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**Statement by Mr. Chikada and Mr. Nagase on Colombia
(Preliminary)
Executive Board Meeting
April 28, 2021**

We thank staff for the informative report and Mr. Romero Tarazona for his helpful Buff statement. While the country has been hit hard by COVID-19 and facing downside risks, Colombia has maintained its strong fundamentals and policy frameworks. We also find it encouraging that the FCL has demonstrated its strong insurance effects for Colombia.

Colombia continues to meet the qualification criteria for the access to Fund resources under the FCL arrangement, and we support the completion of the review. We hope the FCL arrangement will continue to provide important insurance for Colombia against external tail risks. However, at the same time, we expect the authorities and staff to continue constructive discussions on the exit strategy and the country to work on policy and reform agenda to support the strategy. The following remarks are provided for emphasis:

The augmented FCL arrangement effectively supported Colombian authorities' policies to mitigate the pandemic shocks. Colombia became the first member country to draw under an FCL arrangement in 2020, and this helped Colombia meet higher financing needs due to the crisis response. We also welcome the authorities' intention to treat the remaining amount under the FCL as precautionary. *However, having seen Colombia's positive experience and market reactions regarding its actual FCL drawing, we would be interested in hearing staff's views how this could affect the other FCL user countries' stance on actual drawing of the FCL resources.*

Continued careful communication by the authorities and staff remains warranted. Thanks to the authorities and staff's coordinated communication strategy to reinforce key messages around the benefits of the FCL and reaffirming Colombia's very strong policy

frameworks, possible negative reactions of the market upon the authorities' FCL drawing have been successfully avoided. However, given the continued high uncertainty and substantial risks which Colombia is facing, the authorities and staff should continue careful communication with market participants and the public to avoid unintended circumstances, especially should Colombia need to consider further drawing.

Careful and well sequenced exit strategy and continued reform efforts to support the strategy would also strengthen Colombia's resilience against external risks. We find it encouraging that Colombia has preserved its very strong institutional policy framework notwithstanding the pandemic and that it remains committed to maintaining very strong policies going forward. In order to realize resilient economic recovery and inclusive growth, the authorities should continue providing well-calibrated policy support to mitigate the adverse effects of the pandemic and also steadily tackle the medium- to long-term challenges, including the financial sector policy agenda and structural reform agenda. Reinforcing the medium-term fiscal framework would also be indispensable as the pandemic abates. In addition to these reform efforts, enhancing and deepening its domestic bond market would help strengthen Colombia's resilience against external risks. Finally, we are of the view that the FCL countries in the region, and more generally Latin American countries, could benefit from strengthening their regional financial arrangement to address external risks.