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The Acting Chairman's Summing Up at the Conclusion
of the 1981 Article IV Consultation with Colombia
Executive Board Meeting 82/27, March 10, 1982

In considering the 1981 Article IV consultation with Colombia, Executive Directors commended the authorities for the general thrust of their economic policies, which, despite low coffee prices in 1981, had resulted in continued overall economic growth and a small balance of payments surplus without an acceleration in inflation. However, the strength of inflationary expectations in Colombia was noted with some concern, and some Directors argued that a lasting reduction in the rate of inflation would, inter alia, require a review of existing indexation arrangements.

Directors observed that the authorities' notable success in containing the public sector deficit while increasing public investment had made a crucial contribution to the country's economic performance. In this context, they expressed some concern about the slow growth in tax revenue and the more rapid increase in current spending. They welcomed the authorities' intention of improving tax administration, reducing the scope of nondiscretionary transfers to local governments, and continuing to pursue a realistic public sector pricing policy. They commented favorably on the conduct of monetary policy in general, and, more particularly, on the steps taken to increase the scope of credit operations subject to uncontrolled interest rates and otherwise reduce official intervention in the process of financial intermediation--which was facilitated by the public sector's continued avoidance of domestic bank financing. They expressed hopes that the process of financial liberalization would be carried forward in 1982. Colombia's development efforts, in particular in the energy field, were also commended.

Directors encouraged the authorities to continue the policy of import liberalization pursued in recent years, which they saw as an essential element in the promotion of rapid and sustained economic growth. Directors commended the authorities for their determination to pursue a flexible exchange rate policy as long as a substantial differential between inflation rates in Colombia and abroad continued to exist. However, they expressed concern about the complexity of Colombia's exchange and trade system and urged the authorities to simplify it and to eliminate the existing multiple currency practices, and the export subsidies.