken down into services on assets (loans) and services on liabilities (deposits) by financial intermediaries.

Produced and imported FISIM are recorded as an expense of the agents who carry out transactions with financial intermediaries (both lenders and borrowers).

“...If the services are rendered to a corporation or to government, the costs will form part of intermediate consumption. If they are rendered to households they will be treated as final consumption unless the financial service is performed in relation to an unincorporated enterprise, including the owning and occupying of a dwelling. FISIM are recorded as exports when dealing with transactions with the rest of the world.” (SNA 2008 para. 17.234)

FISIM must be paid to both resident and non-resident units, for deposits and loans held with resident and nonresident units.

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<sup>176</sup> Section 11.3.2 explains the methodology used for measuring FISIM

## 16.2. STAGES TO ALLOCATE FISIM AMONG USERS

The allocation of FISIM among users is carried out in three stages; first, it is allocated according to economic use (household final consumption expenditure, intermediate consumption and exports); second, intermediate consumption is allocated among industries and finally, it is allocated among institutional sector.

### 16.2.1. Allocation according to economic use

The allocation of FISIM to household final consumption expenditure, intermediate consumption and exports is carried out according to the characteristics of each financial instrument, as follows: FISIM generated on transactions on the consumption portfolio and on credit cards (credit operations of financial intermediaries) are considered as households final consumption expenditure; FISIM generated on the commercial portfolio, are recorded as intermediate consumption of production units: financial corporations, non-financial corporations, general government and/or households as entrepreneurs<sup>177</sup>; finally FISIM derived from all types of loans granted to nonresident are recorded as exports.

On the other hand, FISIM associated with transactions on liabilities of the financial intermediaries such as certificates of deposit are allocated by economic destination according to the maturity of the bill; an intermediate consumption when maturity of the certificate is up to six months, or a final consumption expenditure of households if its maturity runs beyond six months; the underlying assumption is that households are those that realize medium and long term investments in deposits and certificates of deposit, while businesses require to mobilize their working capital and leverage themselves in the short term, which is the reason why most of the maturity of their investments is less than six months. FISIM generated on savings deposits is allocated to households mainly as final consumption expenditure. They are estimated as follows: from the total of savings deposits in the financial sector, the deposits registered in the financial statements of the other institutional sectors: financial corporations, non-financial corporations and general government, (for those in which

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<sup>177</sup> The services charged to households as producers for mortgages loans on dwellings and the loans to individual entrepreneurs are considered as intermediate consumption.

generated FISIM represent an intermediate consumption) as assets are deduced: the difference corresponds to the savings deposits of households.

Table 174 illustrates how FISIM estimated on assets and liabilities operations of the financial intermediaries are allocated by economic use.

**Table 174. Allocation of the Services of Financial Intermediation Services Indirectly Measured (FISIM), by economic use**

Types of operation	Instruments	Economic Use
Assets Operations	Consumption credit and leasing	Final consumption
	Commercial credit and leasing	Intermediate consumption
	micro-credit and corresponding leasing	Intermediate consumption
	Mortgages on dwellings	Intermediate consumption
	Banks abroad (imports)	Intermediate consumption
	Credits reimbursement abroad	Exports
Liabilities Operations	Saving deposits (current accounts, saving accounts and others)	Intermediate consumption - final consumption
	Fixed-term deposits (CDTs)	Intermediate consumption - final consumption
	Fixed-term savings deposits (CDATs)	Intermediate consumption - final consumption

Source: DANE, Synthesis and National Accounts Division(DSCN)

### 16.2.2. Allocation of intermediate consumption by industry.

The second stage of the process consists in allocating FISIM estimated as intermediate consumption among industries. The allocation is made, following methodologies that are proper to categories of industries: on the one hand, that proper to financial intermediation, insurance and auxiliary services (51), Real estate services (52) Public administration and defence; direction, administration and control of compulsory social security services (54); and on the other hand that applied to the rest of industries.

- **Intermediate Consumption of industries 51, 52 and 54.** Part of the transactions by financial intermediaries can be directly associated with an industry and an institutional sector; three cases occurs:
  1. FISIM derived from obligations and/or financial rights of entities that are part of general government with financial corporations constitute an intermediate consumption of industry 54 (Public administration and defence; compulsory social security); loans are estimated from the information on public debt that is quarterly disseminated by the Superintendency of Finance, and deposits are recorded directly in the balance sheets of entities belonging to general government.
  2. FISIM derived from obligations and/or financial rights of financial corporations (other than those producing FISIM<sup>178</sup>) with financial intermediaries that produce FISIM, are considered intermediate consumption of industry 51 (Financial intermediation, including insurance and pension and severance funds). The amounts of these obligations are recognized in the balance sheets of financial corporations in items such as disposable assets, loans, other financial obligations and certificates of deposit.
  3. FISIM derived from dwellings mortgage portfolio is allocated mainly to intermediate consumption of industry 52 (Real estate activities and rentals of dwellings), and assigned to the households sector in their capacity as producers and to the non-financial corporations that provide real estate services.

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<sup>178</sup> Two out of the five institutional subsectors of financial corporations carry out intermediation activities, as follows: Other depository corporations, and other financial intermediaries, except insurance corporations and pension funds (122 y 123). The remaining three subsectors: central bank, financial auxiliaries and insurance corporations and pension funds (121, 124 y 125) do not produce FISIM, but they may use services of intermediation and therefore, they can register FISIM as part of their intermediate consumption.

- **Allocation of intermediate consumption to industries other than 51, 52 and 54.** The composition and level of output of each industry is taken as an indicator for the allocation of FISIM among industries other than industries 51, 52 and 54, complemented with information of commercial indebtedness of the 5.000 major debtors of the financial system, broken down into the ISIC classification<sup>179</sup>. Are considered liable “to pay” FISIM those major enterprises, classified by activity. The information on their output is derived from financial statements, surveys and/or fiscal sources, considering that those enterprises correspond to legally constituted businesses (organized production), that have complete accounting records and have greater possibilities of access to financial services<sup>180</sup>. The results obtained by industry for year 2008 appear in table 175.

**Table 175. Allocation of Financial Intermediation Services Indirectly Measured (FISIM), by industry 2008**

		Thousand million pesos	
Industries		Value	%
<b>Total</b>		10.640	100
01	Specialized production of coffee	39	0,4
02	Agriculture, and related service activities except specialized production of coffee	199	1,9
03	Farming of animals and hunting	181	1,7
04	Forestry, logging and related service activities	11	0,1
05	Fishing, operation of fish hatcheries and fish farms; service activities incidental to fishing	12	0,1
06	Mining of coal and lignite; extraction of peat	69	0,6
07	Extraction of crude petroleum and natural gas; service activities incidental to oil and gas extraction excluding surveying; mining of uranium and thorium ores	185	1,7
08	Mining of metal ores	36	0,3
09	Quarrying of non-metallic minerals	18	0,2
10	Production, processing and preservation of meat and fish	143	1,3
11	Manufacture of vegetable and animal oils and fats	35	0,3
12	Manufacture of dairy products	60	0,6

<sup>179</sup> Harmonized classification of industries to national accounts

<sup>180</sup> As explained in section 5.1, the output of industries is estimated in disaggregated form by sources; based on this information, the part that corresponds to incorporated enterprises can be estimated.

		Thousand million pesos	
	Industries	Value	%
	Manufacture of grain mill products, starches and starch products, prepared animal feeds, bakery products, macaroni, noodles, couscous and similar farinaceous products	125	1,2
13	Manufacture of coffee products	51	0,5
14	Sugar mills and refineries	25	0,2
15	Manufacture of cocoa, chocolate and sugar confectionery	19	0,2
16	Manufacture of other food products n.e.c.	31	0,3
17	Manufacture of beverages	76	0,7
18	Manufacture of tobacco products	6	0,1
19	Preparation and spinning of textile fibres, weaving of textiles, and finishing of textiles produced in other production unit	32	0,3
20	Manufacture of other textiles	14	0,1
21	Manufacture of wearing apparel, including knitted and crocheted fabrics and articles; dressing and dyeing of fur; manufacture of articles of fur	113	1,1
22	Tanning and dressing of leather; manufacture of footwear; manufacture of travel accessories, luggage, handbags, saddlery and harness	31	0,3
23	Processing of wood, manufacture of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	19	0,2
24	Manufacture of paper, paperboard and paper and paperboard products	65	0,6
25	Publishing and printing	54	0,5
26	Manufacture of coke, refined petroleum products and nuclear fuel	139	1,3
27	Manufacture of basic chemicals and chemical products except synthetic rubber in primary forms	220	2,1
28	Manufacture of rubber and plastics products including synthetic rubber in primary forms	77	0,7
29	Manufacture of other non-metallic mineral products	94	0,9
30	Manufacture of basic metallurgical products and of fabricated metal products, except machinery and equipment	124	1,2
31	Manufacture of machinery and equipment n.e.c.	31	0,3
32	Manufacture of office, accounting and computing machinery, electrical machinery, radio, television and communication equipment, medical, precision and optical instruments, watches and clocks and apparatus n.e.c	29	0,3
33	Manufacture of motor vehicles, trailers and semi-trailers and of other transport equipment	68	0,6
34	Manufacture of furniture;	32	0,3
35	Other manufacturing n.e.c.	26	0,2
36	Recycling	-	-
37	Production, transmission and distribution of electricity	174	1,6
38			

		Thousand million pesos	
	Industries	Value	%
39	Manufacture of gas including that of coke oven products; distribution of gaseous fuels through mains; steam and hot water supply	27	0,3
40	Water collection, treatment and supply;	36	0,3
41	Building construction (for residential and non residential use) including land preparation; Renting of construction or demolition equipment with operator	261	2,5
42	Site preparation for civil work;Civil engineering	226	2,1
43	Wholesale and retail trade	507	4,8
44	repair of motor vehicles, motorcycles and personal and household goods	89	0,8
45	Hotels, restaurants, bars and similar establishments	258	2,4
46	Land transport; transport via pipelines	251	2,4
47	Water transport	9	0,1
48	Air transport	40	0,4
49	Supporting and auxiliary transport activities; activities of travel agencies	38	0,4
50	Post and telecommunications	178	1,7
51	Financial intermediation, including insurance and pension and severance funds	659	6,2
52	Real estate activities and rentals of dwellings	2.212	20,8
53	renting and business activities	331	3,1
54	Public administration and defence; compulsory social security	2.245	21,1
55	Market education	109	1
56	Non Market education	120	1,1
57	Market health and social work	214	2
58	Sewage and refuse disposal, sanitation and similar activities	35	0,3
59	Other market community, social and personal service activities except Sewage and refuse disposal, sanitation and similar activities	109	1
60	Other non market community, social and personal service activities except Sewage and refuse disposal, sanitation and similar activities	23	0,2
61	Private households with employed persons	-	-

Source: DANE, Synthesis and National Accounts Division(DSCN)

Calculations: DANE, Synthesis and National Accounts Division(DSCN)

### 16.2.3. Distribution of intermediate consumption by institutional sector

The last phase of the process consists in assigning the intermediate consumption previously estimated by industry to the corresponding institutional sector (or sectors). Generally, all institutional sectors require financial services, to a greater or lesser extent, given their characteristics, their financing requirements and the normal development of their business.

One part of the intermediate consumption of FISIM is directly related to a particular institutional sector, as explained in the case of industries 51, 52 and 54; FISIM defined for industries 51 and 54 are allocated to the financial corporations and general government sector respectively, while the estimated intermediate consumption of FISIM for industry 52 is allocated to households as individual entrepreneurs (households home-owners), and to the non-financial corporations sector engaged in real estate services. For the other industries, the amount of FISIM by institutional sector is estimated by taking into account the percentage share of each institutional sector in production, in the organized segment of the industry.

Nevertheless, in order to estimate the value of FISIM corresponding to the households sector, additional to the previous indicator, a use factor of financial services and a rate of access to financial services are estimated. The use factor intends to approximate the intensity of use of financial services in each industry. The use factor is estimated based on the relationship between the intermediate consumption of FISIM measured for each industry and the total industry output; thus, industries such as 34 - Manufacture of motor vehicles, trailers and semi-trailers and of other transport equipment and 07- Extraction of crude petroleum and natural gas; service activities incidental to oil and gas extraction excluding surveying; mining of uranium and thorium ores, record a high use factor of 0,0111, and 0,0110181 respectively, due to a greater use of financial services; while industries such as 24, (Processing of wood, manufacture of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials) and industry 10, (Production, processing and preservation of meat and fish), present a lower use factor, around 0,0084 in both

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<sup>181</sup> The use factor of FISIM by industry, oscillates between 0.0081 for the industry 32, (machinery and equipment and 0.0650 for the industry 52 real estate services.

cases. On the other hand, the rate of access to financial services shows the possibility for unincorporated enterprises within households to have access to financial services. The rate is estimated by taking into account the characteristics of entrepreneurial households related to each industry. Thus for industry 01 (Specialized production of coffee), this coefficient is close to 1, since farmers association have greater possibility of obtaining loans, in contrast with individual entrepreneurs of industry 06, (Mining of coal and lignite; extraction of peat), that are very small personal businesses, and can hardly have access to financial loans.

The values thus estimated for the households sector are subtracted from the total FISIM by industry, and the difference is distributed among the financial corporations, non-financial corporations and general government sectors, based on the share in output of each sector in the total output of the organized segment of the industry.

Table 176 presents as an example the breakdown of intermediate consumption of FISIM (year 2008), by institutional sectors, for industry 45 (Hotels, restaurants, bars and similar establishments). Based on the households production of \$20.368 thousand million pesos, an use factor of 0.0114 ( $258^{182}/22.680$ ) and a rate of access to financial services of 0.5<sup>183</sup>, Therefore, from the \$258 thousand million pesos of intermediate consumption on FISIM of the industry, \$116 thousand million ( $258*0.0114*20.368$ ) correspond to households as entrepreneurs, and \$142 thousand million pesos to non-financial corporations (public and private). Table 176 also illustrates the allocation by institutional sector of FISIM calculated for industries 51, 52 and 54.

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<sup>182</sup> Source: table 175

<sup>183</sup> This coefficient is estimated under the assumption that 50% family businesses require financial funding in Hotels, restaurants, bars and similar establishments

Table 176. Allocation of intermediate consumption of the Financial Intermediation Services Indirectly Measured (FISIM) to Industries 45, 51, 52 and 54  
2008

Thousand million pesos

Intermediate Consumption FISIM	Industry	Output of organized producers	Use Factor	Output weights by institutional sector										access to financial	Intermediate Consumption of FISIM by institutional sector
				Value					Percentage						
				Non-financial corporations private	Non-financial corporations public	Financial corporations	General Government	Households	Non-financial corporations private	Non-financial corporations public	Financial corporations	General Government	Households		
258	45 Hotels, restaurants, bars and similar establishments	22.6 80	0,01 1	2.273	29	0	20 .3 68	98,7	1, 3	0,5	1 4 0	2	-	-	11 6
659	51 Financial intermediation, including insurance and pension and severance funds	19.8 17	0,03 3	0	19.8 17	0	0	10 0	0	0	-	-	65 9	-	-
2.212	52 Real estate activities and rentals of dwellings	34.0 48	0,06 5	3.695	36	0	30 .3 13	10,9	0, 1	0,9	2 4 0	2	-	-	1.9 70
2.245	54 Public administration and defence; compulsory social security	58.4 84	0,03 8	0	0	58.4 84	0	0	0	0	-	-	-	2.2 45	-

Source: Financial Statements reported by the Colombian Superintendence of Finance and the Superintendence of Solidarity Economy

Calculations: DANE, Synthesis and National Accounts Division(DSCN)

Table 177 illustrates the simplified process of FISIM allocation among users, by classifying operations on assets and liabilities establishing the economic use, the industry and the institutional sector involved.

**Table 177. Allocation of FISIM, by economic destination, industry and institutional sector**

	Instruments	Economic Use	Industry	Institutional Sector	
Operations on Assets	Consumption credit and leasing	Final Consumption	N.A	Households -Consumers	
	Portfolio and commercial leasing	Intermediate Consumption	51	Financial corporations	
			1 to the 61 except 51, 52 and 54	Non-financial corporations	
			54	Government	
			1 to the 61 except 51, 52 and 54	Households -entrepreneurs	
	Portfolio and leasing of micro- credit	Intermediate Consumption	60	NPISHs	
			1 to the 61 except 51, 52 and 54	Non-financial corporations	
			54	Government	
	Mortgages on dwellings	Intermediate Consumption	1 to the 61 except 51, 52 and 54	Households -entrepreneurs	
			52	Households -entrepreneurs	
Credits reimbursement abroad	Exports	N.A	External Sector		
Operations on Liabilities	Saving deposits (includes current accounts, saving accounts and others)	Intermediate Consumption	51	Financial corporations	
			1 to 61 except 51, 52 and 54	Non-financial corporations	
			54	Government	
			1 to 61 except 51, 52 and 54	Households- entrepreneurs	
	Fixed-term deposits (CDTs)	Intermediate Consumption	60	NPISHs	
			Final Consumption	N.A	Households-Consumers
			51	Financial corporations	
Fixed-term savings	Intermediate	1 to 61 except 51, 52 and 54	Non-financial corporation		
		54	Government		
		1 to 61 except 51, 52 and 54	Households -entrepreneurs		
		60	NPISHs		
		Final Consumption	N.A	Households-Consumers	
		51	Financial corporations		

Instruments	Economic Use	Industry	Institutional Sector
deposits (CDATs)	Consumption	1 to 61 except 51, 52 and 54	Non-financial corporation
		54	Government
		1 to 61 except 51, 52 and 54	Households- entrepreneurs
		60	NPISHs
	Final Consumption	N.A	Households-Consumers
Imports	Intermediate Consumption	51	Financial corporations
		1 to 61 except 51, 52 and 54	Non-financial corporations
		54	Government
		N.A	Rest of the world

Source: DANE, Synthesis and National Accounts Division(DSCN)

Finally, table 178 presents the data corresponding to FISIM generated on operations on assets, operations on liabilities and imported FISIM by economic use and institutional sector for the period 2000 to 2008.

The estimates based on information from the Superintendency of Finance and those based on information published by the Superintendency of Solidarity Economy are separately presented, due to the periodicity in which the measurement of FISIM is made whether it is quarterly (Superintendency of Finance ) or only annually (Superintendency of Solidarity Economy)<sup>184</sup>.

<sup>184</sup> See further detail on section 11.3.2

**Table 178. Financial Intermediation Services Indirectly Measured (FISIM) allocated by year, economic use and institutional sector  
2000-2008**

	Thousand million pesos								
Data source, economic use and institutional sector	2000	2001	2002	2003	2004	2005	2006	2007	2008
Produced FISIM	5.791	5.481	5.760	6.526	7.577	8.703	9.548	12.163	16.087
Allocation									
superintendency of Finance (CSF)	5.218	4.880	5.096	5.754	6.711	7.731	8.519	11.005	14.868
FISIM allocation on operations on assets	2.609	2.440	2.548	2.877	3.355	3.866	4.260	5.503	7.434
Intermediate Consumption	2.255	2.083	2.199	2.498	2.919	3.355	3.637	4.516	5.962
Government	360	336	349	233	225	186	167	493	654
Local	212	188	201	106	117	92	81	241	322
Central	148	148	148	127	108	94	86	252	332
Financial corporations	218	256	284	326	325	301	329	374	323
Non-financial corporations (big businesses)	600	510	510	587	766	946	1.054	1.381	1.899
Unincorporated enterprises within households	439	376	376	434	561	694	772	1.010	1.483
Households Mortgage	762	708	784	869	945	1.058	1.101	1.269	1.603
Households Final Consumption	338	335	331	353	415	487	585	936	1.397
Exports	16	22	18	26	20	25	38	51	75
FISIM allocation on operations on liabilities	2.609	2.440	2.548	2.877	3.355	3.866	4.260	5.503	7.434
Intermediate Consumption	1.188	1.028	1.003	1.093	1.134	1.150	1.190	1.639	2.224
Government	485	414	396	425	432	421	426	597	829
Financial corporations	143	123	120	131	136	138	143	197	267
Non-financial corporations	561	490	487	536	566	590	621	845	1.128
Households Final Consumption	1.421	1.412	1.545	1.785	2.221	2.716	3.070	3.864	5.210
<i>superintendency of Solidarity Economy</i>	573	600	664	772	866	971	1.029	1.158	1.219

Thousand million pesos

Data source, economic use and institutional sector	2000	2001	2002	2003	2004	2005	2006	2007	2008
Households Mortgage Intermediate Consumption	286	300	332	386	433	485	514	579	609
Households Final Consumption	286	300	332	386	433	485	514	579	609
<i>Allocation of imported FISIM</i>	561	1.719	2.183	2.586	1.967	1.096	614	705	1.845
<i>Colombian superintendency of Finance (CSF)</i>	57	158	91	89	41	12	17	19	69
Financial corporations	57	158	91	89	41	12	17	19	69
<i>Central Bank-Banco de la Republica</i>	503	1.561	2.092	2.497	1.926	1.084	597	686	1.776
Government (PII-BoP)	139	458	650	934	843	479	256	290	757
Non-financial corporations (PII-BoP)	364	1.103	1.442	1.563	1.083	605	341	396	1.019

Source: Financial Statements –The Colombian superintendency of Finance and superintendency of Solidarity Economy

Calculations: DANE, Synthesis and National Accounts Division(DSCN)

#### 16.2.4. Impacts of the measurement of FISIM on economic aggregates

The measurement and allocation of FISIM among users has effects on the national accounts aggregates, since it increases households final consumption expenditure, intermediate consumption of industries and sectors as well as exports and imports; both total, interests payable and total interests receivable by the institutional sectors are simultaneously modified.

Interests receivable and payable by financial intermediaries are modified by the estimation of FISIM; the interests receivable on loans are reduced, because part of their value is recorded as intermediation services and the rest as interests; interests payable are increased, since the procedure considers implicitly that the financial

intermediaries pay higher interests on deposits and with this increase in value, the users cover the cost of intermediation services<sup>185</sup>.

## 17. THE CROSS-CLASSIFIED TABLE OF INDUSTRIES BY INSTITUTIONAL SECTORS

The first part of this chapter presents the cross-classified table of industries by institutional sectors, the second part introduces the general methodology used to construct it, separating the case of the base year and that of current years and the third part describes the process that was followed in order to set up the production and the generation of income account of the households sector.

### 17.1. PRESENTATION OF THE CROSS-CLASSIFIED INDUSTRY BY SECTOR TABLE

SCN 2008, recommends to establish a table that relates the results of the production and generation of income accounts<sup>186</sup>, by industries with those of institutional sectors and calls it cross-classification of industries and sectors. This table presents in a systematic form a cross-classification by institutional sectors and industries of production, intermediate consumption and value added and its components.

The cross-classified industry by sector table derives from the relationship that exists between the units of observation used in the two classes of accounts as the unit of observation in the industries accounts is the establishment and the unit used in the institutional sectors accounts is the institutional unit and these units are related to each other as can be seen below:

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<sup>185</sup> Section 18.3.1 presents the adjustment made for FISIM, both for received and paid interests by financial intermediaries, and for the rest of sectors.

<sup>186</sup> The production and generation of income accounts are presented in sections 2.2.1 and 2.2.2.

“An establishment is an enterprise, or part of an enterprise, that is situated in a single location and in which only a single productive activity is carried out or in which the principal productive activity accounts for most of the value added”. (SNA 2008 para. 5.2)

“An institutional unit is an economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities.” SNA 2008 para. 4.2. An institutional unit can develop various productive activities, that is, production processes characterized by the use of production techniques including the use of raw materials and other inputs, machinery, equipment and labor. With the purpose of identifying and classifying separately the different activities performed by institutional units, they are broken down into establishments.

An industry is set up by adding the different establishments that develop the same main productive activity. The institutional units are grouped in institutional sectors; each sector includes the units that have a similar economic behavior that is defined based on their main economic function and the origin and main nature of their resources.

$\sum$  Establishments with the same main productive activity = industry

$\sum$  institutional Units with similar behavior = institutional sector

“As an establishment always belongs to an institutional unit, it is possible to link the production activities of industries and institutional sectors. Output of an institutional unit is equal to the sum of the outputs of the individual establishments of which the institutional unit is composed”. (SNA 1993, para. 15.107). The same reasoning applies to the rest of variables of the production and generation of income accounts.

In order to explain the cross-classified industry by sector table, the example that follows presents the production and generation of income accounts of two enterprises; the first one is an enterprise comprising two establishments, one dedicated to the production of fruits and the other dedicated to the production of preserves. The first establishment has to be classified within the agriculture industry while the second belongs to manufacturing; the enterprise as a whole, equal to the

sum of both establishments, is classified in the institutional sector corresponding to non-financial corporation (table 179).

**Table 179. Production and generation of income account - Enterprise A**

Example of an enterprise	P.1 Production	P.2 Intermediate Consumption	B.1 Gross value added	D.1 Compensation of employees	D.29 Other taxes less subsidies on production	B.2 Operating surplus
<i>Non-financial corporation</i>	9.500	3.700	5.800	2.850	200	2.750
Agriculture, hunting, forestry and fishing	1.500	650	850	350	50	450
Manufacturing Industry	8.000	3.050	4.950	2.500	150	2.300

Fictitious example

The second enterprise B, also comprises two establishments, one dedicated to the extraction of minerals and the other belonging to the meat manufacturing industry; they belong respectively to industries: mining and quarrying and manufacturing and the enterprise as a whole belongs to the non-financial corporation institutional sector (table 180).

**Table 180. production and generation of income account - Enterprise B**

	P.1 Production	P.2 Intermediate Consumption	B.1 Gross value added	D.1 Compensation of employees	D.29 Other taxes less subsidies on production	B.2 Operating surplus
Non-financial corporation	10.700	4.000	6.700	2.950	230	3.520
Mining and quarrying	1.200	500	700	250	60	390
Manufacturing Industry	9.500	3.500	6.000	2.700	170	3.130

Fictitious example

In table 181, the results of the production and generation of income accounts of the enterprises A and B are added, generating the cross-classified industry by sector table.

**Table 181. Cross-classified table of enterprises A and B**

	P.1 Production	P.2 Intermediate Consumption	B.1 Gross value added	D.1 Compensati on of employees	D.29 Other taxes less subsidies on production	B.2 Operatin g surplus
<i>Non-financial corporation</i>	20.200	7.450	12.750	5.800	430	6.520
Agriculture, hunting, and fishing	1.500	650	850	350	50	450
Mining and quarrying	1.200	500	700	250	60	390
Manufacturing	17.500	6.300	11.200	5.200	320	5.680

Fictitious example

Table 182 presents the results of the cross-classified industry by sector table for Colombia for year 2008; in this table, the production and generation of income accounts of each institutional sector are broken down by industries.

In order to facilitate the presentation of the table, industries were consolidated according to categories derived from ISIC tabulation categories. A category groups related industries so their presentation be as homogenous as possible. The following categories were defined:

- A. Agriculture, hunting and forestry and fishing
- B. Mining and quarrying
- C. Manufacturing
- D. Electricity, gas and water supply
- E. Construction
- F. Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods; hotels and restaurants
- G. Transport, storage and communications
- H. Financial intermediation, Real estate, renting and business activities
- I. Other services

Table 182. Cross classified table industry by sector 2008

Thousand million pesos

Institutional Sector	Production and generation of income account	P.1 Production total	P.11 Market production	P.12 Production for own final use	P.13 Other non market production	P.2 Intermediate Consumption	B.1 Gross value added	D.1 Compensation of employees	D.29-D.39 Other taxes less subsidies on production	B.3 Mixed income	B.2 Operating surplus
<b>S11. non financial corporations</b>											
A	Agriculture, hunting and forestry and fishing	9.784	9.784			6.477	3.307	2.182	103		1.022
B	Mining and quarrying	43.817	43.817			8.833	34.984	3.054	503		31.427
C	Manufacturing	177.955	177.955			123.716	54.239	19.147	2.033		33.059
D	Electricity, gas and water supply	30.378	30.378			12.994	17.384	2.948	816		13.620
E	Construction	36.280	36.280			19.068	17.212	11.941	767		4.504
F	Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods; hotels and restaurants	54.694	54.694			32.069	22.625	5.957	936		15.732
G	Transport, storage and communications	41.049	41.049			22.823	18.226	5.848	869		11.509
H	Financial intermediation, Real estate, renting and business activities	34.204	34.204			12.194	22.010	14.017	898		7.095
I	Other services	39.806	39.806			21.097	18.709	12.873	842		4.994
	<b>Total general</b>	467.967	467.967			259.271	208.696	77.967	7.767		122.962
<b>S12. Financial corporations</b>											
H	Financial intermediation, Real estate, renting and business activities	33.230	33.230			11.842	21.388	7.055	704		13.629
	<b>Total general</b>	33.230	33.230			11.842	21.388	7.055	704		13.629
<b>S13. General government</b>											
C	Manufacturing	1.814	1.814			1.040	774	19	0		755
E	Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods; hotels and restaurants	471	471			170	301	247	31		23
G	Transport, storage and communications	379	379			198	181	142	4		35
H	Financial intermediation, Real estate, renting and business activities	341	341			89	252	134	7		111

Thousand million pesos											
Institutional Sector	Production and generation of income account	P.1 Production total	P.11 Market production	P.12 Production for own final use	P.13 Other non market production	P.2 Intermediate Consumption	B.1 Gross value added	D.1 Compensation of employees	D.29 - D.39 Other taxes less subsidies on production	B.3 Mixed income	B.2 Operating surplus
I	Other services	64.165	4.862		59.30	23.240	40.925	35.188	1.024		4.713
	<b>Total general</b>	67.170	7.867		59.30	23.697	41.659	35.711	1.066		4.882
<b>S14. Households and S15. NPISH</b>											
A	Agriculture, hunting and forestry and fishing	39.933	36.452	3.481		10.276	29.657	7.308	0	22.34	9
B	Mining and quarrying	3.788	3.788			1.083	2.705	531	10		2.164
C	Manufacturing	35.525	35.525			23.668	11.857	3.182	64		8.611
D	Electricity, gas and water supply	352	352			22	330	1	0		329
E	Construction	67.409	67.409			29.115	38.294	10.572	422		27.30
F	Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods; hotels and restaurants	19.389	16.377	3.012		8.635	10.754	1.599	176		8.979
G	Transport, storage and communications	25.841	25.841			12.754	13.087	1.515	152		11.42
H	Financial intermediation, Real estate, renting and business activities	53.066	30.543	21.08		4.866	48.200	923	8		26.18
I	Other services	15.726	12.188	3.538	1.434	4.516	11.210	5.640	256	0	21.089
	<b>Total general</b>	261.029	228.475	31.12	1.434	94.935	166.094	31.271	1.088	46	112.6
<b>S1. Total economy</b>											
A	Agriculture, hunting and forestry and fishing	49.717	46.236	3.481		16.753	32.964	9.490	103	22.34	1.022
B	Mining and quarrying	47.605	47.605			9.916	37.689	3.585	513		31.427
C	Manufacturing	215.294	215.294			148.424	66.870	22.348	2.097		33.814
D	Electricity, gas and water supply	30.730	30.730			13.016	17.714	2.949	816		13.620
E	Construction	104.160	104.160			48.353	55.807	22.760	1.220		27.30
F	Wholesale and retail trade; repair of motor vehicles, motorcycles	74.083	71.071	3.012		40.704	33.379	7.556	1.112		8.979
											15.732

Thousand million pesos

Institutional Sector	Production and generation of income account	P.1 Production total	P.11 Market production	P.12 Production for own final use	P.13 Other non market production	P.2 Intermediate Consumption	B.1 Gross value added	D.1 Compensation of employees	D.29 -D.39 Other taxes less subsidies on production	B.3 Mixed income	B.2 Operating surplus	
	and personal and household goods; hotels and restaurants											
G	Transport, storage and communications	67.269	67.269			35.775	31.494	7.505	1.025	0	11.544	
H	Financial intermediation, Real estate, renting and business activities	120.841	98.318	21.08	9	1.434	28.991	91.850	22.129	1.617	0	41.924
I	Other services	119.697	56.856	3.538	3	59.30	48.853	70.844	53.701	2.122	5.314	9.707
				31.12	60.73						112.6	
	<b>Total general</b>	829.396	737.539	0	7	390.785	438.611	152.023	10.625	46	163.317	

Source: DANE, Synthesis and National Accounts Division(DSCN) National accounts year 2008

## Results of the cross-classified industry by sector table

The cross-classified industry by sector table gives the possibility of breaking down the production and generation of income accounts and the transactions that are part of these accounts, by categories of activities and institutional sectors. As an example, table 183 shows for year 2008, for the category Manufacturing the production and generation of income accounts broken down by institutional sectors and table 184 presents total production for year 2008 by industry and by institutional sector; in this last table the sum of the production by industry, 829.396 thousand million pesos, is equal to the sum of the production by institutional sector.

**Table 183. Manufacturing. Production and generation of income accounts by institutional sector  
 2008**

		thousand million pesos				
		S.11	S.12	S.13	S.14 -15	
	Detalle	Non financial corporations	Financial corporations	General Government	Households and NPISH	Total Manufacturing
P.1	Production	177.955		1.814	35.525	215.294
P.11	Market production	177.955		1.814	35.525	215.294
P.2	Intermediate consumption	123.716		1.040	23.668	148.424
B.1	Value added	54.239		774	11.857	66.870
D.1	Compensation of employees	19.147		19	3.182	22.348
D.29-D.39	Other taxes less subsidies on production	2.033		0	64	2.097
B.3	Mixed income				8.611	8.611
B.2	Gross operating surplus	33.059		755		33.814

Source: DANE, Synthesis and National Accounts Division(DSCN) National accounts year 2008

**Table 184. Total production (P.1) broken down by industry and by institutional sector  
2008**

		<b>thousand million pesos</b>				
		<b>S.11</b>	<b>S.12</b>	<b>S.13</b>	<b>S.14 -15</b>	
Industry categories		Non financial corporations	Financial corporations	General Government	Households and NPISH	Total
A	Agriculture, hunting and forestry and fishing	9.784			39.933	49.717
B	Mining and quarrying	43.817			3.788	47.605
C	Manufacturing	177.955		1.814	35.525	215.294
D	Electricity, gas and water supply	30.378			352	30.730
E	Construction	36.280		471	67.409	104.160
F	Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods; hotels and restaurants	54.694			19.389	74.083
G	Transport, storage and communications	41.049		379	25.841	67.269
H	Financial intermediation, Real estate, renting and business activities	34.204	33.230	341	53.066	120.841
I	Other services	39.806		64.165	15.726	119.697
<b>Total general</b>		467.967	33.230	67.170	261.029	829.396

Source: DANE, Synthesis and National Accounts Division(DSCN) 2008 accounts

## 17.2. CONSTRUCTION OF THE CROSS-CLASSIFIED INDUSTRY BY SECTOR TABLE

The purpose of the construction of the cross-classified industry by sector table is to achieve consistency between the production and generation of income accounts compiled both, by activities and by institutional sectors; the starting point for its construction are the production and generation of income accounts compiled in previous stages of the process; the accounts by activities are the result of the supply and use tables whereas the accounts of the institutional sectors are derived from the processing of the financial statements reported to the monitoring and control entities<sup>187</sup>. The accounts for the households sector are estimated from indicators on the behavior of the unincorporated enterprises owned by households, and as a result of the employment matrix. The methodology used for the construction of the cross-classified table is different for the base year and for the current years of the series of national accounts.

### 17.2.1. Accounts of base year 2005

In the base year of the national accounts, the methodology used to set up the cross-classified table depends upon the industry, and in particular whether its accounts are obtained by aggregation of different sources of information or as the result of the global calculation of the accounts. In the first case the accounts of the industry are derived as the sum of subgroups of companies that belong to different institutional sectors; they are set up taking simultaneously into consideration two perspective of analysis, that of industry and that of institutional sector; in the second case the accounts of the industry are first calculated in a global form and then they are broken down by institutional sectors; the methodology used in each case is different as is explained as follows.

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<sup>187</sup> See Chapter 9 to 13

#### **a) Accounts of industries calculated by aggregation of sources of information**

For these industries different sources of information are used: DANE's annual economic surveys, the financial statements provided to the monitoring and control entities (superintendencies, General Accountant's Office), survey to the microestablishments, the tax returns collected by DIAN, or estimations based on inputs, or on the employment matrix. The industries for which this methodology was used were the manufacturing industry, the public utilities, trade, financial activities, the government nonmarket services providers and the providers of business services<sup>188</sup>.

The methodology used depends on the institutional sector to which they belong; a specific methodology was designed for the general government, financial corporations, public non-financial corporation and non-profit institutions serving households sectors; and another one in the case of private nonfinancial corporations and households.

In the first groups of institutional sectors, the production and generation of income accounts are set up simultaneously by industry and by sector. By construction, the consistency of the results by industry and sector is insured. If differences appear between the two classes of accounts, they are minimal and they are eliminated in the synthesis process.

In the general government sector and the public non-financial corporation subsector, the production and generation of income accounts are elaborated from the financial statements provided by the General Accountant's Office -CGN; in those statements, the government and public non-financial entities present their expenses by class of activity<sup>189</sup>; using this information, the accounts of the sectors broken down by

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<sup>188</sup> Section 5.1.5 presents the methodology used to estimate production by industry and the sources used.

<sup>189</sup> Sections 10.7.1 and 10.7.2 present the methodology used to estimate the production and generation of income accounts of general government broken down by industry and section 12.2.2.the accounts of public non-financial corporations.

industries are elaborated; the accounts of the non-profit institutions serving households are elaborated in a similar way<sup>190</sup>.

In the financial corporations sector, the entities are generally dedicated exclusively to the provision of financial intermediation services, insurance services and financial auxiliary services, which is the reason why the accounts of the industry coincide with the accounts of the sector<sup>191</sup>.

For the private non-financial corporations belonging to the second group, the accounts of the subsector derive from the combination of several sources of information: the financial statements reported by the different Superintendencies: of Companies, of Public Utilities, of Solidarity Economy, the companies that quote in the stock market and DANE for the non-profit institutions serving business; these data are complemented with DANE's manufacturing, trade and services annual economic surveys and data from DIAN for the companies that do not report to any of the previous sources. For the companies that report to more than one source of information, a special cross-check and analysis of the information reported to the different sources is performed, so as to eliminate duplications and to reconcile the data for entities common to various sources. In a first stage of the procedure the directories of the companies covered by the different sources were compared and cross-checked and in a following stage, a methodology was developed in order to reconcile the results derived from the economic surveys and from the monitoring and control entities<sup>192</sup>.

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<sup>190</sup> Chapter 13 explains how the accounts of the non-profit institutions serving households are compiled

<sup>191</sup> Chapter 11 presents the methodology used for the compilation of the non-financial sector

<sup>192</sup> The methodology used for the reconciliation of the data derived from the economic surveys and the monitoring and control entities is explained in section 12.3,2 and in the document " 2005 National accounts; main methodological changes" section 1.7 DANE February 2011

In the households sector that include the non-incorporated companies owned by households<sup>193</sup>, the production and generation of income accounts were set up using sources of information such as: the microestablishments survey, or the manufacturing, trade and services annual surveys; for individual companies outside the scope of these surveys, estimations were made using their inputs, the employment matrix and special research to set the accounts of industries such as the rental of dwellings and domestic services.

The microestablishments survey studies the size and characteristics of small businesses, as well as of the informal activities. Nevertheless, its coverage is limited as it does not cover the activities of street vendors, production that is developed within the dwellings and all those activities that develop on an irregular basis. By complementing this information with the employment matrix, it is possible to cover employment that is not observed in the economic surveys.

The manufacturing, trade and services annual economic surveys provide information of those unincorporated enterprises belonging to households when they meet the inclusion criteria. For these enterprises, there is information on production, compensation of employees, and taxes on production. In some industries such as that of meat production, part of the production is derived from the data of slaughtered cattle, as it is the main input of the industry (application of the production chain technique). This methodology is applied to industries which output depends closely on an input and for which the data coming from the economic surveys cover only partially the production process.

A part of the production and generation of income accounts of the enterprises of the households sector, the so-called non-observed employment that correspond to jobs

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<sup>193</sup> This sector includes non-incorporated enterprises that belong to households. These enterprises are set up with the purpose of “producing goods or services for sale or barter on the market. They can be engaged in virtually any kind of productive activity: agriculture, mining, manufacturing, construction, retail distribution or the production of other kinds of services”. (SNA, 2008; para. 4.155). In Colombia, enterprises belonging to the households sector are dedicated to productive activities such as agriculture, mining, manufacturing, trade and services. Their characteristics range from “single persons working as street traders or shoe cleaners with virtually no capital or premises of their own through to large manufacturing, construction or service enterprises with many employees (SNA 2008, para 4.155)

generating a very low value added, that the statistical system of the observation of demand cannot possibly capture, is estimated using the employment matrices. These employments were identified comparing total supply of employment with the corresponding total demand. The balancing item is considered as non-observed employment; according to the available information a production, an intermediate consumption and a mixed income were also assigned to these jobs, that is, production and generation of income accounts <sup>194</sup>were set up.

As a result of the previously described procedure, the production and generation of income accounts of these industries are obtained by aggregation of subgroups of data. The following subgroups were established: companies that only report information to the monitoring and control entities (SS); companies only covered by the economic surveys (EEA), companies covered both by DANE's economic surveys and the control and monitoring entities (SS-EEA), private non-financial corporation that do not belong to any of the previous groups, accounts calculated from the micro establishments survey, estimations of the accounts derived from data on inputs (productive chains)<sup>195</sup>, estimations of the accounts from the employment matrix.

Entities belonging to any of these subgroups all belong to the same institutional sector. Thus the entities which accounts are derived from the microestablishments survey belong to the households sector; those which accounts come from the financial statements reported to the superintendencies are part of the financial corporation (SF) or nonfinancial corporation (SNF) sectors; the entities which accounts

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<sup>194</sup> The methodology used in setting up the employment matrix can be consulted in "the employment matrix in the 2005 national accounts base". DANE September 2011; or in "National Accounts 2005 Base; main methodological changes and results, Chapter 5 DANE November 2010 DANE's Website

<sup>195</sup>This methodology is applied in the case of industries which output depends heavily upon one specific input and where the data of the economic surveys only cover partially their activity. There is a productive chain when the output of an industry depends directly on one or various inputs used in the process; the fabric in the case of clothing, wheat in the case of bread, (see section 5.1.5)

are derived from the employment matrix are allocated to the households sector; those companies covered by the economic surveys include non-financial corporations and quasi-corporation belonging to the households sector. Figure 14 shows in summarized form the subgroups from which the accounts of these industries are obtained and the institutional sector to which they were allocated. The importance of each subgroup depends on the industry; thus in industry 51, 100% of the establishments belong to the financial corporations sector, whereas in industries 54 and 56, 100% of the establishments belong to the general government sector.

**Figure 14. Accounts of activities calculated according to available subsets of sources**

Subsets of sources	Companies that only report information to the monitoring and control entities (SS)	Companies only covered by DANE's economic surveys (EEA)	Companies covered both by DANE's economic surveys and the control and monitoring entities (SS-EEA)	Companies estimated using Data from DIAN	surveys to micro establishments	Estimations using the productive chain approach	Estimation using the employment matrix approach	Government accounts	All industries
Institutional sector	Financial and non-financial corporations	Non-financial corporations and households	Non-financial corporations	Financial and non-financial corporations	Households	Households	Households	General government	
Output									
Intermediate Consumption									
Value Added									
Compensation of Employees									
Tax on production									
Operating Surplus									
Mixed Income									

Source: DANE, Synthesis and National Accounts Division(DSCN)

## **b. Accounts of industries calculated in global form**

In the case of industries such as agriculture, animal breeding, forestry, fishing, mining and quarrying, land transport, construction, market education, the production and generation of income accounts are derived from the calculation of output on the one hand and the costs of production on the other. Output is usually obtained from a detailed information on products from which the production of the corresponding industry is derived<sup>196</sup>. In order to calculate output, different indicators and methods are used: information on quantities and prices, information in values, estimations from demand, indirect calculations and special methods. The information on costs is obtained from detailed cost structure by crop, by type of cattle or ore; freight or passengers urban and interurban means of transport, class of construction, etc.

Once the production and generation of income accounts of industry are elaborated, they are broken down into institutional sectors; to do so, the relative importance of non-financial corporations and unincorporated enterprises belonging to households is estimated industry by industry, using accounting information, employment data, or any other complementary information; in some cases, the allocation is performed on the basis of the nature of the economic activity. For example in industry 56, market education services, the activity corresponding to pre-school, primary and secondary education was allocated to nonfinancial corporations or households on the basis of the number of enrolled students as reported by the Ministry of Education, which are classified according to the legal status of schools; in the case of higher education, 100% of the production was allocated to the non-financial corporation sector.

In other industries , such as for example industry 52, real estate and rental of dwellings services, the activity of rental of dwellings is totally assigned to the households sector, while the rental of nonresidential buildings and the real estate services on a commission basis are distributed between the households and the non-financial corporation sectors using the accounting data from companies (reported to the Superintendencies, the DIAN and the General Accountant's Office), and the

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<sup>196</sup> Sections 5.1.3 and 5.1.4 present the methodology to calculate the production of the industries which estimation derive from the information on products.

importance of the households sector was determined from the microestablishments Survey and the employment matrix.

### **The employment matrix and the reconciliation of the production and generation of income accounts by industries and institutional sectors. Base year 2005**

The production and generation of income accounts for base year 2005 were elaborated constructing an employment matrix for year 2005. The incorporation of the employment matrix provided elements of coherence between the level of employment and the estimation of output, supported the determination of total wages by industry, the technical characteristics of production by institutional sector, and the estimation of the small businesses not observed in the economic surveys<sup>197</sup>.

In the case of unincorporated enterprises belonging to the households sector, part of the value of the variables of the production and generation of income accounts was obtained reconstituting the variables of production, intermediate consumption and wages and salaries from the process of elaboration of the employment matrix. The methodology to reconstitute these variables consists in comparing the supply (households surveys) and demand (economic surveys and administrative records) of labor by industry, with the purpose of finding an “excess” of supply, which generally corresponds to low value added jobs. This confrontation between the supply and demand of labor allows to establish the activities with employment but without associated output. The reconstruction of the variables was realized using indicators of average amounts of production and intermediate consumption from the microestablishments survey<sup>198</sup>.

On the other hand from the employment matrix and the accounts calculated for year 2005, it was possible, for each industry, to establish the distribution of jobs between employees and self-employed workers. Employees are persons that work for an institutional unit who receive in compensation of the work done a remuneration

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<sup>197</sup> The methodology for the elaboration of the employment matrix for year 2005 can be consulted at DANE's webpage [http://www.dane.gov.co/index.php?option=com\\_content&view=article&id=1292&Itemid=167](http://www.dane.gov.co/index.php?option=com_content&view=article&id=1292&Itemid=167)

<sup>198</sup> See Revista IB de la Información Básica estadística. Vol. 1 Num.1 December 2011- December 2012. DANE, Bogotá. The Employment matrix in the 2005 national accounts base.

based usually on the time spent at work whereas self-employed workers work on their own behalf and are owners of their own businesses.

Additionally for year 2005 the production and generation of income accounts were broken down into institutional sectors. Table 185 presents the composition of employment by industry and institutional sector, which result from the employment matrix of year 2005 and table 186 presents as an example the production and generation of income accounts of the industry “Manufacture of wearing apparel, including knitted and crocheted fabrics and articles; dressing and dyeing of fur; manufacture of articles of fur”, broken down by institutional sectors. The accounts of all the industries are presented with the same detail.

**Table 185. Distribution of employment by institutional sector according to main categories of industries. Year 2005**

		Thousand jobs				
		S.11	S.12	S.13	S.14 -15	
National Accounts classification	Main categories of industries	Non financial corporations	Financial corporations	General Government	Households and NPISH	Total
01 - 05	Agriculture, hunting and forestry and fishing	205				2.951
06 - 09	Mining and quarrying	81	4			71
10 - 36	Manufacturing	779	13		2	1.167
38 - 40, 58	Electricity, gas and water supply	40	46			
41 - 42	Construction	247				539
43 - 44	Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods;	486				2.839
45	hotels and restaurants	120	1			655
46-50	Transport, storage and communications	187	28		9	1.101
51	Financial intermediation	565	1		7	401
52-53	Real estate, renting and business activities			167	1	17
54	Public administration and defence; compulsory social security				754	
55-61	Community, social and personal service activities	476	90		454	1.544
<b>Total</b>		<b>3.186</b>	<b>183</b>	<b>167</b>	<b>1.227</b>	<b>11.285</b>

Source: DANE, Synthesis and National Accounts Division (DSCN), National Accounts 2005 base

**Table 186. Production and generation of income account Manufacture of wearing apparel, including knitted and crocheted fabrics and articles; dressing and dyeing of fur; manufacture of articles of fur. Year 2005**

	thousand million pesos		
	Private non financial corporations	Households	Total
Output	7.172	3.083	10.255
Intermediate consumption	5.388	1.606	6.994
Value added	1.784	1.477	3.261
Wages and salaries	1.207	440	1.647
Socila contributions	169	7	176
Net taxes on production	100	2	102
Operating surplus	308		308
Mixed income		1.028	1.028
Number of employees	93.378	95.753	189.131
Number of independant workers		152.347	152.347

Source: DANE, Synthesis and National Accounts Division(DSCN), National Accounts 2005 base

### 17.2.2. Cross-classified industry by sector table in current years

The cross-classified industry by sector table in current years is constructed taking as a starting point the results of the accounts of the 2005 base year. The methodology used for current years depends on the institutional sector to which the enterprises belong as well as on the industry.

In the general government, public non-financial corporations, financial corporations and non-profit institutions serving households institutional sectors, the production and generation of income accounts are constructed following the same methodology used for the base year; they are based on the financial statements that the corporations and government entities present, and they are simultaneously constructed by industry and by institutional sector, which insures the coherence of the results by industries and by sectors; any discrepancy is eliminated in the synthesis process.

In the case of private nonfinancial corporations, the production and generation of income accounts are elaborated from the results of a sample of corporations that submit their financial statements to the different superintendencies. This sample provides value indexes by industry from which the accounts by industry of the subsector is calculated<sup>199</sup>. Although in the first stage of the process, the accounts of this sector as well as those belonging to the households sector are also compiled by industries, the results of the two classes of accounts are not completely coherent: differences appear that are eliminated in the synthesis process.

The production of the households sector is calculated from the production calculated in year (n-1) according to the different sources, considering as sources microestablishments, productive chains and employment.

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<sup>199</sup> See the explanation, section 12.3.2

## 18. THE DISTRIBUTIVE TRANSACTIONS ACCOUNTS

This chapter focuses on the explanation of the method being used to construct the accounts of distributive transactions. The distributive transactions consist of: “transactions by which the value added generated by production is distributed to labor, capital and government and transactions involving the redistribution of income and wealth (taxes on income and wealth and other transfers).”<sup>200</sup>

For distributive transactions, the transactions accounts and the from-whom-to-whom matrices are compiled. These accounts group operations of the same nature conducted by institutional sector, as for instance interests, dividends, and transfers.

### 18.1. PRESENTATION OF THE ACCOUNTS AND OF THE GENERAL METHOD USED TO ELABORATE THE TRANSACTIONS ACCOUNTS AND THE FROM-WHOM-TO-WHOM MATRICES

The overall objective of the transactions accounts and the from-whom-to-whom matrices is to balance total income and total expenditure for each transaction and to calculate the data for sectors for which no direct information is available, in particular, the data corresponding to households.

In National Accounts, each transaction is at the same time a resource for one sector and a use for another; therefore for each transaction, there must be a balance between total uses and total resources ( $\Sigma$  uses =  $\Sigma$  resources). However, in practice, when the institutional sectors accounts are being consolidated, these totals might be different. Various reasons exist for such a situation to happen: the unavailability of information for some sectors, (this is mainly the case of households); the sectors accounts that are compiled do not cover the whole range of units that should have been included; the agents involved in the same transaction record them at different moment in time (or for different values). This is the reason why, in order to balance resources and uses, in the stage of synthesis, the transactions accounts and the “from-whom-to-whom” matrices are elaborated.

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<sup>200</sup> 2008 SNA 2.28.

### 18.1.1. Transaction accounts

The transaction accounts appear as a row which includes, for each transaction, the resources and uses data coming from the institutional sectors accounts. Transaction accounts are compiled for transactions that involve only a small number of sectors, for example, compensation of employees (all sectors pay compensation of employees but only households and the rest of the world receive it), reinvested earnings of direct foreign investment, property income attributed to insurance policyholders, rent on land, current taxes on income, wealth, etc., social contributions and benefits, net non-life insurance premiums and non-life insurance claims.

Table 187 presents the transaction account corresponding to social benefits other than social transfers in kind, a transaction in which the households sector is the only beneficiary (although there could marginally be resources for the rest of the world (covering the case of non-resident employees)).

**Table 187. Example. Account of social benefits other than social transfers in kind (D.62).  
 Year 2008**

**Thousand million pesos**

Uses						Resources					
S1	S15	S14.	S13	S12	S11	S11	S12	S13	S14	S15	S1
Total economy	Non profit institutions serving households	Households	General government	Financial corporations	Non financial corporations	Non financial corporations	Financial corporations	General government	Households	Non profit institutions serving households	Total economy
40.659			36.654	1.555	2.450				40.659		40.659
						D.62 Social benefits other than social transfers in kind					

Source: DANE - Synthesis and National Accounts Division(DSCN)

The setting up of a transaction account begins by taking data from the accounts of institutional sectors related to each of them. The synthesis process consists of cross-checking information derived from different sectors, proposing values for those sectors with no available information, analyzing the trends over time of the values obtained this way, and finally, balancing total resources with total uses. For example, for social benefits other than social transfers in kind, the uses by the institutional sectors for this concept are known. In this account, a previous analysis of consistency of data and their composition is carried out, and then, the uses of different sectors are balanced with the resources of households, since with exception of the rest of the world, the households sector is the only one that can receive them; this is how, using this account, social transfers in kind receivable by households are estimated.

For some transactions such as current taxes on income and wealth, additional data are used; for example, the National Tax and Customs Bureau, -DIAN- provides the taxes receivable from legal entities and persons, from which the taxes receivable by government are broken down into taxes payable by households and those payable by the other sectors.

#### 18.1.2. The “from-whom-to-whom” matrices

- The “from-whom-to-whom” matrices are built for transactions in which economic relationship between many sectors occur; usually, total resources and total uses are unknown as well as the values receivable and payable by households: these data will be derived from the matrix. Such matrices are elaborated for interests, dividends and current and capital transfers.

The “from-whom-to-whom matrices have the following characteristics shown in figure 15.

Figure 15. Typical structure of a from whom to whom matrix

		Resources						Total
		Non financial corporations	Financial corporations	General government	Households	Non Profit Institutions Serving Households (NPISH)	Rest of the World	
Uses	Non financial corporations							
	Financial corporations							
	General government							
	Households							
	Non Profit Institutions Serving Households (NPISH)							
	Rest of the World							
	Total							

Elaboration: DANE, Synthesis and National Accounts Division (DSCN)

### Typical structure of a from-whom- to-whom matrix

In the same way as for transaction accounts, setting up the from-whom-to-whom matrices begins with the data collected from the accounts of institutional sectors, which are used to fill up the margins of the matrix (total rows and total columns). The synthesis process consists in breaking down the total values of rows and columns (which are known), among the sectors that make the expenses and among those that receive the resources. In this procedure, in some cells of the matrix, it might occur that two data are available: for instance in the case of dividends received by government there is the figure registered as income by the government and another, different, as payment by the corporations, In order to obtain a unique figure, it is necessary to cross-check the resources with the uses, to establish and analyze the differences that are generated, and incorporate data collected from other sources or that result from complementary research. In this way all the cells of the matrix are assigned a unique value to.

For example, the interests receivable by the banks are allocated among sectors that pay interests on the basis of the loans granted for consumption, mortgages, or

classified by economic sector; the current transfers receivable or payable are broken down between sectors, by using complementary data; for example, based on government data, the transfers made by government can be identified, and assigned either to households, to non-profit institutions serving households, or to financial corporations, etc.

Once all available information is included in the matrix, some cells may contain more than one figure: what a sector says as being receivable and what another sector says to be payable. The synthesis process consists of defining a single entry for each cell. In other cases, data are missing and therefore these must be estimated, by taking into account the counterpart sector, resorting to complementary information or even from balance data. Using these matrices is how the unknown transactions, particularly those corresponding to households, are established.

In this synthesis process, the consistency of the value of each transaction included in the matrix is analyzed. An element of control derives from the analysis of the resulting values as time series, whereby the variations from one period to another of the values included in each cell of the matrix, must be within pre-established ranks. If this condition is not met, the atypical variation must be explained; the variations of the structures are also checked in the same way; unless there are particular circumstances, which must be made explicit, a certain stability of the structures is to be expected and, therefore, also in the components of each transaction. This is particularly useful in the case of elements that are derived as balancing items between uses and resources.

In the following, the concepts, the content of each transaction are defined, the particularities that appear at the time of recording are mentioned as well as how the calculation is performed, and the explanations are illustrated with data referring to year 2008. The process of synthesis of each transaction has its particularities, for instance, in the case of interests or transfers that require more complex procedures.

## 18.2. COMPENSATION OF EMPLOYEES

“Compensation of employees is defined as the total remuneration, in cash or in kind, payable by an enterprise to an employee in return for work done by the latter during the accounting period”<sup>201</sup>. As employers’ social contributions are made for the benefit of their employees, their value is recorded as one of the components of compensation of employees together with wages and salaries in cash and in kind. The social contributions are then recorded as being payable by the employees as current transfers to the social security schemes or to other employment-related social insurance schemes.

The synthesis for this transaction is carried out by constructing the cross-classified industry x institutional sector table, from which compensation of employees payable by each institutional sector is deduced (152.023 thousand million pesos in 2008). This value plus the compensation of employees receivable from the rest of the world (2.554 thousand million pesos) less the value payable to the rest of the world (58 thousands of million pesos) represents the resources of the resident households, that is, 154.519 thousand million pesos in 2008 (table 188).

**Table 188. Accounts for compensation of employees.  
 Year 2008**

		Uses							Resources					
		S2	S1	S15	S14.	S13	S12	S11	Transactions					
		Rest of the World	Total economy	Non profit institutions serving households	Households	General government	Financial corporations	Non financial corporations	Households	Total economy	Rest of the World	Total General		
Total General		154.577	2.554	152.023	898	30.373	35.730	7.055	77.967	D.1 Compensation of employees	154.519	154.519	58	154.577

Source: DANE, Synthesis and National Accounts Division (DSCN)

<sup>201</sup> 2008 SNA para 7.5.

## 18.3 PROPERTY INCOME (D.4)

Property income corresponds to the income receivable by the owner of financial assets and tangible non-produced assets for making those available for use by other units. Property income includes interest, dividends, reinvested earnings on foreign direct investment, investment income attributable to insurance policyholders and rent.

### 18.3.1. Interests (D.41)

“Interest is a form of income that is receivable by the owners of certain kinds of financial assets, namely: deposits, debt securities, loans and (possibly) other accounts receivable for putting the financial asset at the disposal of another institutional unit”<sup>202</sup>.

“Interests may be a predetermined sum of money or a fixed or variable percentage of the principal outstanding”<sup>203</sup>. Interests may be payable in various different ways not always explicitly described as interests, such as discounts, restatements, etc.

SNA recommends that the accrued interests be recorded in each period, that is, as if they were accrued continuously through time. Interests are calculated on the principal outstanding, regardless whether they are or not claimable, whether they can be payable or be added to the principal outstanding. “When a bond is issued at a discount, the difference between the face value, or redemption price, and the issue price constitutes interest that accrues over the life of the bond, in the same way as for a bill. However, as accounts are compiled for time periods that are typically much shorter than the life of the bond, the interest must be distributed over those periods”<sup>204</sup>.

According to 2008 SNA, “in terms of recording the associated flows, there are three types of debt securities. The first is where the amount payable at the end of the period for which the security exists is the same as the initial amount payable for the

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<sup>202</sup> 2008 SNA para 7.113

<sup>203</sup> The amount that a debtor owes to the creditor

<sup>204</sup> 2008 SNA para 17.269

security but there are associated “coupons” that entitle the holder to payments of interest, at fixed or variable rates, at intervals during the life of the instrument. The second type of security is one where no intermediate payments are made but the issue price is lower than the redemption price. The issue price is equal to the redemption price discounted to the date of issue at the appropriate rate of interest that could be earned on a deposit of similar characteristics. The increase in value of the security during its life is treated as interest accruing to the holder of the security that is “reinvested” in the security to increase its value. The third type of security is a hybrid of the two other forms; the initial value is less than the redemption value but there are also attached coupons”<sup>205</sup>.

Concerning interests receivable or payable on loans or deposits by financial corporations, it should be noted that the amounts recorded in the accounts of institutional sectors correspond to SNA interests, that is, interests adjusted by the value of Financial Intermediation Services Indirectly Measured (FISIM).

For financial corporations, the amounts of interests payable or receivable on loans and deposits include a margin that represents an implicit payment for the services rendered by those corporations when granting loans and collecting deposits. The actual payments made to financial corporations or the services charged by them are called banking interests, which are divided between SNA interest and the cost for the service (FISIM).<sup>206</sup>

- Matrix of interests

A matrix of interests is set up following the format presented in figure 14, with the purpose of estimating total interests receivable by the economy, in coherence with the total uses, as well as estimating interests receivable and payable by the households sector, for which there is no direct information.

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<sup>205</sup> 2008 SNA para 17.258

<sup>206</sup> Section 11.3.2 describes how FISIM interests are computed. Chapter 16 describes the methodology used for allocating those service charges among users, and the end of this section illustrates how those interests are adjusted.

Three matrices are constructed: the initial matrix starts with total interests receivable and payable by institutional sectors, as recorded in the corresponding financial statements (except for households); those values have not been adjusted for FISIM even for the financial corporations sector; they also include elements of holding gains and losses on investments<sup>207</sup>; in the second matrix, the values corresponding to holding gains and losses on securities are excluded, and finally in the third matrix, interests are adjusted for FISIM .

- **Calculation of the matrix of interests including holding gains and losses on securities**

The margins of the first matrix are filled with the original data derived from the institutional sectors accounts (table 189). The process, at this stage, consists of breaking down total interests among the sectors that pay and/or receive them.

**Table 189. Total gross interests receivable and payable by institutional sectors. Year 2008**

		Payable						Total payable	
		Total Receivable	Non-financial corporations	Financial corporations	General Government	Households	NPISH	Rest of the world	Total payable
<b>Receivable</b>	Total		23.932	16.935	23.504		21	2.384	66.776
	Non-financial corporations	14.526							
	Financial corporations	42.008							
	General government	6.884							
	Households								
	NPISH	97							
	Rest of the world	6.472							
	Total receivable	69.987							

Source: DANE, Synthesis and National Accounts Division (DSCN), analytical process

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<sup>207</sup> Companies and government entities record into one item of the profit and loss account called “earnings or losses on security valuation”, both the income for interests and the holding gains or losses on investments; in the case of investment in securities the first version of the interests matrix includes the holding gains and losses on these securities.

- **Breaking down the interests receivable and payable by sectors**

Total interests receivable and payable by sectors (see table 190) are broken down among the sectors who pay and receive those interests by using the financial statements of financial corporations, non-financial corporations and general government as well as complementary information, such as banking loans granted classified by economic sectors, or the credit operations performed by regions and municipalities; using this information on assets and liabilities, it is possible to identify the corresponding interests receivable or payable, and in some cases, the counterpart sector can also be identified; for instance in the case of mortgages, or consumption loans, the sector paying those interests is the households sector.

Based on information published in the profit and loss accounts reported by the financial corporations, the non-financial corporations and the general government,, a possible debtor or creditor is allocated to each identified item: thus for instance, households are creditors of interests on severance funds, while debtors are the rest of institutional sectors, including households as entrepreneurs; creditors of interests for commercial loans are mainly monetary corporations such as banks, while debtors are non-financial corporations, general government or the rest of the world sector or even the financial sector itself; interests payable to the rest of the world correspond to financing obtained by general government and non-financial corporations, and, to a lesser extent, that obtained by households and financial corporations.

When an item of the profit and loss account is associated with various debtor or creditor sectors, additional information is used to disaggregate it, as is the case, for instance for the total payment of interests receivable from Term Deposit Certificates (CDTs) issued by the financial sector; in order to define which sectors receive those interests, the financial statement of possible creditors are used in which the amount of investments in CDTs is shown as well as the interests receivable, whereby its share within the total can be determined; this is how the amount of interests receivable for the general government, non-financial corporations, and the same financial sector is established. For households, information derive from income and expenditure surveys and additional information derived from financial statements of other sectors in which the households appear like possible debtor or creditor.

Table 190 presents the process followed in breaking down interests payable and receivable from the profit and losses account reported by financial corporations, and how the counterpart sector is allocated. Thus, in the case of financial corporations, interests receivable from mortgages, consumption loans or personal credit cards correspond to the households sector.

**Table 190. Distribution of Interests Receivable and Payable by Financial Corporations**

	Profit and loss account items	Institutional Sectors counterpart
<b>Resources</b>	Interests on mortgage loans	
	Interests on consumption loans	
	Interests on personal credit cards	
	Interests on business credit card	Households
	Interests on consumption overdrafts	
	Discount operations and consumer factoring	
	Interests on microcredit	
	Interests on comercial overdrafts	Non Financial and Financial Corporations
	Discount operations and comercial factoring	
	Interests on comercial loans	Non Financial and Financial Corporations, General Government
Interests on loans repaid abroad	Rest of the world	
<b>Uses</b>	Interests on long term deposits	
	Interests on long term deposit certificate (CDT)	
	Interests on long and short fixed term deposits (CDAT)	Households
	Interests on employees salaries (cesantías)	
	Interests on short term deposits	Non Financial and Financial Corporations, General Government
	Interests on short term CDT	
	Foreign banks and lines of rediscount	Rest of the world

Elaboration: DANE, Synthesis and National Accounts Division(DSCN)

- **Breaking down interests receivable and payable by the rest of the world**

In order to break down total interests receivable and payable by the rest of the world by sectors, the information from the balance of payments -BoP - is used; in BoP, interests receivable and payable are broken down into interests on loans, bonds and investments of international reserves, and within those items, the maturity of the operation and the counterpart sector are specified. The transactions mainly involve public corporations and general government; the operations conducted by financial

corporations and non-financial corporations are identified according to the types of instrument that generate interests; for instance, loans are granted by financial corporations, while accounts payable usually involve non-financial corporations (see table 191).

**Table 191. Distribution according to institutional sectors, of interests receivable and payable by the Rest of the World**

	Balance of Payments Items	Institucional Sectors counterpart
<b>Resources</b>	Public sector	
	Investment of Reserves	Central Bank
	Treasury	Central Government
	Other entities	Public Non Financial Corporations, Financial Corporations
	Private Sector	
	Loans	Financial Corporations
	Other	Private Non Financieras corporations, Households
<b>Uses</b>	Public sector	
	Loans	
	Non Financial	
	Medium and Long Term	Central Government
	Short Term	Public Non Financial Corporations
	Bonds	
	Non Financial	Central Government, Public Non Financial Corporations
	Financial	Financial Corporations
	Private Sector	
	Loans	
	Non Financial	
	Medium and Long Term	Private Non Financial Corporations -Households
	Short Term	
	Financial	
	Medium and Long Term	Financial Corporations
Short Term		
Bonds		
Non Financial		
Financial	Private Non Financial Corporations, Households	

Elaboration: DANE, Synthesis and National Accounts Division (DSCN)

This information is validated with data derived from the profit and loss accounts of the general government and public corporations in which there are usually specific items regarding interests for operations related to external funding, both long term and short term; regarding financial corporations, within interests, specific items appear for loans reimbursed abroad or loans granted by the rest of the world.

- **Analysis of interests receivable and payable by the households sector**

Based on the allocation of interests receivable and payable by the financial corporations, non-financial corporations, general government and the rest of the world sectors, the amounts of interests receivable and payable by households are derived. Within interests payable by households, specific mention should be made of those charged on mortgages, consumption loans or micro credit loans, including payments for personal credit cards and overdrafts. Interests for payment arrears or for obligations with public or private companies, mainly for public or private utilities or loans with installments which had fallen due are also included; it is also the case of interests payable to government entities, particularly for pending taxes, duties or fines.

Interests receivable by households include most of interests receivable on savings accounts, fixed-term certificates and fixed-terms savings certificates (CDTs and CDATs) from depository corporations or national financial intermediaries and the rest of the world as well as interests receivable from severance benefits (cesantías) and on other receivables from other institutional sectors, as well as interests on treasury bills (TES) held by households received from government.

On the other hand, there are other information sources such as that on income and expenditure of households derived from the integrated households surveys, from which the transactions on interests within the sector are derived, such as those on personal loans or working capital of unincorporated companies. These data are complemented with the flows of interests receivable and payable between households and other institutional sectors as presented below in table 192.

Table 192. Composition of interests receivable and payable by households

	Profit and Loss Account and additional Information*	Institutional Sectors counterpart
<b>Resources</b>	Interests ofn long term deposits	
	Interests on long term deposit certificate -CDT	
	Interests on long and short fixed term deposit certificate -CDAT	Financial Corporations
	Interests on employees savings	
	Other interests	Non Financial Corporations, Government
	Long-term public loans- internal operations	Government
	Long-term funding- internal operations	
	Private non financial sector loans	Rest of the world
	Additional information - (surveys, related indicators and/or sectoral research)	Households
<b>Uses</b>	Interests on mortgage loans	
	Interests of consumption loans	
	Interests on personal credit cards	
	Interests on business credit cards	Financial Corporations
	Interests on consumer overdrafts	
	Discount operations and consumer factoring	
	Interests on microcredits	
	Interests of debtors	Non Financial Corporations, Government
	Default Interests	
Other loans private sector		
Additional information - (surveys, related indicators and/or sectoral research)	Rest of the world	

Elaboration: DANE, Synthesis and National Accounts Division (DSCN)

With data corresponding to each institutional sector, intermediate tables of flows of interests receivable and payable are built. Interests receivable and payable for year 2008 by deposit money corporations, general government (central and local subsectors) and the rest of the world (tables 193, 194,195 and 196) are presented as an example.

**Table 193. Interests receivable and payable by non financial corporations according to institutional sectors  
2008**

thousand million pesos			thousand million pesos		
Public Non Financial Corporations			Private Non Financial Corporations		
	Interests Receivable	Interests Payable		Interests Receivable	Interests Payable
Non Financial Corporations	254	27	Non Financial Corporations	859	3.236
Financial Corporations	705	83	Financial Corporations	8.376	12.942
General Government	1.000	900	General Government	776	-
Households	109	15	Households	368	1.144
Rest of the World	-	286	Rest of the World	-	-
	2.067	1.311		10.379	17.322

Source: DANE, Synthesis and National Accounts Division (DSCN)

**Table 194. Interests receivable and payable by deposit-taking corporations except the Central Bank  
by institutional sectors  
2008**

thousand million pesos			thousand million pesos		
	Interests Receivable	Interests Payable		Interests Receivable	Interests Payable
Non Financial Corporations	8.508	1.290	Non Financial Corporations	2.507	451
Financial Corporations	506	406	Financial Corporations	63	171
General Government	2.838	693	General Government	224	1.358
Households	13.239	5.598	Households	1.629	171
Rest of the World	17	-	Rest of the World	700	775
	25.108	7.988		5.123	2.926

Source: DANE, Synthesis and National Accounts Division (DSCN)

**Table 195. Interests receivable and payable by central and local government by institutional sector  
 2008**

	thousand million pesos	
	Interests Receivable	Interests Payable
Non Financial Corporations	219	2.354
Financial Corporations	3.260	6.447
General Government	3.025	2.141
Households	55	62
Rest of the World	-	3.456
	6.558	14.460

Source: DANE, Synthesis and National Accounts Division (DSCN)

**Table 196. Interests receivable and payable by the Rest of the World by institutional sector  
 2008**

	thousand million pesos	
	Interests Receivable	Interests Payable
Non Financial Corporations	2.170	716
Financial Corporations	379	1.437
General Government	3.456	38
Households	467	193
Rest of the World	-	-
	6.472	2.384

Source: DANE, Synthesis and National Accounts Division (DSCN)

Finally, using the details behind the summarized intermediate tables shown in tables 194 to 196 the cells of the matrix of interests are established (table 190), each of which conciliating the value of the interest receivable by the creditor with the one payable by the corresponding debtor, privileging the macroeconomic coherence and respecting the most reliable source. Table 197 presents the matrix of interests for year 2008, once the interests receivable and payable are broken down and conciliated, whose values include the holding gains and losses on securities due to the fact that, as previously mentioned, enterprises and government record incomes from interests and holding gains and losses on securities within a single item called "gains and losses on valuation of securities"; this first matrix of interests (table 197) is built taking the total value of the item, which means that the holding gains and losses on those investments are included. Its purpose is to build up a structure that will make

possible, in the following stage, to break down the interests on TES (treasury bills) paid by government among holders.

**Table 197. Matrix of total interests, including holding gains and losses on securities 2008**

		Payable						Thousand million pesos
		S11. Non Financial Corporations	S12. Financial Corporations	S13. General Government	S14. Households	S15. NPISH	S2. Rest of the World	Total
Receivable	S11. Non Financial Corporations	3.119	2.615	6.613	1.463		716	14.526
	S12. Financial Corporations	15.653	3.848	9.799	11.250	21	1437	42.008
	S13. General Government	204	3.473	3.047	122		38	6.884
	S14. Households	2.786	6.585	527	1.780		193	11.871
	S15. NPISH		35	62				97
	S2. Rest of the World	2.170	379	3.456	467			6.472
	Total	23.932	16.935	23.504	15.082	21	2.384	81.858

Source: DANE - Synthesis and National Accounts Division(DSCN)

[1] a In this matrix, the value of interests that appear as payable by General Government is higher than the value that appears in table 195, due to the fact that table 197 was set up from the income registered by the other sectors, in which the entries corresponding to interests include also the gains and losses on securities due to the changes in interest rates. on(DSC

#### ▪ **Calculation of the holding gains and losses on securities**

As mentioned before, the first version of the matrix of interests includes the holding gains and losses on securities for sectors that invest in those bills. Those refer to the gains or losses on the present value of the bill, when the implicit discount interest rate changes which generates an increase or a reduction of the market price of these equities. Enterprises and government entities that invest in those bills record , in a unique item, incomes corresponding to interests and holding gains or losses on investments on securities, and they are included in the financial statement under the heading: earnings on security valuation or losses on security valuation. The net valuation is derived from these values.

On the creditor side and when the information is available, the net valuation is calculated using the different items of the profit and loss account in the following way:

sign	code	Description
+	410700	Earning in valuation of negotiable investment
+	410900	Earning in valuation of investment available for sale
+	411000	Earning in valuation of investments to be held until maturity
-	510600	Loss in valuation of negotiable investment
-	510900	Loss in valuation of investment available for sale
-	511000	Loss in valuation of investments to be held until maturity

For instance, for commercial banks, using the financial statements presented for year 2008, a net valuation amounting \$5.250 thousand million pesos is obtained (table 198)

**Table 198. Net valuation related to investment in equity of commercial banks 2008**

		Thousand million pesos
<b>Total holding gains</b>		<b>2.529</b>
410700	Valuation of gains on negotiable debt securities	984
410900	Valuation of gains on available-for-sale debt securities	495
141100	Valuation of gains on held-to-maturity debt securities	1.050
Total holding losses		9
510600	Valuation of loss on negotiable debt securities	8
510900	Valuation of loss on available-for-sale debt securities	-
511100	Valuation of loss on held-to-maturity debt securities	1
Net holding gains and losses		2.520

Source: DANE, Synthesis and National Accounts Division (DSCN)

In order of breaking down the “net valuations” into its components of: “Interests” and “holding gains and losses”, the procedure is based on information coming from the agents who issue debt securities for which information is available on total interests payable. According to 2008 SNA<sup>208</sup>, “There are two ways in which the value of a discounted security can be determined during its life when the prevailing interest rate

<sup>208</sup> 2008 SNA para 17.261

is different from the rate prevailing when the security was initiated. The debtor approach is the perspective of the unit issuing the security and the creditor approach is the perspective of the unit holding the security. The first option, called the debtor approach, is to continue to use the rate prevailing on initiation throughout the instrument's life. The alternative, the creditor approach, is to use the current rate to estimate the value of interest between any two points in the instrument's life"<sup>209</sup>. In national accounts, the debtor approach is used. "The rationale for using the debtor approach is that the debtor, the issuer of the security, is not liable to make the payment until the security matures and from his perspective it is appropriate to treat the total amount of interest as accruing steadily over the life of the security"<sup>210</sup>.

Within the securities for which a valuation must be calculated, debt securities (Government debt/treasury bonds-*TES*) are of particular importance, in which both the debtor (the Finance Ministry [*MHCP*]) and the creditors are known. The methodology to estimate separately interests and holding gains and losses that follows, is applied to these type of securities.

The main holders of debt securities are usually the financial corporations with high levels of investment such as: pension and severance funds, government trust funds, trust companies, insurance corporations and commercial banks; they are followed by public and private non-financial corporations including government itself; finally are the financial auxiliaries, other financial intermediaries and natural persons. Table 199 illustrates the composition of *TES* holders, according to data published by the *MHCP* and Banco de la República in December 2008<sup>211</sup>.

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<sup>209</sup> 2008 SNA para 17.261

<sup>210</sup> 2008 SNA para 17.263

<sup>211</sup> Source: monthly report on the government debt published by the Ministry of Finance and the Central Bank

**Table 199. Treasury bills - TES (Debt securities) Balances by Beneficiary (holder) at December 2008**

	Thousand million pesos
	Balance
Central Bank-Banco de la Republica	1.336
Commercial Banks	16.784
Commercial Financing Companies	91
Cooperatives of Higher Level-Financial Services	11
Corporate Financial Institutions	816
DECEVAL -Centralised Securities Deposit of Colombia	666
Stockbrokers of the Stock Exchange	347
Capitalisation and Insurance Companies	4.783
Non-Profit Institutions	213
Pension and Saving Funds	25.957
Trust Funds	2.109
Investment Funds	1.398
Legal Entities	4.770
Natural Persons	483
National Treasury Division	1.918
Public Entities	15.239
Public Trust Entities	21.370
FOGACOOP (Deposit Guarantee Fund of Cooperatives)	152
FOGAFIN (Deposit Guarantee Fund of financial institutions)	1.773
Guarantee Fund	143
ISS-Social Security Fund (COLPENSIONES)	1.554
<b>Total general</b>	<b>101.913</b>

Source: Ministerio de Hacienda y credito publico, Banco de la República; Calculations: DANE, DSCN

Based on the distribution of holdings of government securities by type of entity and knowing the total value of interests payable on securities by government, it is possible to estimate, for each agent its amount of holding gains and losses; for this, the total value of interests payable for TES which is recorded in the profit and loss account of the MHCP (Col\$9.566 thousand million pesos in 2008), is distributed among the TES holders, according to their contribution in the total value of securities (total annual balance).

Then, the holding gains or losses on securities are estimated for each holder. For this purpose, total interests receivable that have been estimated are deducted from total net valuation as shown in table 200. Thus, for banks, in year 2008, the accrued interests were \$1.513 thousand million pesos and the holding gain, \$1.007 thousand million pesos.

**Table 200. Net valuation, accrued Interest and holding gains on TES by holding agent 2008**

Beneficiary	Thousand million pesos		
	Net valuation	Accrued interests	Valorization
Commercial banks	2.520	1.513	1.007
Pension and saving funds	3.082	2.406	676
Compulsory pensions	2.765	2.158	606
Voluntary pensiones	60	47	13
Employees savings	225	175	49
Administrators of pension and saving funds	33	26	7
Public trust	1.080	1.808	-728
Ecopetrol pensions funds (public entities)	529	886	-357
Faep (public entities)	68	114	-46
Fosyga (social security)	483	808	-325
Public entities	3.328	1.416	1.912
Public entities	745	317	428
Findeter s.a.-financiera de desarrollo territorial-regional development fund	4	1	2
Fen-financiera energetica nacional -national energy fund	62	26	36
Finagro -agricultural sector development financing agency	23	10	13
FONADE-Fondo Financiero de Proyectos de Desarrollo-Financial Fund for Development Projects	19	8	11
Fna -fondo nacional del ahorro-national savings fund	110	47	63
Government	2.366	1.006	1.359
Central bank-banco de la república	64	109	-45
Social security	31	41	-10
DECEVAL-Depósito Centralizado de Valores de Colombia -Securities Centralised Deposit of Colombia	1	109	-108

Thousand million pesos			
Beneficiary	Net valuation	Accrued interests	Valorization
Legal entities	4.428	499	3.929
Superintendency of securities	77	9	68
Superintendency of solidarity economy	13	1	12
Superintendency of companies	4.339	489	3.850
Capitalization and insurance companies	1.480	422	1.057
Insurance corporations	361	103	258
Life insurance corporations	1.022	292	730
Insurance brokers	0	0	0
Insurance cooperatives	16	5	12
Capitalization companies	81	23	58
ARP- Social insurance-Employment Risk Administration	213	278	-65
Fogafin	41	165	-124
Trust funds	269	269	0
Financial corporations	118	163	-45
Investment funds	214	214	0
Natural persons	62	62	0
Brokers of stock exchange	51	47	4
Fogacoop	20	16	4
Non-profit organizations	21	21	0
Commercial financing companies	48	5	42
Cooperatives of financial services	10	2	8
Cooperatives of higher level. -financial services	0	0	0
Financial cooperatives	10	2	8
<b>Total</b>	<b>17.082</b>	<b>9.566</b>	<b>7.515</b>

Source: DANE - Synthesis and National Accounts Division (DSCN)

Once this information analyzed and carefully filtered, a second version of the matrix of interests is derived, in which holding gains and losses are excluded as it appears in table 201. The effect of the correction for valuation can be easily seen comparing the columns of interests payable by government in the matrices of tables 197 and 201, where in the first one, only valuation are included, and in the second one, only interests.

**Table 201. Matrix of interests excluding holding gains and losses 2008**

**Thousand million pesos**

		<b>payable</b>						
		Total	S11. Non Financial Corporations	S12. Financial Corporations	S13. Government	S14. Households	S15. NPISH	S2. Rest of the World
<b>Receivable</b>	Total	74.343	23.932	16.935	15.989	15.082	21	2.384
	S11. Non Financial Corporations	10.679	3.119	2.615	2.766	1.463		716
	S12. Financial Corporations	39.374	15.653	3.848	7.165	11.250	21	1.437
	S13. Government	5.850	204	3.473	2.013	122		38
	S14. Households	11.871	2.786	6.585	527	1.780		193
	S15. NPISH	97		35	62			
	S2. Rest of the World	6.472	2.170	379	3.456	467		

Source: DANE, Synthesis and National Accounts Division (DSCN)

As a third step, the matrix of SNA interests is built by subtracting or adding (as needed) the amounts of FISIM included in the nominal interests. This matrix has a direct relationship with the financial services provided by financial intermediaries and the rest of the world, associated with the payment of interests on loans and deposits that are not explicitly charged, but indirectly charged and allocated to the users of the financial system<sup>212</sup>.

As explained before (section 11.3.2) subtracting or adding FISIM to interests receivable and payable by financial intermediaries gives rise to two concepts of interests: banking interests and SNA interests<sup>213</sup>.

<sup>212</sup> In section 11.3.1, FISIM are defined and explained; in section 11.3.2, the methodology used for their calculation is presented, and in chapter 16, the methodology used to assign them among users is presented.

<sup>213</sup> Banking interests are equal to actual interests payable or receivable by financial corporations according to their financial statements. At the same time, SNA interests are used to report the amount of

Within the interest receivable by financial intermediaries for the loans they concede (banking interest), a portion is charged as SNA interest and another portion as intermediation services (FISIM on assets). The same occurs with interest payable to financial intermediaries (banking interest) which are equal to SNA interests less the value of service provided by the financial intermediaries.

SNA Interests on loans = banking interests on loans - FISIM assets

SNA Interests on deposits = banking interests on deposits + FISIM liabilities

The estimated amount of FISIM is broken down into those originating from loans (FISIM assets) and those derived from deposits (FISIM liabilities). The estimated amounts of FISIM from loans deposits, are subtracted or added to banking interests receivable and payable by financial corporations and the rest of the world. This operation has an effect on the amount of interests receivable and payable by the rest of the economy (by non-financial corporations, government, households, the same sector of financial corporations or the rest of the world).

In practice, to make the adjustments due to FISIM to the matrix of interests, the values of FISIM payable and receivable from each institutional sectors and financial corporations as users of the financial system are used, according to the allocation by economic destination and institutional sector as explained in chapter 16. The value of FISIM generated on loans (FISIM on assets) is deducted from interests receivable, and FISIM generated on deposits (FISIM on liabilities) are added to interests payable; in both cases, the property income (receivable and payable) of financial corporations are modified by the amount of FISIM; in symmetrical form, the interests receivable and payable by the rest of the economy are also modified.

The increases and the reductions due to FISIM modify the matrix of interests with the appropriate signs (see table 201). As a consequence of this procedure, two matrices arise: one is the matrix of adjustments made for FISIM (see table 202) and another is the matrix of interests net of FISIM that is to say, the matrix of SNA interests (see table 203). The latter derives from the matrix of interests (table 201) obtained in phase 2 by

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interest included in the national accounts; they refer to interests calculated using the reference interest rate applied to the amounts of loans and deposits.

adding or deducing FISIM accordingly (table 202). The data derived from the matrix of SNA interests (table 203) is transferred to the integrated economic accounts as interests receivable and payable by the institutional sectors.

**Table 202. Matrix of adjustments for FISIM  
2008**

		Thousand million pesos						
		payable						
		Total	S11. Non Financial Corporations	S12. Financial Corporations	S13. Government	S14. Households	S15. NPISH	S2. Rest of the World
receivable	Total	-1.845	-2.723	7.653	-1.407	-5.278	-15	-75
	S11. Non Financial Corporations	699		699				
	S12. Financial Corporations	-7.776	-2.091	-54	-650	-4.891	-15	-75
	S13. Government	829		829				
	S14. Households	5.248		5.248				
	S15. NPISH	1		1				
	S2. Rest of the World	-846	-632	930	-757	-387		

Source: DANE, Synthesis and National Accounts Division (DSCN)

Table 203 presents the results of the third phase of the matrix of interests, the matrix of interests SNA, that is, after the adjustments for FISIM.

**Table 203. Matrix of Interests SNA or interests excluding FISIM  
 2008**

		Thousand million pesos						
		payable						
		Total	S11. Non Financial Corporations	S12. Financial Corporations	S13. Government	S14. Households	S15. NPISH	S2. Rest of the World
Receivable	Total	72.498	21.209	24.588	14.582	9.804	6	2.309
	S11. Non Financial Corporations	11.378	3.119	3.314	2.766	1.463		716
	S12. Financial Corporations	31.598	13.562	3.794	6.515	6.359	6	1.362
	S13. Government	6.679	204	4.302	2.013	122		38
	S14. Households	18.119	2.786	11.833	527	1.780		193
	S15. NPISH	98		36	62			
	S2. Rest of the World	4.626	1.538	1.309	2.699	80		

Source: DANE, Synthesis and National Accounts Division (DSCN)

### 18.3.2. Matrix of dividends (D.421)

Dividends are a type of property income corresponding to shareholders as a result of putting their funds at the disposal of corporations. They include all the possible forms of distribution of benefits by companies to their shareholders or owners, regardless of how they are named: dividends, contributions, rights, etc. These can occasionally take the form of the issuance of equity, in which case they are not included as dividends for being equity issuance that represent the capitalization of own funds originated in retained earnings and reserves.

Dividends or distributed income of companies derive from the collectivization of the ownership of a company. By equity issuance, resources of stock capital are collected, that grant rights to shareholders on the distributed earnings and the residual value of assets in case of liquidation of the company. This type of rent by investment of

financial assets is generated because the shareholders leave their financial resources at the company's disposal, in order to generate future benefits. Usually, it applies to public or private non-financial corporations, financial corporations or cooperatives, limited liability companies, non-resident foreign branches<sup>214</sup>, etc.

- **Calculation of dividends**

Dividends receivable and payable are derived from the financial statements of financial corporations, non-financial corporations (public and private) and the rest of the world corresponding to the accounting period. For corporations, dividends payable are estimated based on their consolidated financial statements. For most of them, the data is not informed directly, but it is estimated by comparing profits (or losses) of the period with the change in the value of the accounting items, where benefits might be accumulated (reserves, annual profit for the financial year, accumulated profits of previous years). The methodology followed to estimate those dividends is explained in Annex 15 and it is illustrated with an example. Dividends receivable correspond to a specific item of the profit and loss account.

For some sectors of the economy, an estimation is made, corresponding to the under-recorded portion<sup>215</sup> of profits and is added to the dividends payable by companies.

- **Synthesis of dividends**

The synthesis process consists in analyzing the consistency of the results. First of all, dividends payable by public financial and non-financial corporations are contrasted with incomes of the government for this concept, since in principle both values must be equal; accordingly, dividends receivable by the rest of the world must correspond to the dividends payable by direct foreign investment companies; additionally, the

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<sup>214</sup> In the case of Colombia, profits of unincorporated foreign affiliates (quasi corporations) sent abroad are treated as dividends; this is the reason why there is no entry corresponding to withdrawals from income of quasi-corporations.

<sup>215</sup> In the base year, an estimation was made for corporations for underreported profits comparing different sources of information on production, exports, internal sales, costs, etc. This estimation was used to establish the adjustments that had to be made to the different variables, leading to changes to the figures obtained directly from accounting sources, and in particular to dividends payable.

shares issued by private enterprises are usually acquired by other companies or households. Once the consistency of data of different sectors has been analyzed, the amount of dividends receivable by households is estimated. On the one hand, for the major companies, the proportion of shares held by natural persons is used in order to allocate an estimated amount of dividends receivable by them; on the other hand, based on several sources of information, such as surveys of income and expenditure or integrated households surveys, and complementary information derived from annual reports of other sectors, it is possible to obtain some information on dividends receivable by the sector. At the end, the values of dividends payable to the households sector derives from the directly estimated values plus those unallocated to other sectors make up the dividends corresponding to households. Table 204 presents the results of the matrix of dividends for year 2008.

**Table 204. Matrix of dividends  
 2008**

		<b>Thousand million pesos</b>						
		<b>payable</b>						
		Total	S11. Non Financial Corporations	S12. Financial Corporations	S13. Government	S14. Households	S15. NPISH	S2. Rest of the World
Receivable	<b>Total</b>	41.405	35.843	4.604				958
	S11. Non Financial Corporations	2.960	2.481					479
	S12. Financial Corporations	1.560		1.081				479
	S13. Government	5.344	1.936	3.408				
	S14. Households	19.052	19.048	4				
	S15. NPISH							
	S2. Rest of the World	12.489	12.378	111				

Source: DANE, Synthesis and National Accounts Division (DSCN)

### 18.3.3. Reinvested earnings on direct foreign investment - DFI (D.43)

“A foreign direct investment enterprise is a corporate or unincorporated enterprise in which a foreign investor has made a foreign direct investment. A foreign direct investment enterprise may be either:

- a. The (unincorporated) branch of a non-resident corporate or unincorporated enterprise: this is treated as a quasi-corporation; or
- b. A corporation in which at least one foreign investor (which may, or may not, be another corporation) owns sufficient shares to have an effective voice in its management”<sup>216</sup>

The reinvested earnings on DFI, refer to savings or retained earnings of direct foreign investment enterprises, once dividends payable have been deduced. The assumption is that those earnings are sent abroad and then reinvested in the country, by additions to the equity in the financial account. For being an imputed transfer of retained earnings, this is included in a transaction different from dividends that correspond to those actually payable out to the rest of the world.

The reason for this treatment is that “Since a foreign direct investment enterprise is, by definition, subject to control, or influence, by a foreign direct investor or investors, the decision to retain some of its earnings within the enterprise must represent a deliberate investment decision on the part of the foreign direct investor(s). In practice, the great majority of direct investment enterprises are subsidiaries of foreign corporations or the unincorporated branches of foreign enterprises, which are completely controlled by their parent corporations or owners”<sup>217</sup>.

The reinvested earnings are estimated from the profits reported by companies classified as direct foreign investment in the BoP, and are estimated proportionally to the share of foreign investment in the equity of the company. “If the foreign direct investment enterprise is wholly owned by a single foreign direct investor (for example, a branch of a foreign enterprise), the whole of the retained earnings is deemed to be

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<sup>216</sup> SNA 2008 para 7.136

<sup>217</sup> SNA 2008 para 7.138

remitted to that investor and then reinvested, in which case the saving of the enterprise must be zero. When a foreign direct investor owns only part of the equity of the direct investment enterprise, the amount that is deemed to be remitted to, and reinvested by, the foreign investor is proportional to the share of the equity owned<sup>218</sup>.

However, in the case of oil companies, the estimation procedure takes into account other information included in the BoP, in which their profits are broken down into distributed profits and reinvested profits. Table 205 presents the results of reinvested earnings on DFI for year 2008.

**Table 205. Reinvested Earnings on DFI (Direct Foreign Investment)  
 2008**

Thousand million pesos

		Uses				Resources						
Rest of the World	NPISH	Households	General Government	Financial Corporations	Non Financial Corporations	Transaction	Non Financial Corporations	Financial Corporations	General Government	Households	NPISH	Rest of the World
				461	4.217							
						D.43 Reinvested Earnings on DFI (Direct Foreign Investment)						4.678

Source: Balance of Payments - Banco de la República  
 Calculations: DANE, Synthesis and National Accounts Division (DSCN)

<sup>218</sup> SNA 2008 para 7.139

#### 18.3.4. Property income attributed to insurance policyholders (D.44)

The actuarial provisions (Life insurance) and technical (non-life insurance) reserves held by insurance corporations for coping with the life insurance policies and provisions for advance payments of premiums and pending claims, are considered as assets of holders or beneficiaries of policies, and as liabilities of insurance corporations.

Property income receivable by companies for investing such reserves is deemed to belong to the policyholders, who perceive that rent under the item “property income attributed to policyholders” (D.44) which is recorded as payable to the policyholders by insurance corporations.

In practice, insurance corporations retain those earnings. It is as if policyholders received them and returned them to insurance corporations under the form of premium supplements, which in turn are added to the actual premiums payable to the insurance corporations.

On the basis of the above, in the institutional sectors accounts, property income earned on investments attributed to policyholders is recorded as payable by insurance corporations and receivable by the sectors that pay the premiums.

According to this same principle, in the case of pension funds, the net property income on investment obtained by the investments of reserves is a resource for households; the pension funds pay it to the households under the item “property income attributed to insurance policyholders” and households return it as a social contribution supplements.

- **Calculation method**

The compilation of property income attributed to insurance policyholders is based on the estimated value of interests payable by insurance corporations and pension funds, which is equivalent to the property income receivable by insurance corporations and pension funds minus interests payable<sup>219</sup>. The total value payable by an insurance corporation “is allocated among policyholders in proportion to the actual

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<sup>219</sup> Excluding holding gains.

premiums payable”<sup>220</sup>. The total value corresponding to pension funds are receivable by households.

### 18.3.5. Rent on land and on intangible non produced assets D.45

Rent on land and on intangible non produced assets is a form of property income that makes reference to the incomes receivable by owners of a natural resource, in exchange for putting it at disposal of another institutional unit. This transaction includes the rent on land and the rent on subsoil assets and other intangible non produced assets.

“The owners of the assets, whether private or government units, may grant leases to other institutional units permitting them to extract such deposits over a specified period of time in return for the payment of rent. These payments are often described as royalties, but they are essentially rent that accrues to owners of the assets in return for putting them at the disposal of other institutional units for specified periods of time and are treated as such in the SNA”<sup>221</sup>.

Rent on land consists of rent payable to landowners for the use of land. These payments can be made in cash or in kind; this payment may be established on the basis of the value of the crops<sup>222</sup>.

Rent on subsoil assets consists of an economic compensation or royalties that are accrued in favor to Government as the owner of the subsoil assets<sup>223</sup>, mineral

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<sup>220</sup> SNA 2008 para 7.126.

<sup>221</sup> SNA 2008 para 7.159

<sup>222</sup> In Colombia’s national accounts, for the time being, no estimation has been made of the rent on land. This will be taken care of in the new National Accounts’ base.

<sup>223</sup> According to article 362 of the 1991 Constitution, “the State is the owner of the subsoil and of the nonrenewable natural resources, irrespective of the rights previously acquired or arranged according to previous laws”.

deposits or fossile fuels (coal, petroleum or natural gas) and other nonrenewable natural resources, for the right to extract or exploit those resources<sup>224</sup>.

The rent of the subsoil can take the form of a fixed sum, regardless of the rate of extraction or by setting an amount according to the volume or quantity extracted; in Colombia, it is charged on the basis of the extracted quantity of hydrocarbons (Petroleum and Gas) and metallic and non-metallic minerals (coal, nickel, precious metals, emeralds and other minerals). Furthermore, royalties are charged for the use of the radio spectrum for mobile phones.

The spectrum is deemed an asset similar to land and mineral deposits; the payments made for the use of these assets, are treated as rent on intangible non produced asset. The management of the spectrum is in charge of the Information and Communication Technology Fund (FONTIC); providers of communication services pay to the Fund, a percentage on income derived from the provision of the services<sup>225</sup>.

- **Calculation method**

Rent on land and subsoil is estimated on the basis of data reported by entities that register the royalties:

The National Hydrocarbon Agency (ANH) presents data according to beneficiaries: regions and municipalities, the National Royalties Fund (FNR), the National Treasury, the Trust Fund for Investment in Water, (Patrimonio Autónomo de Financiamiento de

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<sup>224</sup> Corporations dedicated to exploration have sometimes to pay to the owners of the land for the right to realize perforation tests or other operations in order to locate and estimate the assets of the subsoil; these payments should also be treated as rent, even when no extraction is made (SNA 2008 para 7.160)

<sup>225</sup> Article 10, Law 1341 of 2009. According to that law, the provision of telecommunication networks and services, which is a public service corresponding to the State, might be habilitated and will generate periodical payments in favor of the Information and Communication Technologies Fund. The habilitation includes the authorization to install, increase, modify, operate telecommunication networks for the public or otherwise.

Inversiones en Agua (FIA), the National Pension Fund of the Territorial Entities (FONPET)<sup>226</sup>, the Ports, all entities that receive income from hydrocarbon royalties.

The Mining National Agency (ANM) records royalties receivable from assets of subsoil, coal, nickel, precious metals, emeralds and other metals, other than hydrocarbons.

Royalties related to the use of the spectrum are estimated from the financial statements reported by (FONTIC) and the National Television Commission (CNT).

Table 206 shows royalties receivable from Central and Local Government for year 2008, and in table 207, royalties are broken down according to the sectors of activity that generate them.

**Table 206. Royalties receivable by general government  
 2008**

Thousand million pesos			
Receivable by:	Central Government	Local Government	Total
<b>Payable by:</b>			
Non Financial Corporations	1.220	5.434	6.654

Source: DANE, Synthesis and National Accounts Division (DSCN) on(DSC

**Table 207. Breakdown of royalties according to class of product  
 2008**

Thousand million pesos	
Products	Value
<b>Total</b>	6.654
Petroleum	4.854
Other minerals	1.269
Telecommunications	531

Source: Agencia Nacional Minera (ANM); Agencia Nacional de Hidrocarburos (ANH); DANE, Synthesis and National Accounts Division (DSCN)

<sup>226</sup> These royalties refer to amounts paid to FONPET, but which beneficiaries are the municipalities as they participate to the setting up of their pension reserves.

Once calculated the total rent on land and on intangible non produced assets, it is distributed among public non-financial corporations and private non-financial corporations, taking into consideration the amount of mineral extracted and the services rendered.

The rent on land and on intangible non produced assets for year 2008 appears in table 208.

**Table 208. Rent on land and intangible non produced assets D.45 2008**

Thousand million pesos

Uses						Resources						
S1	S15	S14	S13	S12	S11	S11	S12	S13	S14	S15	S1	
Total economy	NPISH	Households	General Government	Financial Corporations	Non financial Corporations	Transactions	Non financial Corporations	Financial Corporations	General Government	Households	NPISH	Total economy
					6.654	D.45 Rent on land and intangible non produced assets			6.654			

Source: DANE, Synthesis and National Accounts Division (DSCN)

## 18.4. CURRENT TAXES ON INCOME AND WEALTH (D.5)

The current taxes on income and wealth are taxes levied on the incomes of households or profits of enterprises, or other taxes levied on wealth and that are payable regularly in every fiscal period. These taxes are divided into taxes on income and other current taxes.

### 18.4.1. Taxes on income (D.51)

Taxes on income include taxes based on actual or estimated incomes of individuals, households, non-profit institutions<sup>227</sup> or enterprises; they are estimated on the basis

<sup>227</sup> According to the Colombian tax law, these entities belong to a special category of taxpayer, for which the tax rate is zero.

of the level of income, earnings or profits of these sectors. They also include, taxes on ownership of properties, land or buildings when they are used as a basis to estimate the income of their owners as well as, taxes on the gains of lotteries and gambling.

In Colombia, this group includes the so-called “tax on rent and complementary”, taxes levied on gains of ordinary and extraordinary draws, the tax on net worth and the tax for democratic security for the years in which it exists.

In this item, taxes recorded in year **n** are those receivable by Government for this year which correspond to the taxes assessed and payable in this period and to tax declarations or assessments or any other instruments that reflect clearly an existing fiscal obligation. This includes pay-as-you-earn payments and any other advance payment of those taxes. This form of recording taxes implies a time lag as compared to the moment at which companies record taxes as an expense in their profit and loss statement, since these are recording in year **n**, the provision of the tax on rent payable in year **n+1**, and the advance payment of tax on rent, that is payable in year **n**.

- **Method for estimating tax on income**

Tax on income was estimated by using data from the financial statement of (DIAN)-COLLECTING AGENT for years 2005-2006; for following years, due to the change in the General Public Accounting Plan that took place during 2007, data presented incoherent changes, a growth rate of 36,9% in 2007 and a decrease of 1,6% in 2008 (see table 209): Such data were different from those reported by DIAN , in which the total change in taxes were 13,2% in 2007 and 15,5% in 2008 (see table 210); for this reason, data from the financial statement has been estimated since 2007, applying the growth rates of tax collection statistical series produced by DIAN. The method consists in projecting the value of each tax since year 2006 and using the DIAN statistical series growth rates, except for the tax on lotteries and gambling which derives directly from the financial statement. These results of this estimation appear in table 211.

**Table 209. Tax on income as reported on DIAN financial statement - Original Data (D.51)**

Description	Thousand million pesos		
	2006	2007	2008
Total	15.904	21.777	21.418
Income Tax	15.473	19.021	19.081
Tax on total wealth	409	2.731	2.312
Tax on lotteries and gambling	22	25	25
Growth rate		36,9	-1,6

Source: Financial Statements of DIAN - as a tax collector on(DSC)

**Table 210. Tax revenues\* collected by DIAN  
2006-2008**

Years	Thousand million pesos		
	Total taxes	Income tax	Tax for democratic security and wealth
2006	22.955	22.419	536
2007	25.974	24.741	1.233
2008	29.989	26.668	3.321
Growth rate 2007	13,2	10,4	129,9
Growth rate 2008	15,5	7,8	169,4

Source : Dirección de Impuestos y Aduanas Nacionales (DIAN)

**Table 211. Growth of current taxes on income and wealth (D.51) 2006-2008**

	Thousand million pesos				
	2006	Estimated data		Growth rate	
		2007	2008	2007	2008
Total D.51	19.003	21.615	25.289	13,7	17
Income tax	18.446	20.357	21.943	10,4	7,8
Tax for democratic security and wealth	536	1.233	3.321	129,9	169,4
Tax on lotteries and gambling	21	25	25		

Source: DIAN and calculations DANE

Once the tax receivable by the government sector is estimated, it is allocated among institutional sectors that pay those taxes, based on the breakdown applied in the base year 2005, the data on tax on income and wealth reported by DIAN corresponding to legal and natural persons, and the expenses that appear in the accounts of the institutional sectors.

In 2005, the government tax revenue was broken down into legal and natural persons based on the breakdown provided by DIAN (table 212). Taxes payable by households were estimated based first of all on contributions from natural persons; the remaining data was divided among sectors, financial corporations, non-financial corporations, government and NPISHs based on the taxes recorded as expenses in the published accounts of sectors. For the following years, the methodology is similar: the government tax revenue is broken down into legal and natural persons and the tax expenses reported on the financial accounts of sectors are used, once its coherence has been established. Table 213 shows the tax data calculated for year 2008, the total tax is derived as a result of table 211.

**Table 212. Declared income tax (from collection source)**  
**Legal entities vs. natural persons**  
**2005-2009**

Personas					Thousand million pesos				Share %
	2005	2006	2007	2008	2005	2006	2007	2008	
<b>Total</b>	15.894	17.595	19.050	22.405	100	100	100	100	
Legal entities	13.641	14.932	16.053	19.053	86	85	84	85	
Natural Persons	2.253	2.663	2.997	3.351	14	15	16	15	

Source: Dirección de Impuestos y Aduanas Nacionales (DIAN), Coordinación de Estudios Económicos

**Table 213. Tax on income (D.51)  
2008**

Thousand million pesos							
Uses					Resources		
Total economy (S1)	Households (S.14)	General Government (S13)	Financial Corporations (S12)	Non Financial Corporations (S11)	Transactions	General Government (S13)	Total economy (S1)
25.289	4.170	6	1.928	19.185	<b>D.51 Tax on income</b>	25.289	25.289

Source: DANE. Synthesis and National Accounts Division (DSCN)

#### 18.4.2. Other current taxes (D.59)

Other current taxes include current taxes on capital and other current taxes not included elsewhere. Taxes on capital are those taxes on property of land or other fixed assets or financial assets which are periodically payable taxes payable by households for the use of vehicles or boats, and taxes on international transactions. In Colombia, this group includes the following taxes: the current tax on land and building, the tax on vehicles when such taxes are payable by households as consumers<sup>228</sup>, tax on remittances abroad, the environmental protection tax, taxes on weapons or ammunition and explosives, among others. The tax on net wealth is not included as the value of land and property is used as a basis for estimating the tax on rent and the amount corresponding specifically to wealth cannot be separated from the tax on rent.

Table 214 illustrates the above taxes by type; an important part of the “other current taxes” correspond to the households sector, e.g. that on land and building, taxes on vehicles and taxes on weapons. Table 215 shows a summary of taxes payable by sector for year 2008.

<sup>228</sup> When payable by other institutional sectors, this tax is treated as a tax on production, as it is levied on a capital good used in production (the vehicle itself).

**Table 214. Summary: Other current taxes (D.59)  
 2008**

<b>Thousand million pesos</b>	
Description	Total
Total	3.815
Unified Property Taxes	2.797
Tax on Motor Vehicles	368
Transit rights	49
Percentage and environmental surcharge on property tax	298
Tax on firearms, ammunitions and explosives, etc	5
Other taxes	298

Source: DANE. Synthesis and National Accounts Division (DSCN)

**Table 215. Other current taxes by institutional sector (D.59) 2008**

<b>uses</b>						<b>resources</b>		
Total economy (S1)	Households (S14)	General Government (S13)	Financial Corporations (S12)	Non Financial Corporations (S11)	Transactions	General Government (S13)	Total economy (S1)	
3.815	1.967	99	622	1.127	D.59 Other current taxes	3.815	3.815	

source: DANE Synthesis and National Accounts Division (DSCN)

## 18.5. ESTIMATION OF SOCIAL CONTRIBUTIONS (D.61) AND SOCIAL BENEFITS RECEIVABLE (D.62)<sup>229</sup>

### 18.5.1. Estimation of social contributions (D.61)

Employers' actual social contributions (D.6111), employees' social contributions (D.6112) and social contributions by self- and non-employed persons (D.6113) are estimated on the basis of incomes that entities belonging to the social insurance schemes<sup>230</sup> report. The property income receivable (actual or imputed) from the investment of reserves<sup>231</sup> are added to the contributions by employees and self-employed while the service charges plus other discounts on contributions are subtracted.

The social contributions are mainly receivable by sectors that make up the social insurance schemes: government social security funds, insurance corporations and pension funds, financial and non-financial corporations (in the case of schemes that operate special funds); Table 216 shows the social contributions for 2008, according to sectors that receive them; from a total of 37.637 thousand million pesos, general government, including the social security funds, receives the greatest share, 65,9% of the total, followed by financial corporations (including insurance corporations and pension funds) with 29,1% while non-financial corporations receive 5,0%.

Once data of receivable social contributions are collected, its consistency over time is analyzed, by comparing the incomes reported by the groups of units in years  $n$  and  $n-1$ : their variation must be within a considered acceptable rank for the period, that depends on the results of the general economic activity, the economic activity of sectors and the reforms that might have happened within the social insurance

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<sup>229</sup> Annex 16 defines social contributions and social benefits and explains how they are recorded.

<sup>230</sup> Annex 15 defines and explains the social insurance system. It belongs to part 3 of this methodology

<sup>231</sup> As a matter of fact, as in National Accounts, the affiliates of social insurance systems other than social security that constitute pension reserves are the owners of those reserves, the property income generated as well as administrative expenditures related to those reserves correspond to them; it is a case similar to that of insurance in which the policyholders are the owners of the reserves corresponding to premiums and claims.

schemes; if the variation is outside that rank, the possible causes are analyzed and the data are adjusted as needed.

**Table 216. Social Contributions (D.61) receivable by institutional sectors  
 2008**

**Thousand million pesos**

Code	Transactions	S11. Non Financial Corporations	S12. Financial Corporations	S13. Government	S14. Households	S15. NPISH	S1. Economía total
D.61	Social contributions	1.879	10.945	24.813			37.637
D.611	Actual social contributions	1.505	10.593	22.509			34.607
D.6111	Employers' actual social contributions	1.505	7.326	13.692			22.523
D.6112	Employees' actual social contributions	0	2.669	4.299			6.968
D.6113	Actual social contributions by self- and non-employed persons	0	598	4.518			5.116
D.612	Imputed social contributions	374	352	2.304			3.030

Source: DANE, Synthesis and National Accounts Division (DSCN)

### 18.5.2. Estimation of social benefits other than social transfers in kind (D.62)

As in the case of social contributions, the expenses reported by entities belonging to the social insurance schemes are the reference data to estimate social benefits other than social transfers in kind payable. The social insurance benefits represent a cost for all entities belonging to the social insurance schemes whereas social assistance benefits are an expense for general government. Households receive the whole amount of those social benefits.

For year 2008, social benefits payable reached 40.659 thousand million pesos (table 217). Out of this total, 36.654 thousand million pesos were payable by government, of which 24.295 thousand million pesos were payable by central government and the

social security funds (mainly pensions payable by FOPEP<sup>232</sup> (The Public Employees Pension Fund) that appear as an expenditure of the central government, the pensions payable by (ISS)<sup>233</sup>, the Armed Forces Retirement Fund (CREMIL), the National Police Retirement Fund (CASUR) and the maternity and disability licenses payable by the Solidarity and Guarantee Fund of the Social Security System in Health Care (FOSYGA); 6.605 thousand million pesos corresponding to unfunded social benefits to employees, 5.754 thousand million pesos for social assistance benefits payable by central and local government. The social assistance benefits (D.624) include resources allocate by local governments to subsidize the affiliation to the subsidized social security system in health care as well as the payment of pensions to persons outside the social insurances scheme, through the Fondo de Solidaridad Pensional (Solidarity Pension Fund). These data derive from the information on expenditure of the public entities which make those payments.

The non-financial corporations pay 2.450 thousand million pesos in social benefits, 2.076 thousand million pesos of which correspond to pensions charged to provisions made by these companies and 374 thousand million pesos correspond to unfunded employee social benefits (D623), as the counterpart of imputed social contributions (D.612); within this sector, the assumption is that unfunded employee social benefits are equivalent to imputed social contributions.

Social benefits payable by financial corporations amount to 1.555 thousand million pesos, 1.129 thousand million pesos of which correspond to pension funds and the remaining 426 thousand million pesos are payments charged to the provisions made by financial corporations.

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<sup>232</sup> FOPEP : Fondo de Pensiones de los Empleados Públicos

<sup>233</sup> Now COLPENSIONES

**Table 217. Account for social benefits other than social benefits in kind (D.62) payable by institutional sectors  
 2008**

Thousand million pesos							
S1.Total Economy	S15. NPISH	S14. Households	S13. Government	S12. Financial Corporations	S11. Non Financial Corporations	Code	Transactions
40.659			36.654	1.555	2.450	D.62	Social benefits other than social transfers in kind
24.295			24.295	0	0	D.621	Social security benefits in cash
3.279			0	1.203	2.076	D.622	Funded social benefits
7.331			6.605	352	374	D.623	Unfunded social benefits
5.754			5.754	0	0	D.624	Social assistance benefits in cash

Source: DANE, Synthesis and National Accounts Division (DSCN)

## 18.6. OTHER CURRENT TRANSFERS (D.7)

This transaction comprises net non-life insurance premiums, non-life insurance claims, current transfers within general government<sup>234</sup>, current international cooperation and miscellaneous current transfers.

### 18.6.1. Net Non-life insurance premiums and claims.

- **Net non-life insurance premiums**

They refer to that part of premiums payable by policyholders to obtain insurance coverage against different events or accidents resulting in damage to goods and or properties or harm to persons as a result of natural or human disasters, sickness, fires, floods, theft, earthquakes, violence, financial losses, among others. "It should be noted that in this context "net" as applied to premiums implies that the service charge

<sup>234</sup> In section 10.5 the content of these transactions is defined as well as the method followed for their estimation.

for the insurance services has been deducted from actual premiums payable plus premium supplements”<sup>235</sup>.

“Net non-life insurance premiums comprise both the actual premiums payable by policyholders to obtain insurance cover during the accounting period (premiums earned) and the premium supplements payable out of the investment income attributed to insurance policyholders less the service charges payable to the insurance corporation”<sup>236</sup>.

They are estimated as:

*Net premium= Premiums earned + Premium supplements - service charges (P1)*

Section 11.4.2 provides the definitions of the production of insurance services, explains the concepts of premiums earned, premium supplements, and describes how the production of insurance is estimated; section 18.3.4 provides the definition of property income attributed to policyholders and how it is estimated. The service charge is equivalent to the production of non-life insurance services.

The value of the production of insurance services and the net non-life insurance premiums are estimated using format 290 of the Superintendency of Finance<sup>237</sup> that presents information regarding premiums earned, claims and insurance reserves broken down into 38 branches of insurance.

The information on net insurance premiums payable by non-financial corporations, financial corporations, general government and NPISHs derives indirectly from their financial statements. By convention, the insurance premiums shown in the financial

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<sup>235</sup> SNA 2008 para 8.116

<sup>236</sup> SNA 2008 para 8.117

<sup>237</sup> Format 290 presents the results of the insurance companies according to external circular 100 of 1995 from the Superintendency of Finance, classified by branches, which includes premiums issued, premiums accepted in co-insurance, reimbursements and cancelations, internal and international reinsurance, the liberation of reserves, the constitution of reserves, claims recognized and claims accepted in co-insurance, reimbursements, salvage expenditures, administrative expenses, personal expenses and recognized interests

statements are divided into the payment for the insurance service (intermediate consumption -P.2) and the payment to cover the risk (net non-life insurance premium (D.71). In order to distribute the premiums into these two components, the shares resulting from the accounts of insurance corporations are used, in which 49% of the value of the premium corresponds to the value of the service and 51% to net premium.

The net premiums payable by households are estimated by including the types of insurance acquired by households, such as: sickness insurance, a portion of car insurance (SOAT-obligatory car and other motor vehicle insurance against traffic accidents), personal accidents, unemployment, home, funeral expenses, etc. Within the heading of net non-life insurance premiums, a significant proportion is payable by government, mainly those premiums payable by administrators of the contributive and subsidized health insurance scheme (FOSYGA and regional entities) to the EOC (entities obliged to compensate) since those are considered as insurers of the former.

Table 218 presents for year 2008, net non-life insurance premiums total payable by institutional sectors.

**Table 218. Total Net non-life insurance premiums payable by institutional sectors 2008**

Thousand million pesos													
Uses							Resources						
S1.	S15.	S14.	S13.	S12.	S11.		S11.	S12.	S13.	S14.	S15.	S1.	S2.
Total economy	Non profit institutions serving households	Households	General government	Financial corporations	Non financial corporations	Transactions	Non financial corporations	Financial corporations	General government	Households	Non profit institutions serving households	Total economy	Rest of the World
15.240	1	2.199	10.767	885	1.388	D.71 Net non-life insurance premiums payable		13.564	1.153			14.717	523

Source: DANE, Synthesis and National Accounts Division (DSCN)

▪ **Non-life insurance claims (D. 72)**

Non-life insurances claims represent the amount payable by insurance corporations for damages that result from events covered by non-life insurance policies. They are treated as transfers to the claimants and these transfers are recorded at the moment in which the event occurs.

For the total economy, non-life insurance net premiums and claims have very similar values. Claims are distributed in the same way as premiums.

Table 219 shows the estimated value of non-life claims for year 2008, the calculated value of non-life claims payable by insurance corporations and the allocation among institutional sectors that receive them.

**Table 219. Total non-life insurance claims payable by insurance corporations and allocation by institutional sector 2008**

Thousand million pesos													
Uses							Resources						
S1.	S2.	S15.	S14.	S13.	S12.	S11.	S11.	S12.	S13.	S14.	S15.	S1.	
total economy	Rest of the World	institutions serving households	Households	General government	Financial corporations	Non financial corporations	Transactions	Non financial corporations	Financial corporations	General government	Households	institutions serving households	Total economy
15.901	525			1.160	14.216		D.71 Non-life insurance claims	1.611	932	10.848	2.509	1	15.901

Source: DANE, Synthesis and National Accounts Division (DSCN)

**18.6.2. Current international cooperation**

“Current international cooperation consists of current transfers in cash or in kind between the governments of different countries or between governments and international organizations”<sup>238</sup>. They include inter government emergency aid after natural disasters in cash or in kind such as food, clothing, blankets, medicines, etc.; contributions by governments to international organizations to which they belong; disbursements by governments and international organizations to other governments

<sup>238</sup> SNA 2008 para 8.128

to cover the salaries of their technical assistance staff employed by the host government.

It is estimated using the data of the balance of payments, specifically the item “current transfers” receivable and payable by the general government. Table 220 present the data corresponding to current international cooperation for year 2008.

**Table 220. Current International cooperation  
 2008**

Uses							Resources							
S1	S2	S15	S14	S13	S12	S11	S11	S12	S13	S14	S15	S2	S1	
total economy	Rest of the World	Non profit institutions serving households	Households	General government	Financial corporations	Non financial corporations	Transactions	Non financial corporations	Financial corporations	General government	Households	Non profit institutions serving households	Rest of the World	Total economy
424	377			47			D.74 Current International cooperation			377			47	424

Source: DANE, Synthesis and National Accounts Division (DSCN)

### 18.6.3. Miscellaneous current transfers (D75)

“Miscellaneous current transfers consist of current transfers other than insurance-related premiums and claims, current transfers within general government and current international cooperation”<sup>239</sup>. It includes:

- **Current transfers to NPISHs** that consist of regular or irregular transfers to trade unions, political, sports, cultural, religious organizations and similar; voluntary donations from households, corporations and the rest of the world; transfers in kind to charities such as food, clothing, blankets, medicines, etc. These transfers to NPISHs “are intended to cover the costs of the non-market

<sup>239</sup> SNA 2008 para 8.129

production of NPISHs or to provide the funds out of which current transfers may be made to resident or non-resident households in the form of social benefits”<sup>240</sup>.

- **Current transfers between households** that consist of all the current transfers, in cash or in kind, that resident households pay to, or receive from, other resident or nonresident households. In particular, they include the remittances made from emigrants or the workers abroad to their family members.
  - **Fines and penalties:** they are compulsory payments imposed on institutional units by courts of law or quasi-judicial bodies”<sup>241</sup>. These include the payments made to the government for failing to comply with the rules, such as transit fines, penalties payable by corporations, etc.
  - **Lotteries and gambling winnings** that consist of incomes of households for winning lotteries and other.
  - **Payments of compensation** refer to current transfers payable by an institutional units to another as compensation for uninsured injuries or damages caused to persons or properties.
  - **Other transfers** include the transfers of pension rights among sectors<sup>242</sup>.
- **Matrix of other current transfers**

To estimate the miscellaneous current transfers, a matrix similar to the matrix of interests is constructed (see sections 18.1 and 18.3). The starting point for this matrix is the totals of calculated transfers receivable and payable recorded in the

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<sup>240</sup> SNA 2008 para 8.132

<sup>241</sup> SNA 2008 para 8.135

<sup>242</sup> In the new National Accounts base, these transactions will be considered as capital transfers.or financial transactions on pension rights.

institutional sectors accounts (except for households), which are used to fill the cells of the matrix (table 221); during the process of construction of the matrix, the consistency of these data is verified, the total data is divided among the sectors that receive or pay those transfers; from this balance, the transfers receivable and payable by the households sector are inferred.

**Table 221 Matrix of other current transfers, by sector (initial information)  
 2008**

**Thousand million pesos**

Subsectors	Payable						
	S11.	S12.	S13.	S14.	S15.	S2.	
	Total	Non-financial corporations	Financial corporations	General government	Households	NPISH	Rest of the world
<b>Total</b>		5.709	545	7.490		2.156	712
S11. Non-financial corporations	4.884						
S12. Financial corporations	1.362						
S13. General government	7.827						
S14. Households							
S15. NPISH	637						
S2. Rest of the world	14.035						

Source: DANE, Synthesis and National Accounts Division (DSCN)

In order to breakdown the total of the transfers receivable and payable between sectors that pay or to which the transfer is made, the basic information from financial statements used for compiling the accounts of institutional sectors is used; the items of income and expenses considered current transfers are extracted, the nature of the transaction is defined as well as the counterpart sector.

Thus, in the case of the general government sector, the detailed financial statements according to the Standard Chart of Accounts of the General Accountant's Office of the Nation are used; table 222 shows the incomes, and table 223 the expenses. From this information, the counterpart sector of the transfer is easily defined. The transfers

receivable include among others: incomes from penalties, fines, the transfers of pension rights, the monitoring and auditing fees of the Superintendencies. The transfers payable include: fuel subsidies, contributions to companies, charities, trade unions, transfers of pension rights and the lawsuits claims.

**Table 222 Transfers receivable by General Government  
2008**

			Thousand million pesos
Description		Subsector of origin	Value
<b>Total</b>			7.490
Fines and penalties	S14	Households	1.992
Grants	S15	NPISH	239
Compulsory payments awarded by courts of law, arbitral awards and exgratia payments	S14	Households	48
Transfers of pension liabilities between entities	S111 S112	Public and private non Financial Corporations	2.984
Payments for control and audits	S111	Public non financial Corporations	5
Other transfers	S111	Public non financial Corporations	2.222

Source: DANE, Synthesis and National Accounts Division (DSCN)

**Table 223. Current Transfers payable by General Government  
 2008**

		<b>Thousand million pesos</b>	
ITEM		Subsector allocation	value
<b>Total</b>			7.827
Subsidies on transport, consumption and imports of gasoline, non financial corporations and programs with the financial sector	S111-S122	Public non financial corporations; Other deposit taking financial corporations	4.710
Contributions to entities (public entities and non-profit institutions)	S111-S15	Public non-financial corporations/ NPISHs	660
Pension Payments	S111	Public non financial corporations	53
Procedural costs, compulsory payments awarded by courts of law, arbitral awards and exgratia payments	S14	Households	249
Grants	S14	Households	36
Programs with NPISHs	S15	NPISHs	14
Other current transfers	S14	Households	2.105

Source: DANE, Synthesis and National Accounts Division (DSCN)

As in the case of government, for non-financial corporations sectors, the detail of transfers receivable and transfers payable is derived from financial statements. Transfers receivable include transfers of pension rights, and grants. Within the expenses appear payments for claims, conciliations and suits, grants, transfers to trade unions and generally to NPISH, transfers of pension rights, among others.

The current transfers that take place between resident and non-resident units are included in the account of the rest of the world. The current transfers are estimated by using information from the BoP and transactions that result from the enclave. The remittances receivables from residents in the rest of the world are included, which for year 2008, amounted to \$9.403 thousand million pesos; 2.841 thousand million pesos came from enclave, an item that records transfers from the rest of the world to the national economy for the production of cocaine hydrochloride once the production

recorded as final consumption of national economy has been deduced. Resident households register transfers of 712 thousand million pesos to the rest of the world.

The following transfers are included within the NPISH sector: transfers to political parties, unions, religious associations, social clubs, professional and parents associations, and to NGOs, by non-financial corporations, government and households.

Table 224 illustrates the matrix of other transfers, once the synthesis process has been completed.

**Table 224. Matrix of current transfers payable and receivable 2008**

		Thousand million pesos						
		Payable						
Sectors		S11.	S12.	S13.	S14.	S15.	S2.	
		Total	Non-financial corporations	Financial corporations	General government	House holds	NPISH	
		Rest of the world						
<b>Receivable</b>	<b>Total</b>	34.958	5.709	545	7.490	18.346	2.156	712
	S11. Non-financial corporations	4.884	394		3.627	22	841	
	S12. Financial corporations	1.362			61	1.301		
	S13. General government	7.827	5.306	64	30	2.360	67	
	S14. Households	6.213		481	3.772		1.248	712
	S15. NPISH	637	9			628		
	S2. Rest of the world	14.035				14.035		

Source: DANE, Synthesis and National Accounts Division(DSCN)

## ANNEX 16

### SOCIAL CONTRIBUTIONS (D.61) AND SOCIAL BENEFITS (D.62)

Social contributions and social benefits are the main transactions associated with the social protection mechanism offered by the social insurance schemes<sup>243</sup>; social contributions are paid in order to secure entitlements to the social benefits covered by the schemes.

#### 1. SOCIAL CONTRIBUTIONS (D.61)

Social contributions are actual or imputed payments made by employers on behalf of their employees or by employees, self- and non-employed persons on their own behalf, to entities that are part of the social insurance schemes, in order to secure entitlements to social benefits. Social contributions are classified as follows:

Employers' actual social contributions (D.6111)

Employees' social contributions (D.6112)

Social contributions by self- and non-employed persons (D.6113)

Imputed social contributions (D.612)

#### **Employers' actual social contributions (D.6111)**

Employers' actual social contributions include payments made by employers on behalf of their employees to social insurance schemes. Since these payments are made for the benefit of employees, their value is recorded as one of the components of compensation of employees (D.121), together with wages and salaries in cash and in kind<sup>244</sup>; the social contributions are then recorded as being paid by the employees as current transfers to the managers of insurances schemes, under code D.6111. For the total economy both transactions are recorded with the same value: D.121 = D.6111

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<sup>243</sup> Annex 15 defines the social insurance system

<sup>244</sup> Section 17.3 describes employers' actual social contributions D121

### **Employees' social contributions (D.6112)**

Employees' social contributions are payable by employees to the social insurance schemes; these are paid out from their personal income. Employees' social contributions comprise the actual contributions payable each period plus, the contributions supplements payable out of the property income attributed to insurance policyholders received by employees participating in the schemes less the services charged by the managers of social insurance schemes (fees) and any other charge such as payments of insurances and taxes.

The contributions supplements and service charges are only recorded for private pension funds; such records are not considered for other entities<sup>245</sup>.

### **Social contributions by self- and non-employed persons (D.6113)**

These social contributions consist of payments made by self-employed persons (employers or own-account workers) or non-employed persons, which are payable out of their income. They include the value of contributions supplements payable out of the property income attributed to insurance policyholders, less the service charged by the managers of pension funds and any other charges against these contributions. In Colombia, they also include the contributions from affiliates to the subsidized social security health scheme, payable out of the social assistance benefits in cash received from the government. It is assumed that the government finances the affiliation of households to the subsidized social security health scheme; households receive from the government a social assistance benefit in cash, which is (fictitiously used) to realize the payment of social contributions to the subsidized social security health scheme<sup>246</sup>.

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<sup>245</sup> In the 2005 base, contribution supplements and services charges are only estimated for private pension funds. In the coming base, this transaction will be estimated for all providers of social insurance scheme, following the SNA 2008 international recommendations.

<sup>246</sup> Annex 15 describes the functioning of the subsidized social security health scheme

## Imputed social contributions (D.612)

The imputed social contributions represent the counterpart of the acquisition of entitlements to social benefits when those are provided directly by employers to their employees, former employees or dependents, payable out of their own resources without involving neither an insurance corporation nor a pension fund and without creating a special fund or a segregated reserve for this purpose. As in the case of employers' actual social contributions, they are recorded as one of the components of compensation of employees (D.122)<sup>247</sup>; the imputed social contributions are then recorded as a payment by affiliates to the same sector under the code D.612.

D.122= D.612

This means that, when employers pay direct social benefits, a social contributions is allocated (as part of compensations of employees) even if those social contributions are not actually paid to employees.<sup>248</sup>

Direct social benefits comprise medical and hospital services provided directly by employers to their employees, the payment of family allowances, disabilities, claims and the direct payment of pensions by government.

In Colombia the imputed social contributions are estimated on the basis of the value of the social benefits directly provided, e.g. medical and hospital services; nevertheless, in the case of pensions directly paid by the government,<sup>249</sup> these

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<sup>247</sup> Section 17.3 describes these contributions.

<sup>248</sup> In these cases, the employees are considered as protected against certain events, even if they do not pay social contributions.

<sup>249</sup> Within the general government, some entities including SENA, some universities and regional public administration entities are responsible for the direct payment of pensions. As a consequence, the corresponding imputed social contributions are estimated as a percentage of the salaries payable by these entities. In the case of pensions, the estimated imputed contribution is equivalent to 13.5% of salaries less the actual contributions made to social insurance pension scheme, a payment corresponding to all new employees since the implementation of Law 100 of 1993. In this special case, imputed social contributions are not matched with benefits, because there is no relationship between these two amounts, at least in current periods. Currently, some government entities are paying a total amount of pensions which is much higher than salaries.

contributions are estimated as the contributions that would be payable, if it operated as the remaining pension systems.

### Recording of social contributions

The employers' actual social contributions and the imputed social contributions are first recorded in the generation of income account of the producers, as part of the compensation of employees, that is, as a production cost; then it appears as a current transfers of the households to the social insurance schemes. This method of recording is necessary since employees are the only agents that might receive all the components of compensation of employees.

Employers' actual social contributions (D.121) and imputed social contributions (D.122) appear in the generation of income account, and are classified as costs both by industry and by institutional sector (table 1)<sup>250</sup>.

**Table 1. Generation of income account for industries and for institutional sectors**

Uses	Resources
D.1 Compensation of employees	B.1 GrossValue added,
D.11 Wages and salaries	
D.12 Employers' social contributions	
D.121 Employers' actual social contributions	
D.122 Employers' imputed social contributions	
D.29 Other taxes on production	
D.39 Less other subsidies on production	
B.2 Gross Operating surplus and/or mixed income	

Source: DANE, DSCN

<sup>250</sup> Section 17.2 describes the generation of income account and employers' actual and imputed social contributions.

Total compensation of employees (D.1) is received by households in the allocation of primary income account (table 2).

**Table 2. Allocation of primary income account. Households sector**

Uses	Resources
Property income, payable	B.2 Gross Operating Surplus Gross Mixed income D.1 Compensation of employees D11 Wages and salaries D12 Employers' social contributions D.121 Employers' actual social contributions D.122 Employers' imputed social contributions
B.5 Balance of primary incomes	Property income receivable

Source; DANE, DSCN

Employers' actual and imputed social contributions are then recorded in the secondary distribution of income account as an expenditure of the households under codes D.6111 and D.612, along with employees' social contributions (D.6112) and social contributions by self- and non-employed persons(D.6113) as a charge against their own incomes (table 3).

In the secondary distribution of income account of the households, social benefits receivable are also recorded (D.62).

**Table 3. Secondary distribution of income account. Households Sector**

Uses	Resources
D.61 Social contributions D.6111 Employers' actual social contributions D.6112 Employees' social contributions D.6113 Social contributions by self- and non-employed persons D.612 imputed social contributions	B.5 Balance of primary incomes D.62 Social benefits other than social transfers in kind D.621 Social security benefits in cash D.622 Private funded social benefits D.623 Unfunded employee social benefits
Disposable income	D.624 Social assistance benefits in cash D.7 Other current transfers

Source: DANE, DSCN

## 2. SOCIAL BENEFITS OTHER THAN SOCIAL TRANSFERS IN KIND (D.62)

This transaction includes all social benefits other than social transfers in kind; it can refer to social benefits in cash, payable by the social security funds and social insurances schemes as well as social assistance benefits provided by government and NPISHs to households. These are recorded as a use of the sectors which are in charge of the payments and a resource of households.

“They therefore consist of all social benefits, other than social transfers in kind:

They may take the form of:

- a. all the social benefits in cash - both social insurance and social assistance benefits- provided by government units, including the social security funds, and NPISHs;
- b. all social insurance benefits, whether in cash or in kind, provided under private funded or unfunded social insurance scheme.

The social benefits in kind provided by the government and NPISHs are not recorded in the secondary distribution of income account; they are part of social transfers in kind and they are recorded in the redistribution of income in kind account<sup>251</sup>.

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<sup>251</sup> SNA 1993 para 8.77

Table 4 illustrates the social benefits types by social insurance schemes.

**Table 4. Classification of social benefits by the social insurance schemes**

Types of social benefits	Schemes from where the social benefits originate
Social security benefits in cash(D.621)	Government social security funds
Private funded social benefits (D.622)	Private funded social insurance schemes
Unfunded employee social benefits (D.623)	Unfunded-based schemes
Social assistance benefits in cash (D.624)	Provided by government or the NPISHs other than social insurance schemes

### **Social security benefits in cash (D.621)**

These consist of social benefits in cash payable to households by government social security funds; they include: the retirement and survivors' pensions, the disabilities, maternity support, family allowances, and death benefits.

### **Private funded social benefits (D.622)**

They include the social benefits in cash and in kind, payable to households by enterprises managing private funded social insurance schemes. They consist of payments of pensions by private pension funds and insurance corporations; payments of pensions to their former employees or survivors by financial and nonfinancial corporations and for which they have constituted reserves; the medical, hospital and other health care services provided by insurance enterprises corresponding to social insurance in professional risk, since as explained above, the insurance enterprises manage the professional risks as part of the private funded social insurance schemes.

### **Unfunded employee social benefits (D.623)**

They consist of the social benefits in cash and in kind (pensions, family allowances, sickness and invalidity benefits, medical and hospital services) that employers provide directly to their employees, dependents or survivors, without constituting special reserves or funds. They represent the counterpart of imputed social contributions.

### **Social assistance benefits in cash (D.624)**

Social assistance benefits consist of social benefits that government units or the NPISHs provide directly to households, in order to meet the same needs as social insurance benefits, but which are not made under a social insurance scheme and are therefore excluded from benefits paid by social security funds. In Colombia, this transaction includes in particular government transfers payable to households in order to provide the affiliation of low income persons to the subsidized social security health scheme, and pension benefits through the Pension Solidarity Fund to low income persons who are not affiliated to the pension system.

### **3. RECORDING OF EMPLOYERS' IMPUTED SOCIAL CONTRIBUTIONS AND UNFUNDED EMPLOYEE SOCIAL BENEFITS**

Employers' imputed social contributions (D.122) and unfunded employee social benefits (D.623) have a special treatment. Within the generation of income account, employers' imputed social contributions (D.122) are recorded as if they were paid to their employees, as part of compensation of employees; who return them fictitiously (under code D.612) to the same sector that pays them, who acts in this case as a social insurance provider. With these contributions, the sectors fund (fictitiously) the payment of unfunded employee social benefits (D.623).

The assumption is that imputed contributions are estimated using the value of benefits payable, except in the case of central government and local government subsectors in which pension contributions are estimated for an amount different from pensions payable.

Table 5 illustrates the data for non-financial corporations sector, and shows how the value for imputed social contributions (D.122) is equal to that of unfunded employee social benefits (D.623); in the case of government, the figures are different, since the imputed contributions are estimated on the base of actual contributions of all employers (the percentage is defined by Law) while benefits are estimated on the basis of actual pensions payable. (table 6).

**Table 5. Non-financial corporations accounts**  
*Generation of Income Account*

Thousand million pesos	
Uses	Resources
D.612 Employers' imputed social contributions	374

*Secondary distribution of income account*

Thousand million pesos	
Uses	Resources
D623.Unfunded employee social benefits.	374
D.612 Employers' imputed social contributions.	374

**Table 6. General government**  
*Generation of Income Account*

Government	
Thousand million pesos	
Uses	Resources
D.612 Employers' imputed social contributions	2.304

*Secondary distribution of income account*

Government	
Thousand million pesos	
Uses	Resources
D623. Unfunded employee social benefits.	6.605
D.612 Imputed social contributions.	2.304

**Recording social benefits other than social transfers in kind**

Social benefits other than social transfers in kind (D.62) are recorded in the secondary distribution of income account as an income of households and an expense of entities that are part of the social insurance scheme.

## GLOSSARY

**Acquisitions less disposals of non-produced non-financial assets (K2).** Non-produced non-financial assets consist of land, other tangible assets that may be used in the production of goods and services, and intangible assets. Changes in the value of these assets owned by institutional units resulting from transactions with other institutional units are recorded in the capital account. The changes recorded in the capital account consist of the total values of the assets acquired during the accounting period less the total value of the assets disposed of.

**Acquisitions less disposals of valuables (P53).** Valuables are assets that do not deteriorate over time under normal conditions and that are acquired and held primarily as stores of value. They are held in the expectation that their prices, relative to other goods and services, will not decline over time and possibly increase. In other words, valuables are expected to hold their value in real terms in the long run, even though there may be some periods of time when their real value declines.

**Acquisitions of existing tangible fixed assets (P5112).** Buildings other than dwellings include whole buildings or parts of buildings not designated as dwellings. Fixtures, facilities and equipment that are integral parts of the structures are included.

**Adjustment for the change in the net equity of households in pension funds (D8).** The reserves of private funded pension schemes are treated in the system as being collectively owned by the households with claims on the funds. The payments of pension contributions into the funds and the receipts of pensions by pensioners are, therefore, not transfers between different institutional units. They constitute the acquisition and disposal of financial assets.

**Amortization** (as well as depletion). The paying off of debt in regular installments over a period of time.

**Asset.** An asset is a store of value representing a benefit or series of benefits accruing to the economic owner by holding or using the entity over a period of time. It is a means of carrying forward value from one accounting period to another.

**Balance of primary incomes (B.5).** The balance of primary incomes is defined as the total value of the primary incomes receivable by an institutional unit or sector less the total of the primary incomes payable.

**Capital transfers (D9).** These are unrequited transfers where either the party making the transfer realizes the funds involved by disposing of an asset (other than cash or inventories), relinquishing a financial claim (other than accounts receivable) or the party receiving the transfer is obliged to acquire an asset (other than cash) or both conditions are met.

**Catastrophic losses (K7).** Catastrophic losses are recorded in the other changes in the volume of assets account are the result of large scale, discrete and recognizable events that may destroy a significantly large number of assets within any of the asset categories. They include major earthquakes, volcanic eruptions, tidal waves, exceptionally severe hurricanes, drought and other natural disasters; acts of war, riots and other political events; and technological accidents such as major toxic spills or release of radioactive particles into the air. Included here are such major losses as deterioration in the quality of land caused by abnormal flooding or wind damage; destruction of cultivated assets by drought or outbreaks of disease; destruction of buildings, equipment or valuables in forest fires or earthquakes.

**Changes in classification and structure (K12).** The other changes in the volume of assets account records changes in assets and liabilities that reflect nothing more than changes in the classification of institutional units among sectors, changes in the structure of institutional units and changes in the classification of assets and liabilities.

**Changes in inventories (P.52).** These are measured by the value of entries into inventories less the value of withdrawals and less the value of any recurrent losses of goods held in inventories during the accounting period.

**Changes in net worth due to saving and capital transfers (B.10.1).** Changes in net worth due to saving and capital transfers represent the positive or negative amount available to the unit or sector for the acquisition of non-financial and financial assets.

**Compensation of employees (D.1).** It is defined as the total remuneration, in cash or in kind, payable by an enterprise to an employee in return for work done by the latter during the accounting period.

**Consumption of fixed capital (K1)** . Consumption of fixed capital is the decline, during the course of the accounting period, in the current value of the stock of fixed assets owned and used by a producer as a result of physical deterioration, normal obsolescence or normal accidental damage.

**Currency.** Currency consists of notes and coins that are of fixed nominal values and are issued or authorized by the central bank or government. A distinction should be drawn between domestic currency (that is, currency that is the liability of resident units, such as the central bank, other banks and central government) and foreign currencies that are liabilities of non-resident units (such as foreign central banks, other banks and governments).

**Current taxes on income, wealth (D5).** Taxes on income consist mainly of taxes on the incomes of households or profits of corporations and of taxes on wealth that are payable regularly every tax period. Current taxes on income, wealth, etc. consist mainly of taxes on the incomes of households or profits of corporations and of taxes on wealth that are payable regularly every tax period (as distinct from capital tax levied infrequently).

**Disposable income, net (B6).** It is the balancing item in the secondary distribution of income account. It is derived from the balance of primary incomes of an institutional unit or sector by adding all current transfers, except social transfers in kind, receivable by that unit or sector and subtracting all current transfers, except social transfers in kind, payable by that unit or sector.

**Dividends.** Dividends are a form of property income to which shareholders become entitled as a result of placing funds at the disposal of corporations.

**Economic appearance of non-produced and produced assets (K3/K4).** The produced assets whose appearance is recorded in the account of other changes in volume of assets, the purchase of valuables and historic monuments is included with that of dwellings and that of other buildings and structures in the classification of fixed assets.

**Economic disappearance of non-produced assets.** The capital and financial accounts provide three ways in which an asset can leave the system: through consumption of fixed capital, through withdrawals and recurrent losses of inventories, and through extinguishing financial claims under the terms of the contractual agreements that created them.

**Economic flows.** Economic flows reflect the creation, transformation, exchange, transfer or extinction of economic value. They involve changes in the volume, composition, or value of an institutional unit's assets and liabilities.

**Employer' actual social contributions.** Employer's social contributions are social contributions payable by employers to social security funds or other employment-related social insurance schemes to secure social benefits for their employees.

**Employer's imputed social contributions.** Some employers provide non-pension benefits themselves directly to their employees, former employees or dependents without involving an insurance enterprise or autonomous pension fund, and without creating a special fund or segregated reserve for the purpose. It is necessary therefore to make an imputation of a social contribution equal to the amount that would be needed to secure the de facto entitlements to the social benefits they accumulate.

**Enterprise.** An enterprise is the view of an institutional unit as a producer of goods and services.

**Equity.** Comprises all instruments and records acknowledging claims on the residual value of a corporation or quasi-corporation after the claims of all creditors have been met.

**Financial corporations** consist of all resident corporations that are principally engaged in providing financial services, including insurance and pension funding services, to other institutional units.

**General Government.** The general government consists of the following group of resident institutional units: all units of central, state or local government; all social security funds at each level of government.

**Gross Fixed Capital Formation.** It is measured by the total value of a producer's acquisitions, less disposals, of fixed assets during the accounting period plus certain additions to the value of non-produced assets realized by the productive activity of institutional units. Fixed assets are tangible or intangible assets produced as outputs from processes of production that are themselves used repeatedly or continuously in other processes of production for more than one year.

**Gross value added (B.1).** Gross value added at basic prices is defined as output valued at basic prices less intermediate consumption valued at purchasers' prices.

**Homologation.** Process by which a chart of accounts is transformed into national accounts transactions.

**Households.** A household is a group of persons who share the same living accommodation, who pool some, or all, of their income and wealth and who consume certain types of goods and services collectively, mainly housing and food.

**Institutional unit.** An institutional unit is an economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities.

**Insurance technical reserves (F.6).** Technical reserves are a liability of the insurance corporation to the policyholders, the investment income they generate is treated as being attributed to the policyholders.

**Interest.** It is a form of income that it is receivable by the owners of certain kinds of financial assets, namely deposits, debt securities, loans and (possibly) other accounts receivable for putting the financial asset at the disposal of another institutional unit.

**Intermediate consumption (P.2).** Intermediate consumption consists of the value of the goods and services consumed as inputs by a process of production, excluding fixed assets whose consumption is recorded as consumption of fixed capital.

**Liability.** A liability is established when one unit (the debtor) is obliged, under specific circumstances, to provide a payment or series of payments to another unit (the creditor).

**Loans (F.4).** These are financial assets that are created when a creditor lends funds directly to a debtor. They are evidenced by non-negotiable documents.

**Machinery and equipment (P.5115).** Covers transport equipment, machinery for information, communication and telecommunications (ICT) equipment, and other machinery and equipment.

**Market output (P.11).** It consists of output intended for sale at economically significant prices.

**Matrix.** It is an analysis tool that allows to study, on a quantitative approach, the economic structure of a given entity.

**Miscellaneous current transfers (D.75).** It consists of current transfers other than insurance-related premiums and claims, current transfers within general government and current international cooperation.

**Natural growth of non-cultivated biological resources (K5).** Natural growth should be recorded gross, and the depletion of those resources should be recorded as an economic disappearance. This recording would be consistent with the separate recording of acquisitions and disposals described.

**Net lending/net borrowing.** It is defined as the difference between changes in net worth due to saving and capital transfers and net acquisitions of non-financial assets (acquisitions less disposals of non-financial assets, less consumption of fixed capital). If the amount is negative it represents net borrowing.

**Net non-life insurance premiums (D.71).** Comprise both the actual premiums payable by policyholders to obtain insurance cover during the accounting period (premiums earned) and the premium supplements payable out of the property income attributed to insurance policyholders less the service charges payable to the insurance corporation.

**Net saving.** Net saving is the balancing item of the use of income accounts, and net saving plus net capital transfers receivable or payable can be used to accumulate non-financial assets.

**Net value added (B.1).** Net value added is the value of output less the values of both intermediate consumption and consumption of fixed capital.

**Non-financial corporations.** These are corporations whose principal activity is the production of market goods or non-financial services.

**Non-profit institutions serving households (NPISHs).** Consist of non-market NPIs that are not controlled by government.

**Operating surplus or mixed income (B2).** Operating surplus is the balancing item in the generation of income account and represents the surplus accruing from processes of production. It is called mixed income for unincorporated enterprises owned by members of households, either individually or in partnership with others, except owner-occupiers in their capacity as producers of housing services for own final consumption and households employing paid domestic staff, an activity that generates no surplus.

**Other accounts receivable (F7).** They include all transactions representing financial claims that occur as a counterpart of a financial or non-financial transaction, when there is a temporal difference between the moment in which the transaction takes place and the corresponding payment.

**Other changes in the volume of assets account.** It records the changes in assets, liabilities, and net worth between opening and closing balance sheets that are due neither to transactions between institutional units, as recorded in the capital and financial accounts, nor to holding gains and losses as recorded in the revaluation account

**Other current transfers (D7).** Other current transfers consist of all current transfers between resident institutional units, or between resident and non-resident units, other than current taxes on income, wealth, etc., social contributions and benefits, and social benefits in kind.

**Other structures.** Other structures include structures other than buildings, including the cost of the streets, sewer, etc.

**Other subsidies on production (D39).** Other subsidies on production consist of subsidies except subsidies on products that resident enterprises may receive as a consequence of engaging in production.

**Other taxes on production (D29).** Consist of all taxes except taxes on products that enterprises incur as a result of engaging in production. They may be payable on the land, fixed assets or labor employed in the production process or on certain activities or transactions. In Colombia, are considered in this group, the payroll contributions paid to SENA and ICBF, the industrial and commercial taxes, stamp taxes, vehicular taxes paid by enterprises, etc.

**Output for own final use (P.12).** It is defined as the goods and services produced by an establishment, excluding the value of any goods and services used in an activity for which the establishment does not assume the risk of using the products in production, and excluding the value of goods and services consumed by the same establishment except for goods and services used for capital formation (fixed capital or changes in inventories) or own final consumption.

**Production.** Production is an activity, carried out under the responsibility, control and management of an institutional unit, which uses inputs of labor, capital, and goods and services to produce outputs of goods and services.

**Property income (D.4)** is the sum of investment income and rent.

**Provision.** A provision is a liability of uncertain timing or amount.

**Rent (D.45)** is the income receivable by the owner of a natural resource (the lessor or landlord) for putting the natural resource at the disposal of another institutional unit (a lessee or tenant) for use of the natural resource in production.

**Securities other than shares (F.3).** The category of securities other than shares includes bills, bonds, certificates of deposit, commercial paper, debentures, tradable financial derivatives, and similar instruments normally traded in the financial markets.

**Shares and other equity (F5).** Shares and other equities comprise all instruments and records acknowledging, after the claims of all creditors have been met, claims to the residual value of corporations.

**Social Accounting Matrix.** A SAM is defined as the presentation of SNA accounts in a matrix which elaborates the linkages between a supply and use table and institutional sector accounts. In many instances SAMs have been applied to an analysis of interrelationships between structural features of an economy and the distribution of income and expenditure among household groups.

**Social benefits other than social transfers in kind (D62).** Social benefits are current transfers received by households intended to provide for the needs that arise from certain events or circumstances. Benefits are divided into two groups, the first consists of pensions and the second of all other benefits, described as non-pension benefits. These cover, for example, payments due to needs that arise from certain events or circumstances such as sickness, unemployment, housing, education or family circumstances

**Social contributions (D61).** Social contributions are actual or imputed payments to social insurance schemes to make provision for social insurance benefits to be paid.

**Stocks.** These are a position in, or holdings of, assets and liabilities at a point in time.

**Taxes.** These are compulsory, unrequited payments, in cash or in kind, made by institutional units to government units.

**Taxes on income.** They are assessed on the actual or presumed incomes of individuals, households, NPISHs or corporations.

**Transaction.** A transaction is an economic flow that is an interaction between institutional units by mutual agreement or an action within an institutional unit that it is analytically useful to treat like a transaction, often because the unit is operating in two different capacities.

**Uncompensated seizures (K8).** Government or other institutional units may take possession of the assets of other institutional units, including non-resident units, without full compensation for reasons other than the payment of taxes, fines, or similar levies.

**Value added (B1).** It is greater value generated by production process due to factor combination. It is calculated as the difference among the value of gross production (P) and intermediate consumption (IC).

$$VA = P - CI$$

**Vectors.** There are cross-cutting variables to all sectors whose management is centralized in order to control their consistency. Example: Gross capital formation, changes in inventories, other taxes on production.

**Wages and salaries (D.11).** Wages and salaries include the values of any social contributions, income taxes, etc., payable by the employee even if they are actually withheld by the employer for administrative convenience or other reasons and paid directly to social insurance schemes, tax authorities, etc., on behalf of the employee. Wages and salaries may be paid in various ways, including goods or services provided to employees as remuneration in kind instead of, or in addition to, remuneration in cash.

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