

**FOR
AGENDA**

SM/07/397
Supplement 2

January 14, 2008

To: Members of the Executive Board

From: The Secretary

Subject: **Colombia—Staff Report for the 2007 Article IV Consultation—
Supplementary Information and Proposed Decision**

The attached supplement to the staff report for the 2007 Article IV consultation with Colombia (SM/07/397, 12/26/07) provides additional information, and is tentatively scheduled for discussion on **Wednesday, January 16, 2008**. A proposed decision relating to an exchange restriction and a multiple currency practice appears on page 2. At the time of circulation of this paper to the Board, the Secretary's Department has received a communication from the authorities of Colombia indicating that they consent to the Fund's publication of this paper.

Questions may be referred to Mr. Clements (ext. 36950) in WHD.

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat forthwith; and to the European Investment Bank and the Inter-American Development Bank, following its consideration by the Executive Board.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

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Department Heads

INTERNATIONAL MONETARY FUND

COLOMBIA

Staff Report for the 2007 Article IV Consultation

Supplementary Information

Prepared by Western Hemisphere Department

Approved by Caroline Atkinson and Michael T. Hadjimichael

January 14, 2008

1. **Colombia maintains an exchange restriction and multiple currency practice arising from a tax on remittances abroad of nonresident profits which is withheld at the time the foreign exchange is purchased.** This measure is subject to Fund approval under Article VIII, Sections 2(a) and 3. The tax has recently been eliminated for remittances of profits earned in 2007 and beyond and applies only in respect of profits earned before 2007 and retained in the country for less than five years. On December 27, 2007 the Executive Board, on a lapse of time basis, approved the retention of the restriction and multiple currency practice “until January 15, 2009 or the next Article IV Consultation, whichever is earlier” (see EBD/07/142). Thus, this approval expires upon conclusion of the pending Article IV Consultation.
2. Given that the exchange restriction and multiple currency practice are of a temporary nature as the underlying measure will be phased out over the next four years, are maintained for balance of payments reasons, and are nondiscriminatory in application, staff at this stage recommends approval of their retention until April 15, 2009.

Proposed Decision

Colombia maintains a multiple currency practice and an exchange restriction subject to Fund approval under Article VIII, Sections 2(a) and 3 arising from a tax on remittances abroad of profits earned before 2007 and retained in the country for less than five years. The tax is withheld at the time the foreign exchange is purchased.

In the circumstances of Colombia, the Fund grants approval of the retention of the multiple currency practice and exchange restriction until April 15, 2009.