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GRAY/21/1109

April 26, 2021

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

We welcome the review under the FCL, and we would like to thank staff for their insightful report and Mr. Tarazona for his comprehensive Buff.

We take note of the recent drawing of USD 5.4 bn under the Arrangement, and Colombia's intention to treat the remainder as precautionary. **The FCL has proven its function by enabling Colombia to quickly address external financing pressures** by drawing on the credit line, and **we agree that Colombia continues to meet the qualification criteria. We emphasize the authorities' continued commitment to a strong policy framework, and we commend Colombia's communication strategy** during and around the augmentation of the Arrangement and the drawing of FCL credit. Communication is essential to maximize the positive returns from a precautionary arrangement as shown by the positive market response. However, given the continued downside risks that Colombia faces, and the elevated financing needs, coupled with the impact of FCLs on the Funds' FCC, we would like to raise the following points regarding the FCL.

First, we would appreciate staff's views on the probability that Colombia needs to make further purchases from the FCL in the coming months or year.

Second, **we welcome the authorities' commitment to an exit strategy from the FCL**, conditional on a meaningful reduction in exceptional global risks and continued reserve accumulation over time. Due to the country's good track record and strong policy framework, we consider that Colombia should be able to operate without IMF financing support in the foreseeable future. The risk assessment for domestic resilience should be conducted more frequently than only at the point of renewal so that IMF resources are not locked in when there is no need. To prepare for exit and to effectively manage external risks, **we encourage authorities to increase resilience by building more international liquidity buffers and strengthening effectiveness of policy instruments, as well as implementing the envisaged fiscal reforms while returning to the fiscal rule. We also encourage staff to intensify its monitoring of the implementation of Colombia's reforms agenda** through regular staff consultations with authorities.

Third, if the circumstances require a longer-term engagement with the Fund, **we call on staff to assess on an ongoing basis whether Colombia continues to be best served with a precautionary line which has been ongoing for over a decade, or whether a program might be a more appropriate instrument.** *We would appreciate staff's reflections on this matter.*

We strongly support the Colombian authorities in designing an adequate transition from recovery support to **safeguarding fiscal sustainability in order to secure a firm medium-term fiscal anchor and place public debt firmly on a sustainable declining path**. Regarding the financial sector agenda, **we particularly welcome the FSAP** that will be conducted this year which will include a systemic risk analysis. It is expected that it will reconfirm the positive conclusions from recent Article IV reports on the sector's strength.

Finally, from a risk management perspective, we remark that the Fund's credit exposure is heavily concentrated in South America. *We would appreciate staff's views on the regional concentration and perspectives, going forward.*