

Assessing the impact of COVID-19 on the public finances: Colombia

Pedro Luís Bohórquez Ramírez, General Accountant of the Nation (CGN), Republic of Colombia
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Agenda



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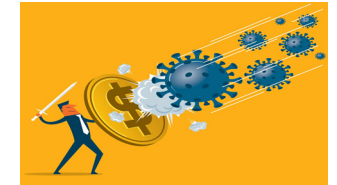
1. Government policy measures
2. Effect in the Financial Statements (FS)
 - Identification of potential impacts on FS
3. Impact on the economy
4. COVID – CGN guidance

Emergencies, Sanitary, Economic, Social and Ecological



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- Throughout the territory of the Republic of Colombia
 1. Political Constitution- Article 215
 2. Law 1317 of 1994. Regulations for states of exception
 3. Decree N° 417, dated March 17, 2020 and decree N° 637, dated June 05, 2020
 4. Legislative Decrees (www.presidencia.gov.co)
- Colombia has faced unprecedented fiscal decisions to respond to COVID-19 pandemic, such as increasing expenditures and requesting more financing while internal revenue has fallen. In this context, information provided in financial statements play a main role when allocating and reporting on public resources that are generally scarce.



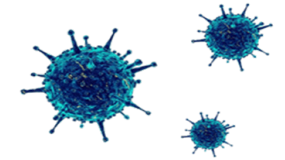
**PUBLIC FINANCIAL
MANAGEMENT**

Emergency Mitigation Fund (FOME)



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- Emergency Mitigation Fund (FOME) is created by Decree 444, dated March 31, 2020
- **Objective:** Address the need of resources for healthcare, the negative effects on the productive activity and the need for the economy to continue providing conditions to maintain employment and growth within the framework of Decree N° 417 of 2020 (by which is declared a State of Economic, Social and Ecological Emergency throughout the country).
- Emergency Mitigation Fund has no legal status in the Ministry of Finance and Public Credit.
- In an independent portfolio, resources and returns are managed by the General Directorate of Public Credit and National Treasury of the Ministry of Finance and Public Credit to guarantee their availability.



New World Environment



New Local Environment



Effects of COVID -19 on Accounting and Financial Information Issues



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- COVID-19 has significantly impacted the Global and Local Financial Markets and consequently, it has important and real accounting implications for many entities in Colombia.



- Some of the main impacts include the following: (current list is not considered exhaustive)



Effects of COVID-19 in Financial Statements



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- Entities should carefully consider in each case circumstances and exposure to risks when analyzing how recent events generated by COVID-19 could affect their financial and accounting architecture. Specifically, considering that figures of their financial reports and the disclosures in the Financial Statements must contain the effects and impacts of COVID-19.

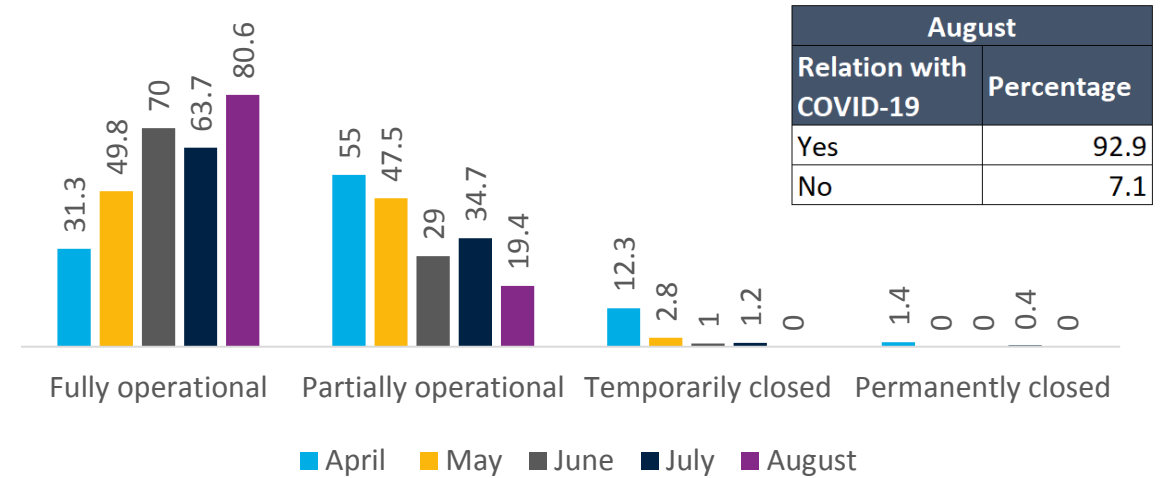


Effects of COVID-19 in Colombia



- Commercial trust in Colombia increased up to 13.8% in August
- According to Fedesarrollo survey, 12.5% of respondents consider they have less than two weeks of liquidity to attend all their commitments, meanwhile 26.2% affirmed they have between two and four weeks of liquidity.

Operational status of businesses and their relationship with COVID-19



Source: Business Opinion Survey (EOE) - Fedesarrollo

Effects of COVID-19 in Colombia

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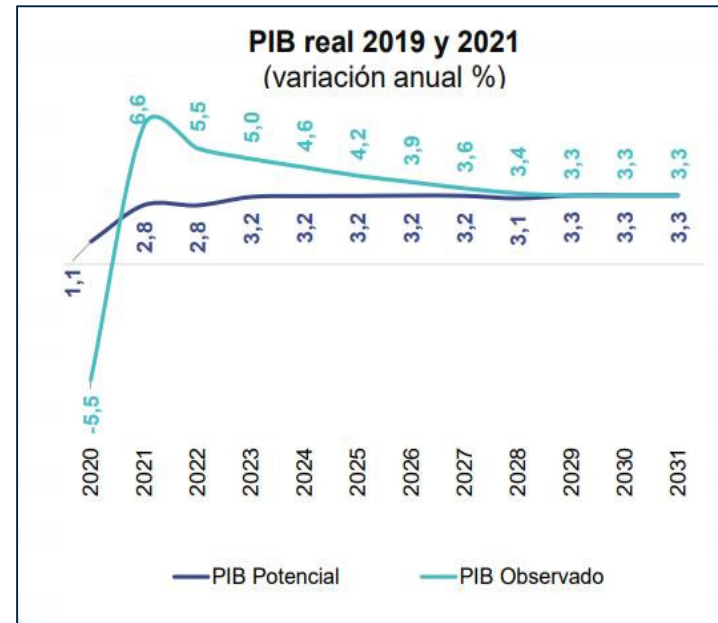
- The **Ministry of Finance and Public Credit** confirmed that the fiscal deficit target for this year will be 8.2% of GDP. Before the pandemic, the government projected a deficit of 2.2% of GDP.
- Subsequently, the **Committee for Advisory of the Fiscal Rule** decided to increase the fiscal deficit goal to 6.1%, but then it decided to suspend the entire Fiscal Rule for FY 2020 and 2021 in order to address the pandemic.

Gobierno confirmó que déficit fiscal de Colombia en 2020 será de 8,2% del PIB

El Gobierno nacional confirmó este viernes que el déficit fiscal de Colombia en 2020 será de 8,2% del PIB a causa de la pandemia causada por el coronavirus. El Ministerio de Hacienda mantuvo la estimación de la caída del PIB de 5,5% para este año.



© Gobierno confirmó que déficit fiscal de Colombia en 2020 será de 8,2% del PIB Foto: Conexión Congreso



Source: <https://www.dinero.com/economia/articulo/marco-fiscal-de-mediano-plazo-de-colombia-en-2020/290855>

Effects of COVID-19 in Colombia and Economic Recovery



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- Economic effect: Main objective
 - *"State intervention has to achieve the objective of economic policy"*
- Combination of monetary and fiscal policy
 - **Monetary policy:** In the **short term**, essential to provide liquidity and stabilize financial markets, but the room for maneuver **long-term** stimulus is very limited
 - **Fiscal policy:** In the **short term** to reduce the impact on the most exposed households and companies and preserve economic relations. In the **long term** to support aggregate demand for a faster recovery of the economy and employment.



COVID-19 CGN Guidance



Provisions for onerous contracts	Impairment of cash-generating assets	Impairment of Non-Cash-Generating Assets	Suspension of depreciation	Additional disclosures in notes to the financial statements
Presentation of the set of financial statements	Inventories valuation	Going concern principle	Events after the reporting period of financial statements	Insurance recoveries
Employee benefits	Short-term impact on employee benefits	Use, constitution and release of provisions	Income from Transfers and Grants	Impact analysis of Decree 678 , dated May 20, 2020

2019



2020

?

- Uncertainties. Government indebtedness
- Limitation of the Public Treasury for future years
- Materiality
- Direct Public Expenditure. Subsidies. Loans.
- Strong Disclosures (Information on benefits....)

Public Accounting as common language of governments

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- Transparency tools of public accounts for the citizenship
- “Clear Accounts for a Transparent State” is custody of probity and honesty





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