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**Statement by Mr. Bevilaqua, Mr. Saraiva, and Mr. Barroso on Colombia  
(Preliminary)  
Executive Board Meeting  
April 28, 2021**

We thank staff for the informative report and Mr. Romero Tarazona for his useful statement.

**We support the completion of the review of Colombia's Flexible Credit Line (FCL) arrangement.** We agree with staff that Colombia clearly meets all the criteria to continue qualifying for unconditional access to available resources under the FCL. Colombia continues to have very strong fundamentals and rely on appropriate policies. We also understand that the arrangement has played a fundamental role supporting Colombia in this period of uncertainty. Moreover, augmenting access under the FCL in September 2020 and partially withdrawing resources in December have been proven right decisions. That said, we agree with staff that containing the pandemic and making progress on the fiscal reform are key to ensure a sustainable recovery and a resilient economy.

**Colombia's external position is sustainable, capital flows are predominantly private, the public sector retain access to capital markets in favorable conditions and international reserves are adequate.** While staff indicates that the external position is weaker than desirable, we highlight the effectiveness of the floating exchange rate as shock absorber and the fact that the economy also possesses a helpful balancing device, as income and trade balances usually move in opposite direction. That said, we agree with staff's recommendation and the authorities' view that international reserves should increase further, notwithstanding the fact that it is already above the 100 percent of the ARA metric. Having excess buffers in periods of uncertainty and in an increasingly highly financially integrated international economy has proven to be a winning strategy for emerging market economies.

**The forceful fiscal response was warranted, and the fiscal framework remains fundamentally sound.** Having a track record of fiscal responsibility poses a high payoff. Colombia temporarily suspended the fiscal rule in line with IMF recommendation to fight the pandemic and gross public debt is projected to peak at just below 65 percent of GDP next

year, before starting a descending path. We welcome the submission of the Sustainable Solidarity Bill to enhance tax collection and the authorities' intention to upgrade the fiscal rule with a clear path of consolidation, a debt anchor and a strengthened independent overseer, while preserving the medium-term fiscal framework. We also underscore the importance of preserving and improving social protection.

**Inflation is low and stable, monetary policy has been appropriately accommodative and the well-regulated financial system has shown resilience.** With inflation hovering below the target, monetary authorities have used their policy space to adopt a supportive stance and help the economy tackle the shock. In the financial sector, capitalization has stood well above regulatory requirements, we recall the findings of the recent Article IV mission that, except for severely and prolonged adverse conditions, there are no systemically relevant solvency risks or recapitalization needs. While Colombian regulatory and supervisory authorities have displayed a high degree of professionalism, we look forward to the forthcoming FSAP reports. Colombia continues to display strong commitment to data transparency and integrity, and we encourage the authorities to join Brazil and Chile and subscribe to the SDDS Plus.

**We take note of the initial steps in the discussion of a future FCL exit for Colombia but emphasize the importance to move cautiously in this uncertain environment.** Although the worse of the pandemic could be behind us, downside risks are still significant. Moreover, as highlighted by staff, Colombia's gross external financing needs tend to remain relatively high in the next few years, exposing the country to fluctuations in commodity prices. While agreeing with the authorities that the FCL should be temporary in nature, it is better to err on the side of caution and proceed only after consolidating the fiscal reform and further accumulating international reserves to match external risks.

**Colombia's experience with the FCL shows the usefulness of precautionary lines not only for the direct beneficiary country, but also to the IMF and its membership as a whole.** Access to the FCL works as an important incentive to maintain sound policies and policy frameworks. Furthermore, under the extreme conditions of sequential shocks, the FCL provided additional policy anchorage, which allowed for a more flexible response to the crisis, without risking lose the long-standing trust on the policy framework. In particular, well-crafted communication has helped a smooth and favorable reception of the partial purchase of FCL resources. We want to underscore that this is a success story for both the country and the Fund, which helped minimize scarring in the region and confirmed the importance of having such precautionary facilities. Indeed, the supplement to own defenses provided by the IMF to several countries in the region, in the form of precautionary arrangements, have helped strengthen the regional resilience and policy framework. Having a wall of good-policy and high-defense countries in Latin America provides an important externality for the region and the global economy, reducing the likelihood of systemic crises that would put IMF resources under pressure. With these remarks, we wish the Colombian authorities success in their endeavors.