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Colombia: Review Under the Flexible Credit Line Arrangement—Staff Report; Press Release on the Executive Board Discussion; and Statement by the Executive Director for Colombia

In the context of the review for Colombia under the Flexible Credit Line, the following documents have been released and are included in this package:

- The staff report for Colombia on the review under the Flexible Credit Line arrangement, prepared by a staff team of the IMF. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.
- A Press Release summarizing the views of the Executive Board as expressed during its May 4, 2012 discussion of the staff report that completed the review.
- A statement by the Alternate Executive Director for Colombia.

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

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COLOMBIA

Review Under the Flexible Credit Line Arrangement

Prepared by the Western Hemisphere Department
(In consultation with other departments)

Approved by Miguel A. Savastano and James Roaf

April 18, 2012

Executive Summary

- ***Background***. Colombia's very strong track record of macroeconomic policy management, underpinned by robust fiscal and monetary policy frameworks, has reduced vulnerabilities in recent years and helped weather the global financial crisis. The authorities' policy focus has shifted from supporting the recovery through appropriate countercyclical measures to rebuilding policy buffers through fiscal consolidation, the normalization of monetary policy, and a strengthening of the reserve position.

- ***Outlook and Policy Priorities***. Growth was buoyant in 2011 and is expected to moderate this year as policy tightening takes hold. Inflation pressures are contained, the financial system remains sound, and international reserves remain adequate. The authorities are pressing ahead with ambitious tax reforms and with the implementation of the structural fiscal balance rule and a new royalty framework.

- ***Risks***. Despite very strong fundamentals, Colombia's near-term outlook could be adversely affected if the global recovery falters, commodity prices fall, and/or global financial conditions worsen. On the upside, a spike in commodity prices would strengthen the balance of payments and fiscal position, and probably require measures to keep domestic demand growth in check.

- ***FCL arrangement***. A two-year arrangement under the Flexible Credit Line (FCL) for SDR 3.87 billion (500 percent of quota)—which the authorities continue to treat as precautionary—was approved on May 6, 2011.

- ***Qualifications***. The staff assess that Colombia continues to meet the qualification criteria for access to Fund resources under the FCL, and therefore recommends that the Board complete the review under the FCL arrangement.

- ***Team***. This report was prepared by a staff team led by V. Cerra, and comprising C. Faircloth, S. Ospina (all WHD), and T. Miyoshi (SPR).

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I. Background

1. **The economy's resilience during the global financial crisis of 2008–09 attests to Colombia's very strong institutional framework and the authorities' skillful policy management.** Institutional frameworks anchored by a medium-term fiscal framework and an inflation targeting regime, effective financial sector supervision and regulation, and a deep commitment to prudent macroeconomic policies (including a decline in public debt by 6½ percentage points of GDP from 2004 to 2009) had reduced systemic vulnerabilities and strengthened economic fundamentals leading into the global financial crisis.

2. **The authorities' hard-earned policy credibility created space for timely monetary and fiscal policy responses to mitigate the effects of the global crisis.** The monetary authorities cut interest rates by 6 percent over a 12-month period starting in February 2009 and the government increased spending to provide a fiscal impulse of about 1 percent of GDP during 2009. Following a short-lived and mild output contraction during the global crisis, this policy stimulus supported a recovery in economic activity starting the second half of 2009 (Figures 1 and 2). Colombia's flexible exchange rate also helped absorb shocks to the current and capital accounts of the balance of payments. Financial sector indicators remained sound (Figure 3).

3. **As economic growth gained momentum, the policy focus has shifted from supporting the recovery to rebuilding policy buffers amid lingering heightened global risks.** In 2011, fiscal and monetary policy stimulus was gradually unwound, in line with recommendations in the 2011 Article IV staff report. The authorities also advanced structural fiscal reforms to bolster the institutional framework, strengthened financial sector regulation and supervision, and maintained a rules-based system of foreign exchange intervention.

4. **The FCL arrangements since 2009 have supported the authorities' macroeconomic policies and helped maintain confidence by providing insurance against tail risks.** Approval of the first FCL arrangement (for SDR 7.0 billion; 900 percent of quota) on May 11, 2009 provided the authorities with the policy flexibility to take proactive measures in support of the economic recovery. This arrangement was followed by a successor FCL arrangement for SDR 2.3 billion (300 percent of quota, about US$3.5 billion) on May 7, 2010. A heightening of uncertainties surrounding the global recovery and the availability of external financing prompted the authorities to request a third, two-year FCL arrangement totaling SDR 3.9 billion (500 percent of quota, about US$6.2 billion), which was approved on May 6, 2011.

II. Economic and Policy Developments Since the 2011 Article IV Consultation

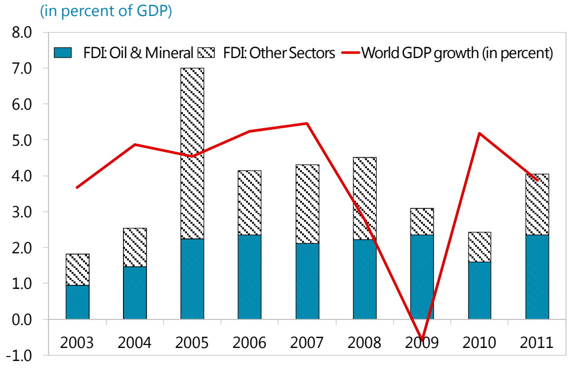
5. **Growth was buoyant in 2011 and is expected to moderate in 2012 as policy tightening takes hold.** Real GDP grew by 5.9 percent in 2011, supported by strong

consumer confidence, favorable terms of trade, and high FDI inflows. Growth was driven mainly by strong private domestic demand, which contributed to keeping the deficit of the external current account deficit at 3.0 percent of GDP. Inflation edged up to 3.7 percent at end-2011 mainly on account of food price shocks related to seasonal flooding, but inflation expectations remain well anchored with core inflation at around 3 percent.

6. **Exports and FDI inflows remain strong and appreciation pressures have resumed.** In 2011, exports in US-dollar terms rose by 41 percent, buoyed by the 70 percent growth in oil exports and an expansion of manufacturing exports into new markets, while foreign direct investment inflows reached a record high of US$13.2 billion. Short-term private capital inflows to equity and bond markets remained modest (partly reflecting the small size of Colombia's financial markets) and have been partly offset by growing investments of Colombians abroad. Appreciation pressures resumed in late 2011 and the peso has strengthened by 9 percent in nominal terms through mid-March, substantially reversing the fall of the second half of 2011. On February 6, the central bank reactivated its program of daily purchases of US$20 million, which it had suspended at end-September 2011. The balance of payments surplus in 2012 is now projected at about US$2.5 billion.

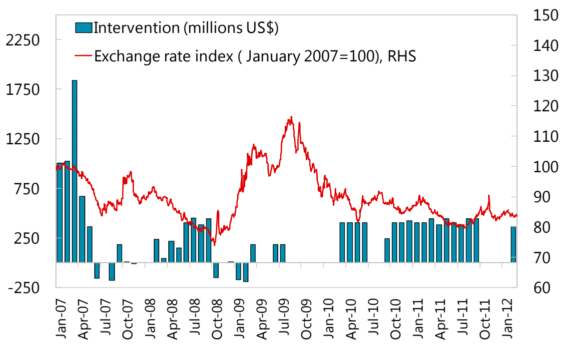
Colombia: Inward FDI

(in percent of GDP)



Source: World Economic Outlook and Fund staff estimates.

Intervention and the bilateral exchange rate



Sources: Country authorities and Fund staff estimates

7. **The financial sector remains solid and risks are well contained.** Financial soundness indicators and supervisory practices remain strong and generally above those in other countries in the region. European and other foreign banks comprise a small share of banks' assets, external funding is low, and banks are strictly regulated. A well established deposit insurance scheme covers nearly all accounts. Housing price growth has moderated (though data coverage is partial), banks' mortgage exposure is low, and loan-to-value ratios average 50 percent. The regulatory agency adopted macro-prudential measures (e.g. higher liquidity ratios and higher loan provisioning) to address rapid credit growth, especially in

consumer lending, and plans to adopt measures later in the year to improve the quality of the banks' capital. An FSAP update is planned for 2012.[1]

Financial Soundness Indicators, 2011 (in percent)

Capital to RWA 1/		NPLs to Total Loans 2/		Provisions to NPLs		Return on Assets		Return on Equity	
Colombia	16.9	Colombia	2.5	Colombia	181.9	Colombia	3.3	Colombia	23.0
Brazil	17.0	Brazil	3.4	Brazil	158.0	Brazil	2.3	Brazil	22.5
Mexico	16.2	Mexico	2.4	Mexico	181.2	Mexico	1.6	Mexico	15.5
Uruguay	14.3	Uruguay	1.3	Uruguay	74.0	Uruguay	1.2	Uruguay	12.6
Peru	13.4	Peru	2.5	Peru	149.8	Peru	2.3	Peru	24.5
Chile	14.2	Chile	2.50	Chile	98.8	Chile	1.7	Chile	21.2

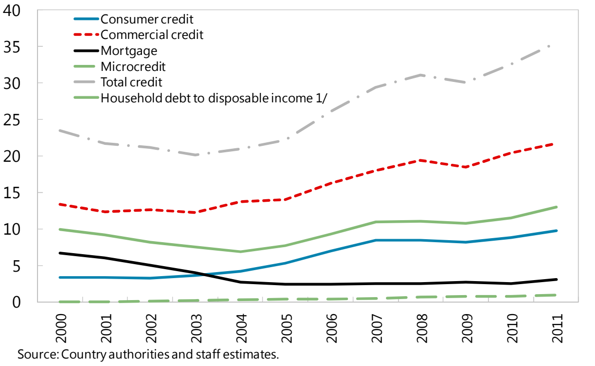
Source: GFSR

1/Bank regulatory capital to risk-weighted assets.

2/ NPL definition for Colombia is 30 days delinquent.

8. **The monetary tightening cycle may be nearing its end.** As the economic recovery became entrenched and credit growth accelerated, the central bank gradually began to unwind its monetary stimulus during 2011. The latest increase in the policy rate (to 5.25 percent) took place in February 2012, in part to address high credit growth. Recent signs that aggregate demand is easing (see Figure 1) and the pace of credit growth is stabilizing suggests that the policy rate may be near its apex (at a level considered neutral by market participants).

Colombia: Credit by sector and household indebtness
(Percent of GDP unless otherwise indicated)



Source: Country authorities and staff estimates.
1/ Household debt includes mortgage and consumer loans.

9. **Fiscal performance has been significantly stronger than anticipated during the 2011 Article IV consultation.** Significant improvements in tax administration, higher-than-expected yields from 2010 tax reforms, and robust oil prices helped reduce the 2011 central government and overall public sector deficits to 2.8 percent and 2.2 percent of GDP, respectively (compared with the last staff report projections of 3.8 percent and 2.9 percent, respectively). Given strong tax receipts for the first two months of this year, a higher-than-anticipated dividend from Ecopetrol, and expenditure savings related to the implementation of the royalty reform of 2011, the overall public sector deficit in 2012 is expected to decline to 1.6 percent of GDP contributing to an improvement in the overall structural balance of about ½ percent of GDP.

10. **The authorities are pressing ahead with an ambitious agenda of fiscal reforms**. In 2011, Congress approved legislation on a structural fiscal balance rule that would help to

[1] The last FSAP update was carried out in September–October 2004 and the FSSA was discussed in April, 2005 (IMF Country Report No. 05/287, 4/5/2005). Following its recommendations, the authorities gave priority to monitor corporate and household balance sheets.

anchor fiscal policy over the medium-term, a royalty reform to distribute oil-related revenues more equitably among regions, and measures to incorporate the concept of fiscal sustainability in the constitution. The authorities' also have adopted a fiscal consolidation strategy consistent with their fiscal rule that aims at reducing the structural deficit of the central government to 2.3 percent of GDP in 2014 (3.1 percent in 2011) and below 1 percent of GDP by 2022. The government also plans to improve the tax structure, including by eliminating some exemptions, broadening the tax base, and reducing distortionary taxes.

III. OUTLOOK AND RISKS

11. **Prospects for Colombia are favorable provided that the global economy evolves broadly in line with the Spring 2012 WEO baseline.** Colombia weathered the financial crisis of 2008–09 well, and the recent problems in Europe have had virtually no economic or financial impact. Trade and external financing conditions have been strong (even during the financial stress episode of mid 2011) and high oil prices have supported buoyant exports and FDI. Given vigorous domestic demand, overheating is, again, a domestic risk that the authorities are carefully monitoring. They could resume monetary tightening and strengthen lending standards if upside risks take hold.

12. **However, risks to the external environment remain elevated.** A deterioration in global growth would adversely impact Colombia's commodity exports, remittances, and foreign direct investment. Colombia is exposed to a significant decline in U.S. growth given its strong trading links (38 percent of exports in 2011) though Europe and China are also important trading partners. There are upside and downside risks to commodity prices. Colombia is particularly vulnerable to commodity price shocks; commodity exports account for most of export revenue (74 percent in 2011) and the bulk of FDI inflows are to commodity-related projects (mainly oil).[2] In addition, further stress in global financial markets and the unprecedented scale of public financing needs worldwide could affect the availability and access to external financing or prompt renewed global risk aversion that weakens confidence.

13. **The authorities are prepared and committed to respond to any deterioration of global conditions.** The authorities have been proactive in building policy space to respond to any adverse external spillovers and have indicated a willingness to act in the event that downside risks materialize. In particular, they have emphasized that monetary policy could be reversed rapidly to support economic activity and the exchange rate would continue as the key shock absorber.

14. **The authorities consider that the FCL arrangements have successfully supported their macroeconomic strategy, providing insurance against still elevated external tail risks.** They reaffirm the usefulness of the FCL, as a complement to reserves and insurance

[2] The output/demand effect of commodity price shocks is likely to be asymmetric. A spike in commodity prices will strengthen the balance of payments and fiscal position on impact, but the government would be able to adopt measures (e.g., keeping abroad the dividends of the oil company) to mitigate the effects of the positive shock on domestic demand. If there is a large drop in commodity prices, however, the balance of payments and fiscal position will deteriorate, and the existing fiscal buffers may not be sufficient to offset the downward pressures of the shock on domestic demand.

against uncertainties in the global economy that remain high. They consider that the FCL also has helped reassure markets of Colombia's very strong policies and institutional frameworks. They see value in continuing with the current FCL arrangement, which they regard as an important facility for crisis prevention, and plan to continue treating it as precautionary.

IV. Review of Qualifications

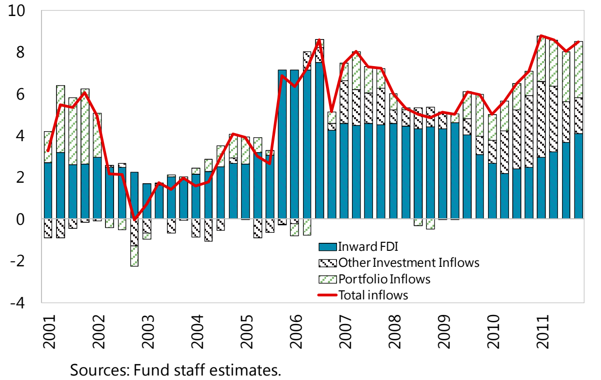
15. **Staff assesses that Colombia continues to meet the qualification criteria for an arrangement under the FCL.**[3] The authorities have a track record of implementing very strong policies and are firmly committed to maintaining such policies going forward. Monetary policy continues to be guided by the inflation targeting framework in the context of a flexible exchange rate regime, while the fiscal policy framework was strengthened by the adoption of the structural balance rule. The authorities also remain committed to closely monitoring financial sector conditions and to take timely measures to keep vulnerabilities contained. At the conclusion of the 2011 Article IV consultation on July 20, 2011, the Executive Board commended the Colombian authorities for their sound macroeconomic policies and strong institutional frameworks.

16. **Staff's assessment of Colombia's continued qualification is based, in particular, on the following criteria (Figure 4):**

- **Sustainable external position.** External debt remains low at 23.2 percent of GDP at end-2011. Staff's updated external debt sustainability analysis (Figure 6 and Table 9) suggests that external debt ratios are expected to decline over the medium term and would remain manageable even under large negative shocks. The current account deficit is projected to stabilize at about 2 percent of GDP over the medium term.

- **Capital account position dominated by private flows.** Capital account flows are predominantly private—mostly in the form of FDI (which surged by almost 50 percent, to US$13.2 billion, during 2011).

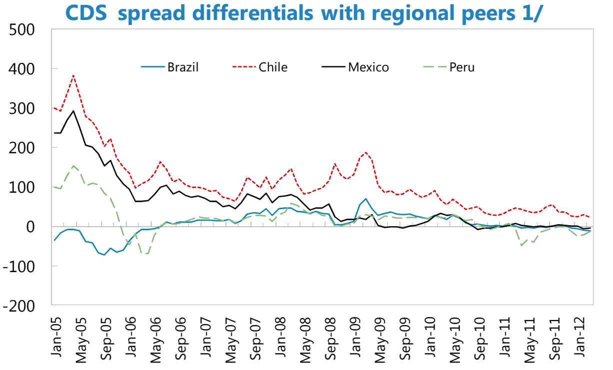
Colombia: Gross Capital Inflows
(Four-quarter cumulative, in percent of GDP)



Sources: Fund staff estimates.

[3] The Executive Board last assessed Colombia's adherence to the FCL qualification criteria on May 6, 2011, during the approval of the current two-year FCL arrangement for 500 percent of quota (IMF Country Report No. 11/162).

- **Track record of steady sovereign access to international capital markets at favorable terms.** The government has accessed international capital markets at increasingly favorable terms. Following the upgrade to investment grade status in 2011, Colombia placed a 10-year sovereign bond for US$2 billion at 4.42 percent (a historic low) and, this year, placed a 30-year issue of US$1.5 billion at the historic low rate of 4.96 percent. Colombia's sovereign CDS spreads compare well to regional emerging market countries.



Sources: Bloomberg and Fund staff estimates.
1/Differences (in basis points) between CDS on Colombian sovereign and CDS on sovereign of regional peers with similar maturities.

- **Relatively comfortable reserve position.** Colombia's gross international reserves at end-2011 reached US$31.9 billion equivalent to 104 percent of short-term external debt at remaining maturity plus the current account deficit (Figure 5).

- **Sound public finances, including a sustainable public debt position.** The Colombian authorities have a track record of sound public finances and remain committed to fiscal sustainability with a medium-term strategy that will be guided by a structural fiscal balance rule. The authorities follow a proactive debt management strategy aimed at minimizing vulnerabilities and achieving fiscal savings. Staff's updated debt sustainability analysis (Figure 7 and Table 10) suggests that public debt (34.1 percent of GDP at end-2011) would remain manageable and on a downward trajectory under alternative adverse scenarios.

- **Low and stable inflation, in the context of a sound monetary and exchange rate policy framework.** Inflation and inflation expectations continue to be well anchored within the official inflation target range of 2–4 percent. The authorities remain committed to the inflation targeting framework and a flexible exchange rate regime.

- **Absence of bank solvency problems that pose an imminent threat of a systemic banking crisis.** Financial soundness indicators remain strong and spillover risks limited given low foreign ownership and funding linkages to foreign banks. Nonperforming loans are low and well provisioned. Liquidity ratios have remained stable even during the global financial crisis, and a high proportion of bank funding is based on local deposits. Recent data suggest that the high growth of consumer credit is stabilizing and loan delinquency rates remain low.

- **Effective financial sector supervision.** Colombia's regulatory and supervisory frameworks are sound and supported by a well established safety net. A recent

agreement between the Central Bank and the Financial Superintendency has improved the exchange of financial information.

- **Data transparency and integrity.** Colombia's macroeconomic data continues to meet the high standards found during the 2006 data ROSC. Colombia remains in observance of the Special Data Dissemination Standard (SDDS).

V. Safeguard Procedures

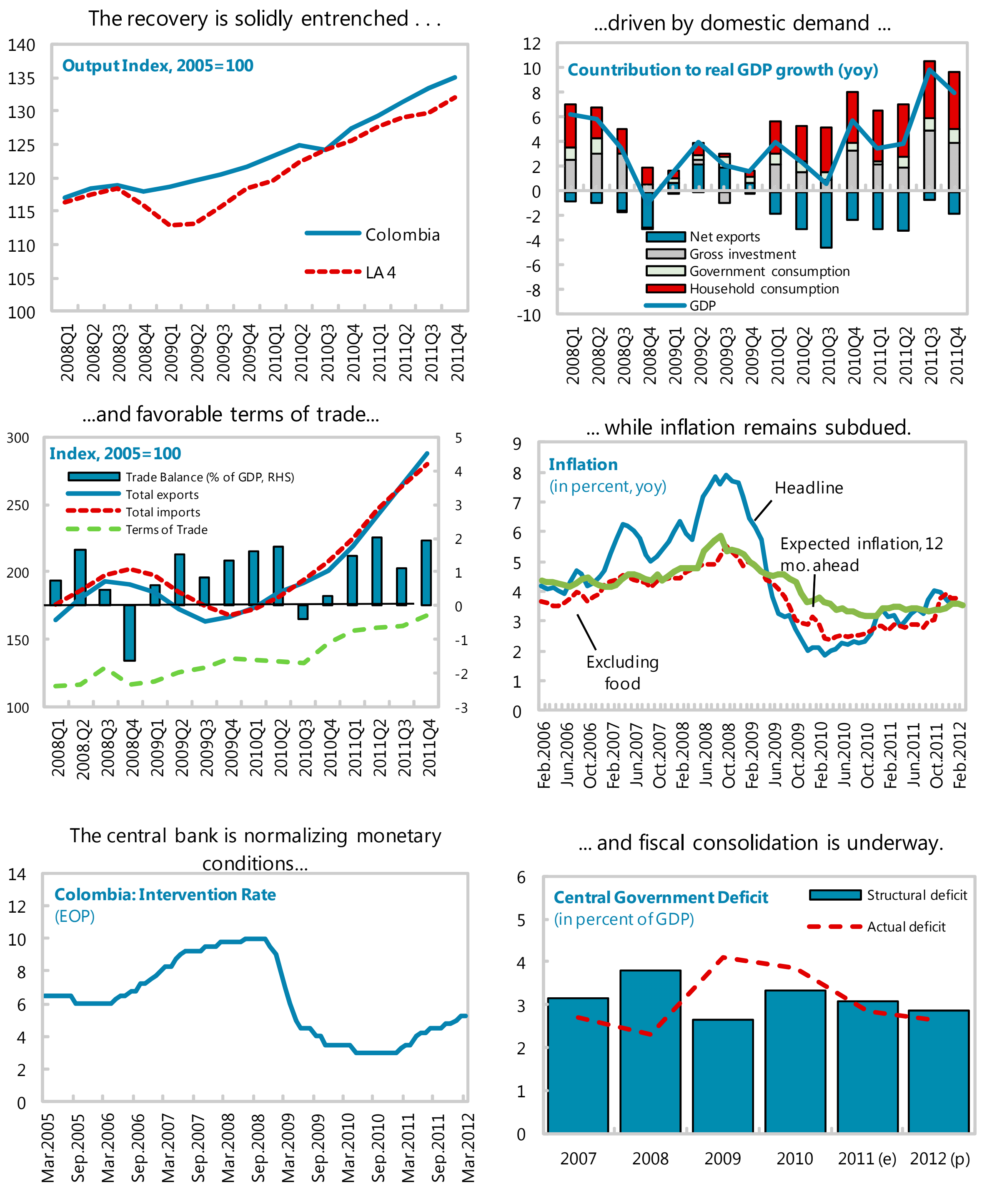
17. **Staff has completed the safeguards procedures applicable to an FCL arrangement.** The authorities have provided the necessary authorization for staff to communicate directly with the central bank's external auditor, PricewaterhouseCoopers (PwC) Colombia. PwC issued an unqualified audit opinion on the central bank's 2010 financial statements in February 2011. Staff has reviewed the 2010 audit results and discussed these with PwC. No significant safeguards issues emerged from the conduct of these procedures. The financial statements and audit opinion are published in full on the central bank's website. Contact with PwC will be maintained for the duration of the FCL arrangement.

VI. Staff Appraisal

18. **The FCL arrangement has reduced the perception of risk and helped bolster confidence in Colombia's economic strategy.** Alongside skillful policy management, the FCL has helped maintain orderly financial market conditions despite still elevated global risks, by providing Colombia with a buffer against adverse large external shocks.

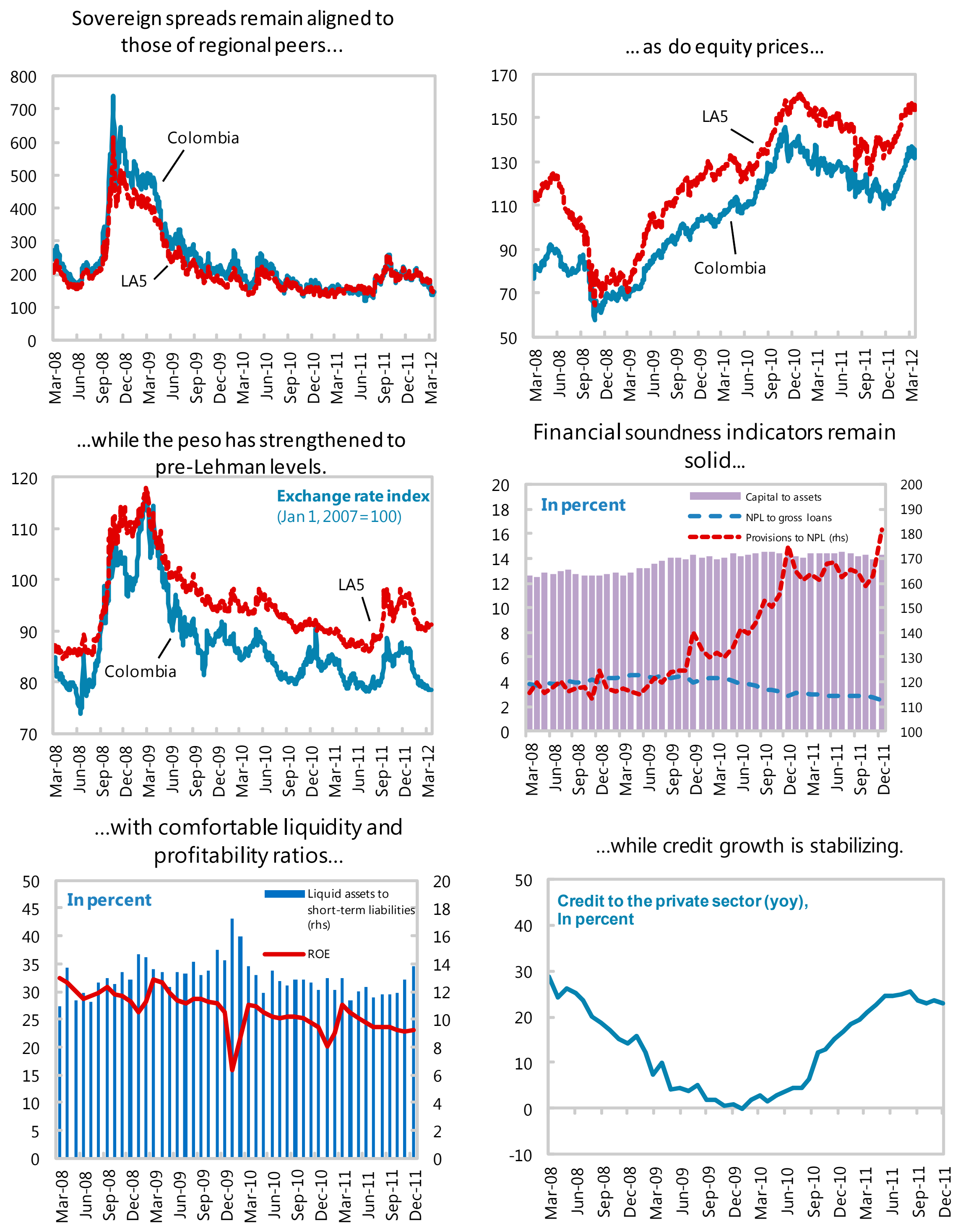
19. **In the staff's view, Colombia continues to meet the qualification criteria for access to FCL resources.** Colombia has a very strong policy framework and has demonstrated an excellent track record of policy implementation. The authorities remain committed to sound policies and to responding appropriately to actual or potential balance of payments difficulties. Thus, staff recommends completion of the review under the FCL arrangement for Colombia.

Figure 1. Colombia: Recent Economic Developments



Source: Haver, Datastream, and Fund staff estimates.
Note: LA4 represents the average of Brazil, Chile, Mexico, and Peru.

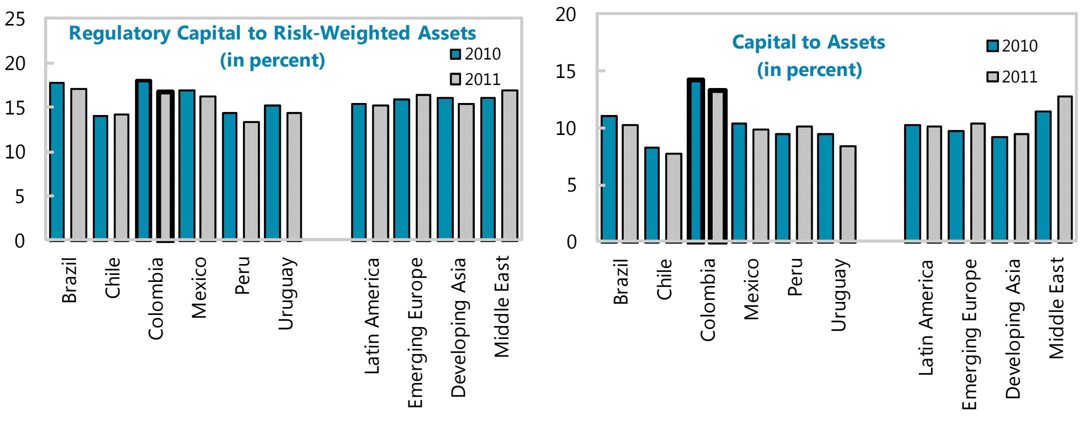
Figure 2. Colombia: Financial Developments



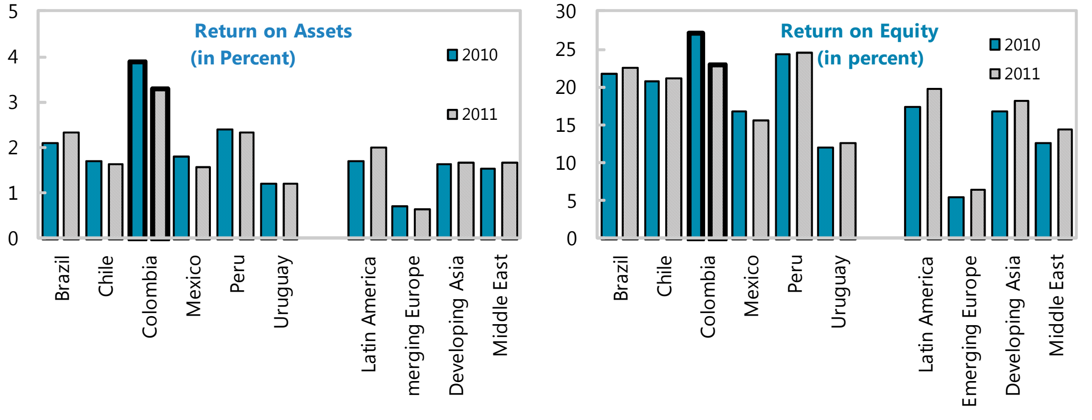
Sources: IFS, Haver, Datastream, and Fund staff estimates.
Note: LA5 represents the average of Chile, Colombia, Brazil, Mexico, and Peru.

Figure 3. Financial Soundness Indicators: Colombia and Other Emerging Markets

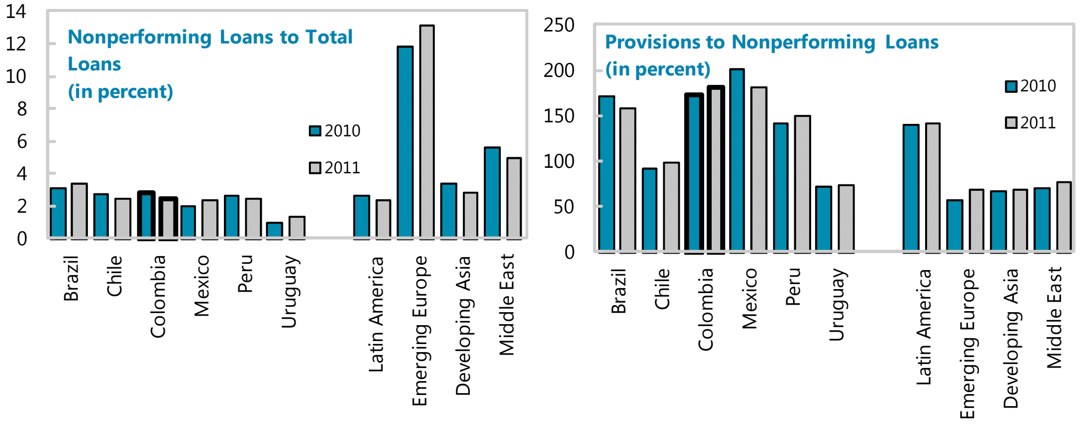
Colombian banks remain well capitalized...



...and profitable.

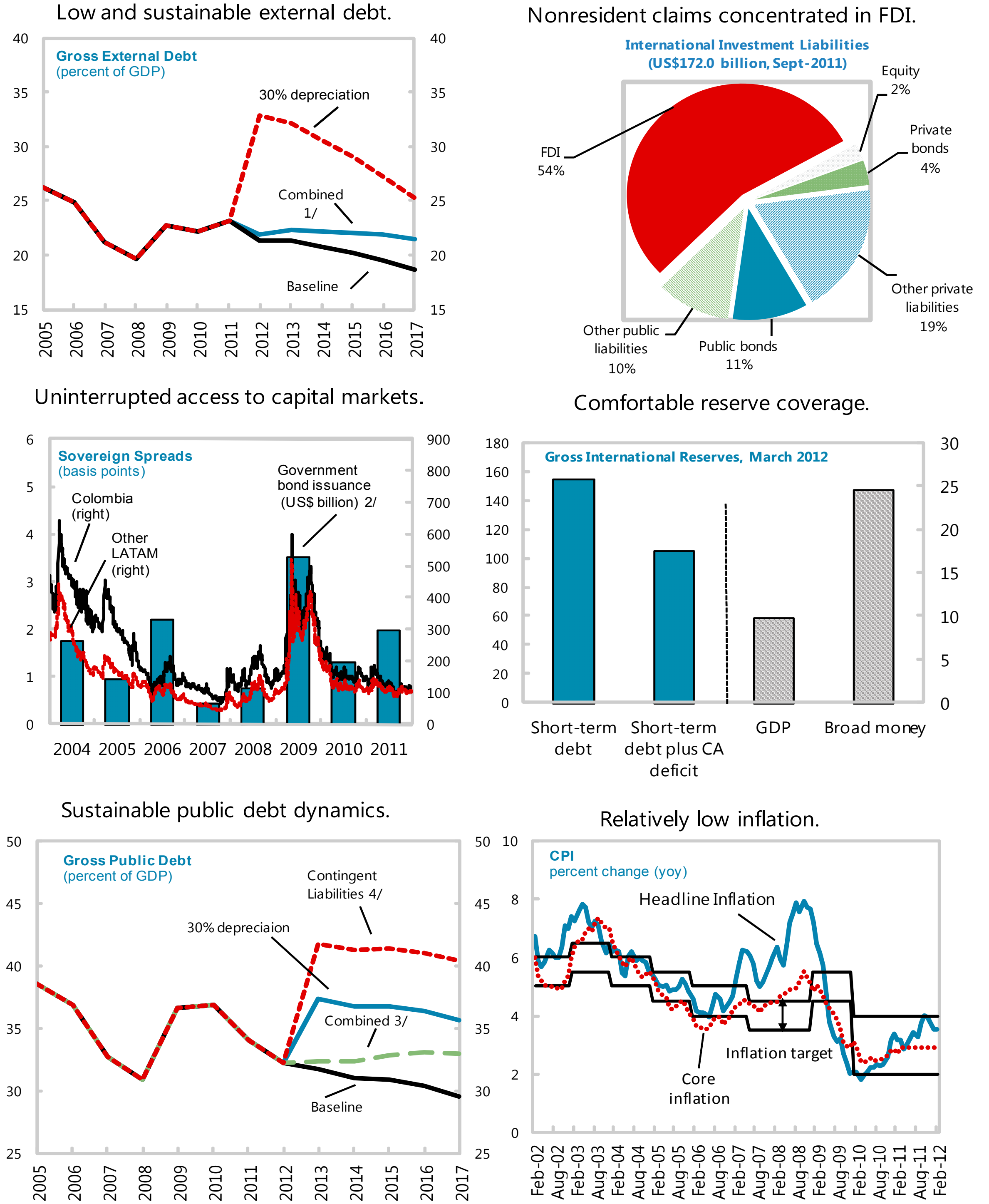


Nonperforming loans have remained moderate and are well covered by provisions.



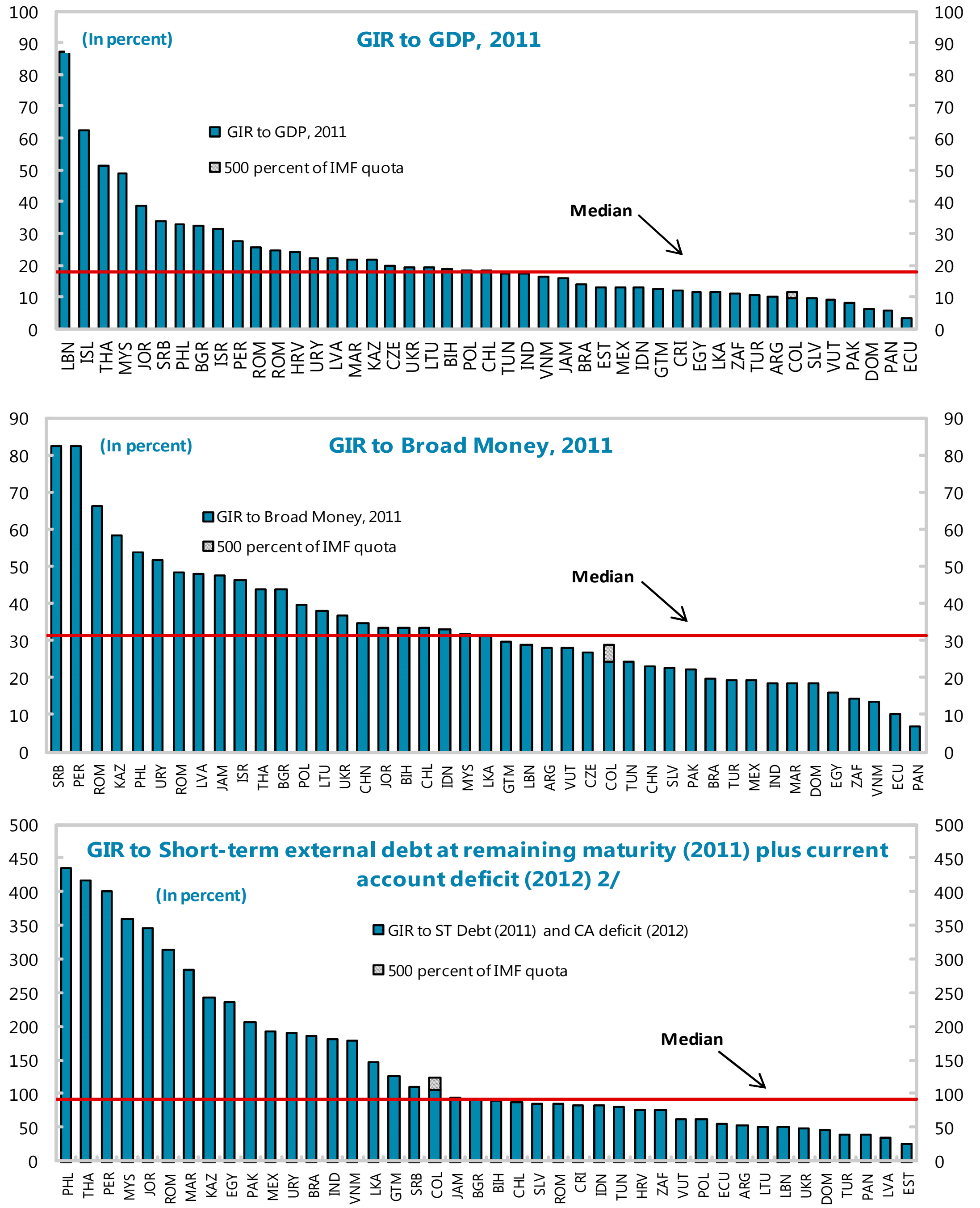
Source: March 2012 GFSR Statistical Appendix.

Figure 4. Colombia: FCL Qualification Criteria



Sources: Banco de la República; Ministerio de Hacienda y Crédito Público; Datastream; Haver, and IMF staff calculations.
1/ Combined permanent ¼ standard deviation shocks applied to interest rate, growth, and non-interest current account balance.
2/ Includes data through end 2011.
3/ Combined permanent ¼ standard deviation shocks applied to real interest rate, growth, and primary balance.
4/ One-time 10 percent of GDP increase in debt-creating liabilities.

Figure 5. Colombia: Reserve Coverage in an International Perspective 1/



Sources: World Economic Outlook and IMF staff estimates.
1/ Estimates for 2011. Figures for Mexico and Poland do not include resources available under their FCL arrangements.
The new reserve metric in "Assessing Reserve Adequacy" for Colombia stands at 156 percent, compared with a suggested adequate range of 100-150 percent.
2/ GIR at the end of 2011 in percent of ST debt at remaining maturity and current account deficit in 2012. The current account is set to zero if it is in surplus.

Table 1. Colombia: Selected Economic and Financial Indicators

I. Social and Demographic Indicators

Population (millions), 2010	46.1	Physicians (per 1,000 people), 2008	1.43
GDP, 2011		Adult illiteracy rate (ages 15 and older), 2009	6.8
per capita (US$)	7,115	Gross primary school enrollment rate, 2010	115.4
in billions of Col$	615,772	Sustainable access to safe water, 2006	
in billions of US$	327.7	(percent of population)	92.0
Unemployment rate, December 2011 (percent)	9.8	Gini index, 2010	55.9
Life expectancy at birth (years), 2009	73.0	Poverty rate ($2 a day (PPP)), 2009	18.0
Under 5 mortality rate (per 1,000 live births), 2009	19.1	Extreme poverty rate ($1 a day (PPP)), 2009	8.0
Net Foreign direct investment, 2011 (US$ millions)	4,945	Public Debt (in percent GDP) , 2011	34.1
Net Foreign direct investment (in percent GDP)	1.5	o/w external	13.1

II. Economic Indicators

					Est.	Projections	
	2007	2008	2009	2010	2011	2012	2013
(Percentage changes, unless otherwise indicated)							
National income and prices							
Real GDP	6.9	3.5	1.7	4.0	5.9	4.7	4.4
GDP deflator	5.0	7.6	3.4	3.6	6.9	3.3	2.5
Consumer prices (average)	5.5	7.0	4.2	2.3	3.4	3.5	3.1
Consumer prices (end of period)	5.7	7.7	2.0	3.2	3.7	3.1	3.1
External sector (on the basis of US$)							
Exports (f.o.b.)	21.4	26.0	-11.7	20.1	41.3	8.8	3.3
Imports (f.o.b.)	25.4	20.5	-16.2	22.7	35.2	10.1	4.3
Terms of trade (deterioration -)	4.3	10.5	-9.9	10.0	12.5	2.4	-3.6
Real effective exchange rate (depreciation -)	7.7	0.4	5.2	5.5	4.1	...	...
Central government							
Revenue	14.8	16.0	2.8	-2.8	25.7	12.6	6.3
Expenditure	9.9	12.9	13.6	-1.9	16.5	10.6	5.0
Money and credit							
Broad money	17.4	18.5	8.1	11.5	18.9	14.6	10.7
Credit to the private sector	25.6	14.0	0.9	16.8	22.9	14.2	11.0
Interest rate (90-day time deposits; percent per year)							
Nominal	9.0	10.1	4.1	3.5	5.1	...	...
Real	3.3	2.4	2.1	0.3	1.4	...	...
(In percent of GDP)							
Central government balance	-2.7	-2.3	-4.1	-3.9	-2.8	-2.6	-2.4
Combined public sector balance 1/	-0.7	-0.1	-2.7	-3.3	-2.2	-1.6	-1.5
Public debt 2/	32.7	30.9	36.7	36.9	34.1	32.3	31.8
Public debt, excluding Ecopetrol	32.7	30.9	35.6	35.7	32.9	31.1	30.7
Gross domestic investment	23.0	23.5	22.4	22.0	23.5	22.8	22.5
Gross national savings	20.2	20.6	20.3	19.0	20.4	20.2	20.0
Current account (deficit -)	-2.8	-2.8	-2.1	-3.1	-3.0	-2.6	-2.5
External debt	21.2	19.7	23.2	22.7	23.2	21.4	21.3
Of which: public sector	13.7	12.5	16.0	13.9	13.1	12.2	12.4
GIR in percent of short-term debt	198.7	207.3	242.5	194.7	153.8	150.7	140.9
(In percent of exports of goods and services)							
External debt service	39.2	32.0	37.9	30.2	29.0	37.3	38.9
Of which: public sector	15.6	12.7	11.7	11.0	9.0	9.2	8.8
Of which: Interest payments	9.2	7.7	8.1	7.5	6.0	6.9	6.6
Of which: public sector	6.4	5.5	5.7	5.4	4.1	4.0	3.9
(In millions of U.S. dollars)							
Changes in GIR	5,498	3,065	1,321	3,086	3,834	2,506	1,455
Exports (f.o.b.)	30,577	38,534	34,025	40,867	57,739	62,820	64,863
Of which: Petroleum products	7,318	12,204	10,254	16,483	27,954	32,637	34,053
Coffee	1,714	1,883	1,543	1,884	2,608	2,070	2,309
Gross official reserves (US$ millions)	20,607	23,672	24,992	28,078	31,912	34,418	35,873
Share of ST debt at remaining maturity + CA deficit	121	145	131	115	104	106	106
In months of imports of goods and services	5.5	7.4	6.4	5.5	5.7	5.9	5.9

Sources: Colombian authorities; UNDP Human Development Report; World Development Indicators; and Fund staff estimates and projections.

1/ Includes the quasi-fiscal balance of Banco de la República, Fogafin balance, net cost of financial system restructuring, and statistical discrepancy.

2/ Includes Ecopetrol and Banco de la República's outstanding external debt.

Table 2. Colombia: Summary Balance of Payments

					Est.	Projections					
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	(In millions of U.S. dollars)										
Current account balance	**-5,978**	**-6,699**	**-4,960**	**-8,760**	**-9,980**	**-9,890**	**-9,642**	**-8,525**	**-10,318**	**-10,702**	**-10,251**
Trade balance	-584	971	2,545	2,240	5,514	5,331	4,919	5,416	3,226	2,393	2,455
Exports, f.o.b.	30,577	38,534	34,025	40,867	57,739	62,820	64,863	67,841	67,729	69,516	72,345
Coffee	1,714	1,883	1,543	1,884	2,608	2,070	2,309	2,581	1,957	1,749	1,735
Petroleum products	7,318	12,204	10,254	16,483	27,954	32,637	34,053	34,954	33,543	33,284	33,850
Non-traditional	15,174	17,101	14,623	14,197	16,430	17,684	18,956	20,380	21,938	23,815	25,687
Other	6,370	7,346	7,605	8,304	10,747	10,429	9,545	9,925	10,292	10,668	11,073
Imports, f.o.b.	31,161	37,563	31,479	38,628	52,225	57,489	59,944	62,424	64,503	67,123	69,890
Services (net)	-2,647	-3,072	-2,821	-3,623	-4,621	-4,571	-4,515	-4,430	-4,700	-4,956	-5,200
Income (net)	-7,962	-10,110	-9,298	-11,851	-15,820	-15,714	-15,375	-15,124	-14,781	-14,422	-14,179
Interest (net)	-1,737	-2,067	-2,511	-2,929	-3,230	-4,139	-3,963	-3,875	-3,392	-2,762	-1,976
Of which : public sector	-1,284	-1,502	-1,779	-2,263	-2,319	-2,600	-2,471	-2,390	-2,052	-1,656	-1,271
Other Income (net)	-6,225	-8,043	-6,787	-8,922	-12,590	-11,576	-11,412	-11,248	-11,389	-11,660	-12,203
Current transfers (net)	5,216	5,512	4,613	4,475	4,948	5,064	5,328	5,613	5,937	6,283	6,673
Financial account balance	**10,347**	**9,515**	**6,254**	**11,770**	**13,322**	**12,396**	**11,098**	**10,145**	**11,958**	**12,321**	**11,903**
Public sector (net)	2,198	-309	7,287	5,020	2,855	590	-354	-641	1,093	1,312	1,221
Nonfinancial public sector	1,579	-44	7,498	4,890	2,928	384	-549	-765	1,087	1,348	1,270
Medium- and long-term (net)	1,298	998	7,360	1,338	3,038	2,789	2,768	1,288	1,104	1,366	1,288
Disbursements	4,096	3,246	8,918	3,357	5,077	5,147	5,039	4,783	4,901	4,181	5,561
Amortization	2,798	2,248	1,559	2,019	2,039	2,357	2,271	3,495	3,797	2,815	4,273
Other long-term flows	-19	0	1	-7	-17	-18	-18	-18	-18	-18	-18
Short term 1/	300	-1,042	138	3,559	-93	-2,387	-3,300	-2,036	0	0	0
Financial public sector	619	-265	-211	130	-72	206	195	124	6	-36	-49
Private sector (net)	8,149	9,825	-1,033	6,751	10,466	11,806	11,452	10,787	10,865	11,008	10,683
Nonfinancial private sector (net)	7,918	8,829	201	4,440	8,583	11,586	11,428	10,753	10,817	10,956	10,623
Direct investment	8,136	8,366	4,049	338	4,945	10,395	10,480	10,282	10,220	10,143	10,055
Direct investment abroad	913	2,254	3,088	6,562	8,289	3,463	3,493	3,516	3,547	3,592	3,647
Direct investment in Colombia	9,049	10,620	7,137	6,899	13,234	13,859	13,973	13,799	13,767	13,735	13,702
Leasing finance	116	277	733	22	541	76	105	136	151	177	242
Disbursements	656	1,004	1,797	1,039	1,467	1,052	1,101	1,148	1,177	1,223	1,271
Amortization	540	726	1,064	1,017	926	977	996	1,012	1,025	1,046	1,029
Long-term loans	951	408	642	3,334	2,492	526	0	0	0	0	0
Disbursements	3,031	2,263	3,365	6,410	4,667	5,786	5,944	7,010	10,696	7,451	7,561
Amortization	2,080	1,854	2,724	3,075	2,176	5,260	5,944	7,010	10,696	7,451	7,561
Short term 2/	-1,286	-222	-5,223	746	605	589	843	335	445	636	326
Financial private sector (net)	231	996	-1,234	2,311	1,884	220	25	34	48	53	60
Valuation changes/Contribution to FLAR 3/	800	442	-27	-50	89	0	0	0	0	0	0
Net errors and omissions	**328**	**-193**	**54**	**126**	**402**	**0**	**0**	**0**	**0**	**0**	**0**
Changes in GIR 4/ 5/	**5,498**	**3,065**	**1,321**	**3,086**	**3,834**	**2,506**	**1,455**	**1,621**	**1,640**	**1,619**	**1,652**
Memorandum Items:											
Current account balance (in percent of GDP)	-2.8	-2.8	-2.1	-3.1	-3.0	-2.6	-2.5	-2.1	-2.4	-2.3	-2.1
Oil Price (Colombian mix)	66.2	90.2	56.6	73.1	99.4	109.6	105.1	98.2	92.8	89.2	86.9
Gross international reserves (in US$ billion)	20.6	23.7	25.0	28.1	31.9	34.4	35.9	37.5	39.1	40.8	42.4
Gross international reserves / (st debt at remaining maturity + ca deficit)	120.7	144.5	131.1	115.1	104.1	106.0	105.6	93.6	107.3	106.3	117.1
Gross international reserves (months of imports of G&S)	5.5	7.4	6.4	5.5	5.7	5.9	5.9	5.9	5.9	6.2	6.2
Nominal GDP (US$ billion)	210.6	235.3	231.6	284.9	327.7	375.4	392.3	412.8	431.4	455.7	484.1

Sources: Banco de la República; and Fund staff estimates and projections.

1/ Mainly deposit flows of public sector entities abroad.
2/ Includes net portfolio investment.
3/ FLAR is Fondo Latinoamericano de Reservas.
4/ IMF definition.
5/ Figures for 2009 include SDR allocation to Colombia amounting to US$972 million.

Table 3. Colombia: External Financing Requirements and Sources

(In millions of U.S. dollars)

					Est.	Projections					
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Gross financing requirements	**21,712**	**20,134**	**17,699**	**22,154**	**28,232**	**33,149**	**33,933**	**35,599**	**41,696**	**38,081**	**39,536**
External current account deficit	5,978	6,699	4,960	8,760	9,980	9,890	9,642	8,525	10,318	10,702	10,251
Debt amortization	10,237	10,369	11,418	10,308	14,418	20,752	22,836	25,453	29,738	25,761	27,633
Medium and long term debt	5,662	5,225	5,802	6,364	6,219	9,417	10,891	13,211	17,200	12,997	14,561
Public sector 1/	2,898	2,380	1,722	2,186	2,069	2,387	2,302	3,540	3,830	2,851	4,322
Private sector	2,764	2,846	4,079	4,178	4,150	7,029	8,589	9,671	13,370	10,146	10,238
Non financial	2,080	1,854	2,724	3,075	2,176	5,260	5,944	7,010	10,696	7,451	7,561
Financial	684	991	1,356	1,102	1,974	1,770	2,645	2,661	2,674	2,695	2,678
Short-term debt 2/	4,575	5,144	5,617	3,944	8,199	11,336	11,944	12,242	12,538	12,764	13,072
Public sector	254	695	552	339	995	1,160	1,160	1,160	1,160	1,160	1,160
Private sector	4,321	4,449	5,064	3,605	7,204	10,176	10,785	11,082	11,378	11,604	11,912
Gross reserves accumulation 3/ 4/	5,498	3,065	1,321	3,086	3,834	2,506	1,455	1,621	1,640	1,619	1,652
Available financing	**21,712**	**20,134**	**17,699**	**22,154**	**28,232**	**33,149**	**33,933**	**35,599**	**41,696**	**38,081**	**39,536**
Foreign direct investment (net)	8,136	8,366	4,049	338	4,945	10,395	10,480	10,282	10,220	10,143	10,055
o/w inward (net)	9,049	10,620	7,137	6,899	13,234	13,859	13,973	13,799	13,767	13,735	13,702
Medium and long-term debt disbursements	9,011	6,820	14,351	12,766	13,965	13,172	13,959	14,759	18,462	14,503	16,042
Public sector 1/	4,487	3,425	9,173	3,560	5,156	5,383	5,265	4,952	4,941	4,181	5,561
Private sector	4,524	3,395	5,178	9,206	8,809	7,790	8,694	9,807	13,522	10,322	10,481
Non financial	3,031	2,263	3,365	6,410	4,667	5,786	5,944	7,010	10,696	7,451	7,561
Financial	1,493	1,132	1,813	2,797	4,141	2,004	2,750	2,797	2,826	2,872	2,920
Public sector use of external assets 5/	-662	-50	287	2,025	-1,028	-2,387	-3,300	-2,036	0	0	0
Short-term debt 6/	5,144	5,617	3,944	8,199	11,336	11,944	12,242	12,538	12,764	13,072	13,398
Public sector	695	552	339	995	1,160	1,160	1,160	1,160	1,160	1,160	1,160
Private sector	4,449	5,064	3,605	7,204	10,176	10,785	11,082	11,378	11,604	11,912	12,238
Private sector use of external assets 7/	1,266	-365	51	1,828	3,585	0	0	0	0	0	0
Other capital flows (net) 8/	-1,183	-254	-4,983	-3,001	-4,571	24	552	55	250	363	42
Memorandum items:											
Gross international reserves 4/	20,955	23,672	24,992	28,078	31,912	34,418	35,873	37,494	39,134	40,753	42,405
Gross international reserves / (st debt at remaining maturity + ca deficit)	120.7	144.5	131.1	115.1	104.1	106.0	105.6	93.6	107.3	106.3	117.1
Gross international reserves (months of imports of G&S)	5.5	7.4	6.4	5.5	5.7	5.9	5.9	5.9	5.9	6.2	6.2

Sources: Banco de la República and Fund staff estimates.

1/ Including financial public sector.

2/ Original maturity of less than 1 year. Stock at the end of the previous period.

3/ Estimate for 2009 includes the SDR allocation (US$972 million).

4/ IMF definition that excludes Colombia's contribution to Fondo Latinoamericano de Reservas (FLAR) and includes valuation changes of reserves denominated in other currencies than U.S. dollars.

5/ Assumes build-up of Ecopetrol dividend abroad as a safeguard against long-term fiscal liabilities.

6/ Original maturity of less than 1 year. Stock at the end of the current period.

7/ Includes pension funds and other portfolio flows.

8/ Includes all other net financial flows, Colombia's contribution to FLAR, and errors and omissions.

Table 4. Colombia: Operations of the Central Government 1/

(In percent of GDP)

	2007	2008	2009	2010	Est. 2011	Projections 2012	2013	2014	2015	2016	2017
Total revenue	**15.0**	**15.6**	**15.3**	**13.8**	**15.3**	**15.9**	**15.8**	**15.8**	**15.8**	**15.6**	**15.5**
Current revenue	**15.0**	**15.6**	**15.3**	**13.8**	**15.3**	**15.9**	**15.8**	**15.8**	**15.8**	**15.6**	**15.5**
Tax revenue	13.4	13.4	12.9	12.3	13.6	14.3	14.5	14.2	13.9	13.6	13.6
Net income tax and profits 2/	5.6	5.1	5.6	4.8	6.4	6.9	7.0	6.9	6.7	6.7	6.7
Goods and services	5.7	5.9	5.4	5.6	5.0	4.9	5.2	5.3	5.3	5.3	5.2
Value-added tax	5.4	5.6	5.1	5.3	4.8	4.7	5.1	5.0	5.0	5.0	5.0
Gasoline tax	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
International trade	1.0	0.9	0.8	0.9	0.7	0.7	0.7	0.7	0.7	0.7	0.6
Financial transaction tax	0.7	0.7	0.6	0.6	0.8	0.8	0.8	0.5	0.5	0.3	0.3
Stamp and other taxes	0.5	0.8	0.5	0.5	0.7	0.9	0.8	0.8	0.7	0.7	0.7
Nontax revenue	1.6	2.2	2.4	1.5	1.7	1.6	1.3	1.6	2.0	2.0	1.9
Property income	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other	1.4	2.0	2.2	1.4	1.6	1.5	1.1	1.4	1.8	1.8	1.8
Total expenditure and net lending	**17.7**	**17.9**	**19.4**	**17.7**	**18.2**	**18.5**	**18.2**	**18.0**	**18.0**	**17.6**	**17.5**
Current expenditure	**14.5**	**14.4**	**15.6**	**14.3**	**13.9**	**14.5**	**14.4**	**14.2**	**14.5**	**14.2**	**14.0**
Wages and salaries	2.0	2.0	2.2	2.1	2.1	2.1	2.0	1.9	1.8	1.8	1.7
Goods and services	1.2	1.2	1.0	1.0	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Interest	3.7	3.2	3.0	2.7	2.7	2.7	2.6	2.5	2.5	2.3	2.3
External	0.9	0.8	0.8	0.7	0.5	0.8	0.7	0.7	0.7	0.5	0.4
Domestic	2.8	2.4	2.2	2.1	2.2	2.0	1.9	1.9	1.8	1.7	1.7
Current transfers	7.6	8.0	9.4	8.4	8.2	8.8	8.9	8.9	9.4	9.3	9.1
Of which: fuel subsidies 3/	0.1	0.1	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	**3.1**	**3.5**	**3.7**	**3.3**	**4.2**	**4.0**	**3.7**	**3.8**	**3.4**	**3.4**	**3.4**
Fixed capital formation	1.9	2.2	2.3	1.9	2.9	2.6	2.3	2.4	2.0	2.0	2.0
Capital transfers	1.3	1.2	1.4	1.4	1.3	1.4	1.4	1.4	1.4	1.4	1.4
Net lending	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	**-2.7**	**-2.3**	**-4.1**	**-3.9**	**-2.8**	**-2.6**	**-2.4**	**-2.2**	**-2.2**	**-2.0**	**-2.0**
Memorandum items:											
Oil-related revenues 4/	1.2	1.2	1.6	0.8	1.7	2.3	2.1	2.3	2.6	2.6	2.5
Overall structural balance 5/	-3.1	-3.8	-2.6	-3.3	-3.1	-2.9	-2.5	-2.3	-2.2	-2.0	-2.0
Primary balance	1.0	0.9	-1.1	-1.1	-0.2	0.1	0.3	0.3	0.3	0.2	0.3
Nominal GDP (in COP trillion)	431.1	480.1	504.6	543.7	615.8	666.4	713.3	766.2	814.7	873.2	937.5

Sources: Ministry of Finance; Banco de la República; and Fund staff estimates and projections.

1/ Includes central administration only.

2/ The increase in tax revenue of 0.7 percent of GDP in 2012 reflects almost entirely the elimination of the fixed asset tax credit, which was part of the end-2010 tax reform

3/ Payments for fuel subsidies granted in 2007-08 were distributed across the 2007-2009 budgets. A fuel price stabilization fund was created at end-2008 to eliminate fuel subsidies.

4/ Includes income tax payments and dividends from Ecopetrol corresponding to earnings from the previous year.

5/ Adjusts for the output gap, oil price projections, fuel subsidies, and one-off natrual disaster-related expenditures.

Table 5. Colombia: Operations of the Combined Public Sector 1/

(In percent of GDP)

	2007	2008	2009	2010	Est. 2011	Projections 2012	2013	2014	2015	2016	2017
Total revenue	**27.2**	**26.4**	**26.7**	**26.2**	**26.7**	**27.3**	**27.1**	**26.9**	**27.0**	**26.7**	**26.5**
Tax revenue	19.4	19.3	18.4	18.7	19.2	19.9	20.2	19.8	19.5	19.3	19.2
Nontax revenue	7.8	7.1	8.3	7.4	7.5	7.4	7.0	7.1	7.5	7.5	7.3
Financial income	1.4	1.3	1.7	1.2	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Operating surplus of public enterprises	3.2	0.3	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Other	3.2	5.4	6.5	6.2	6.6	6.6	6.2	6.3	6.7	6.7	6.5
Total expenditure and net lending 2/	**28.2**	**26.3**	**29.3**	**29.3**	**28.8**	**28.9**	**28.7**	**28.6**	**28.6**	**28.2**	**27.8**
Current expenditure	21.8	21.3	23.1	22.4	20.5	21.0	21.0	20.8	21.2	20.8	20.4
Wages and salaries	5.6	5.5	5.8	5.8	5.4	5.4	5.3	5.2	5.2	5.1	5.1
Goods and services	3.6	3.4	3.2	3.3	3.1	2.9	3.0	3.0	3.0	2.9	2.9
Interest	4.1	3.5	3.4	2.9	2.8	2.8	2.7	2.6	2.6	2.4	2.2
External	1.0	0.8	0.8	0.7	0.6	0.9	0.8	0.7	0.8	0.6	0.5
Domestic	3.1	2.6	2.5	2.2	2.2	2.0	2.0	1.9	1.8	1.8	1.7
Transfers to private sector	7.2	7.4	8.8	8.1	7.2	7.8	7.9	7.9	8.4	8.3	8.1
Of which: fuel subsidies 3/	0.1	0.1	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other 4/	1.3	1.5	2.0	2.4	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Capital expenditure	6.4	5.0	6.2	6.8	8.3	7.9	7.7	7.8	7.4	7.4	7.4
Statistical discrepancy	0.2	-0.3	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nonfinancial public sector balance	**-0.8**	**-0.3**	**-2.8**	**-3.3**	**-2.1**	**-1.6**	**-1.5**	**-1.6**	**-1.6**	**-1.5**	**-1.2**
Quasi-fiscal balance (BR cash profits)	0.4	0.3	0.1	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
Fogafin balance	0.1	0.1	0.2	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Net cost of financial restructuring 5/	-0.3	-0.3	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Combined public sector balance	**-0.7**	**-0.1**	**-2.7**	**-3.3**	**-2.2**	**-1.6**	**-1.5**	**-1.6**	**-1.5**	**-1.4**	**-1.1**
Overall financing	0.7	0.1	2.7	3.3	2.2	1.6	1.5	1.6	1.5	1.4	1.1
Foreign, net	1.6	0.3	1.7	1.7	1.2	0.7	0.7	0.4	0.3	0.3	0.3
Domestic, net	-2.4	-0.2	0.9	1.4	1.0	0.3	0.5	0.8	1.2	1.0	0.9
Privatization (including concessions)	1.4	0.1	0.2	0.1	0.0	0.6	0.3	0.4	0.0	0.0	0.0
Memorandum items:											
CPS overall structural balance 6/	-1.3	-2.0	-0.7	-2.2	-2.6	-2.0	-1.8	-1.7	-1.6	-1.4	-1.1
Primary Balance 7/	3.4	3.3	0.7	-0.4	0.6	1.3	1.2	1.0	1.1	1.0	1.1
Oil-related revenues 8/	3.2	3.0	2.9	2.3	3.6	4.3	4.0	4.1	4.4	4.3	4.1
Total public debt 9/	32.7	30.9	36.7	36.9	34.1	32.3	31.8	31.0	30.9	30.4	29.6
Nominal GDP (in COP trillions)	431.1	480.1	504.6	543.7	615.8	666.4	713.3	766.2	814.7	873.2	937.5

Sources: Ministry of Finance; Banco de la República; and Fund staff estimates and projections.

1/ Combined public sector includes the central, regional and local governments, social security, and public sector enterprises. From 2008 onwards, including projections, figures reflect the exclusion of Ecopetrol operations and privatization of health care, which reduced revenue and spending by about 2 percent of GDP and 1.5 percent of GDP, respectively, in 2008.

2/ Expenditure reported on commitments basis.

3/ Payments for fuel subsidies granted in 2007-08 were distributed across the 2007-2009 budgets. At end-2008, a fuel price stabilization fund was created to eliminate fuel subsidies.

4/ Includes adjustments to put spending on commitment basis and the change in unpaid bills of selected nonfinancial public enterprises.

5/ Interest payments on public banks restructuring bonds and mortgage debt relief related costs.

6/ Adjusts for the output gap, oil price projections, fuel subsidies, and one-off natural-disaster related expenditures.

7/ Includes statistical discrepancy.

8/ Includes income tax payments and dividends from Ecopetrol that correspond to earnings from the previous year, and royalties to local governments.

9/ Includes Ecopetrol and Banco de la República's outstanding external debt.

Table 6. Colombia: Monetary Indicators

	2007	2008	2009	2010	2011
(In billions of Colombian pesos, unless otherwise indicated)					
Central Bank					
Net Foreign Assets	42,876	54,661	50,526	53,265	61,750
Gross official reserve assets	42,343	53,720	51,650	54,583	63,566
in billions of US$	21.0	23.9	25.3	28.5	32.7
Short-term foreign liabilities	136	613	562	844	1,575
Other net foreign assets	1,161	2,106	1,955	1,865	2,117
Net domestic assets	-9,964	-18,403	-10,958	-8,373	-10,393
Net credit to the public sector	-4,038	-1,792	622	-2,098	-4,624
Net credit to the financial system	5,039	-143	-419	1,516	3,078
Other	-10,965	-16,468	-11,160	-7,792	-8,847
Monetary base	32,415	36,195	39,547	44,878	51,342
Currency in circulation	22,417	24,352	25,671	29,674	33,367
Deposit money banks reserves	9,970	11,832	13,865	15,157	17,946
Other deposits	29	12	10	47	29
Financial system					
Net foreign assets	37,886	49,670	48,267	44,392	47,389
in billions of US$	18.4	21.4	24.2	23.0	24.3
Net domestic assets	106,762	121,706	136,915	162,008	198,069
Net credit to public sector	11,926	16,150	32,352	33,782	32,455
Credit to private sector	130,986	149,366	150,766	176,020	216,410
Other net	-36,150	-43,809	-46,203	-47,794	-50,797
Broad money	144,648	171,376	185,182	206,399	245,458
(Annual percentage change)					
y-o-y					
Credit to private sector	25.6	14.0	0.9	16.8	22.9
Currency	11.4	8.6	5.4	15.6	12.4
Monetary base	19.9	11.7	9.3	13.5	14.4
Broad money	17.4	18.5	8.1	11.5	18.9
(In percent of GDP)					
Credit to private sector	30.4	31.1	29.9	32.4	35.1
Currency	5.2	5.1	5.1	5.5	5.4
Monetary base	7.5	7.5	7.8	8.3	8.3
Broad money	33.6	35.7	36.7	38.0	39.9
Memorandum items:					
Central bank inflation target	3.5-4.5	3.5-4.5	4.5-5.5	2.0-4.0	2.0-4.0
CPI inflation, eop	5.7	7.7	2.0	3.2	3.7
Nominal GDP (COP billions)	431,072	480,087	504,647	543,747	615,772

Sources: Banco de la República; and Fund staff estimates.

Table 7. Colombia: Financial Soundness Indicators
Total Banking System 1/
(In percent, unless otherwise indicated; end-of-period values)

	2007	2008	2009	2010	2011
Capital Adequacy					
Regulatory capital to risk-weighted assets	16.0	15.4	17.2	17.3	16.9
Regulatory Tier 1 capital to risk-weighted assets	12.5	12.0	13.4	13.0	13.4
Capital (net worth) to assets	12.9	12.2	14.0	14.2	14.3
Asset Quality and Distribution					
Nonperforming loans to gross loans	3.2	3.9	4.0	2.9	2.5
Provisions to nonperforming loans	133.8	124.3	140.1	175.0	181.9
Gross loans to assets	70.3	71.2	64.3	67.9	70.4
Earnings and Profitability					
ROAA	3.8	3.6	3.5	3.4	3.3
ROAE	29.6	28.1	26.2	23.7	23.0
Interest margin to gross income	51.2	54.0	54.0	55.6	58.4
Noninterest expenses to gross income	45.9	46.1	43.2	47.0	49.3
Liquidity					
Liquid assets to total assets	7.5	8.2	9.2	7.5	8.6
Liquid assets to short-term liabilities	11.6	12.8	14.2	12.1	13.9
Deposit to loan ratio	94.7	94.9	98.8	93.5	91.4
Other					
Foreign-currency-denominated loans to total loans	6.3	6.6	4.2	6.9	7.7
Foreign-currency-denominated liabilities to total liabilities	8.5	8.9	6.6	11.2	15.3
Net open position in foreign exchange to capital	1.9	-0.1	1.7	-2.0	-4.7

Sources: Superintendencia Financiera
1/ All deposit taking institutions.

Table 8. Colombia: Indicators of Fund Credit, 2010-17

		Est.	Projections					
	2010	2011	2012	2013	2014	2015	2016	2017
Stocks from prospective drawings 1/								
Fund credit in millions SDR	0	0	3,870.0	3,870.0	3,870.0	2,902.5	967.5	0
In percent of quota	0	0	500	500	500	375	125	0
In percent of GDP	0	0	1.6	1.5	1.4	1.0	0.3	0
In percent of exports of goods and services	0	0	8.8	8.4	8.0	6.0	2.0	0
In percent of gross reserves	0	0	14.8	14.3	13.7	10.3	3.5	0
Flows from prospective drawings 2/								
Amortization	0	0	0	0	0	967.5	1,935.0	967.5
GRA Charges	0	0	22.0	44.5	44.5	43.2	25.2	4.3
Surcharge	0	0	15.3	31.0	31.0	35.1	5.4	0.0
Service Charge	0	0	19.4	0.0	0.0	0.0	0.0	0.0
Debt service due on GRA credit (millions SDR)	0	0	56.7	75.4	75.5	1,045.8	1,965.6	971.8
In percent of quota	0	0	7.3	9.7	9.8	135.1	254.0	125.6
In percent of GDP	0	0	0.0	0.0	0.0	0.2	0.3	0.1
In percent of exports of goods and services	0	0	0.1	0.1	0.1	0.9	1.7	0.8
In percent of gross reserves 2/	0	0	0.1	0.1	0.1	1.7	3.1	1.5
Memorandum Items:								
Total External Debt, assuming full drawing (% of GDP)	22.7	23.2	23.0	22.8	22.1	21.2	19.8	18.7
Total Debt Service, assuming full drawing (% of GDP)	4.8	5.5	6.8	7.0	7.3	8.4	7.3	7.0

Sources: IMF Finance Department; Colombian authorities, and Fund staff estimates.

1/ End of period. Assumes full drawings under the FCL upon approval. The Colombian authorities have expressed their intention to treat the arrangement as precautionary.

2/ Million SDRs, unless otherwise indicated. Calculations based on the rate of charge as of March 29, 2012.

Table 9. Colombia: External Debt Sustainability Framework, 2007-2017
(In percent of GDP, unless otherwise indicated)

	Actual					Staff Projections 1/						
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	**Debt-stabilizing non-interest current account 7/**
Baseline: External debt	21.1	19.7	22.7	22.2	23.2	**21.4**	**21.3**	**20.7**	**20.1**	**19.5**	**18.7**	**-2.5**
Change in external debt	-3.8	-1.4	3.0	-0.4	0.9	-1.8	-0.1	-0.6	-0.5	-0.7	-0.8	
Identified external debt-creating flows (4+8+9)	-6.9	-2.9	0.7	-1.3	0.4	-1.1	-1.1	-1.6	-1.1	-1.0	-1.2	
Current account deficit, excluding interest payments	1.4	1.6	0.9	2.0	2.1	1.2	1.2	0.9	1.2	1.3	1.2	
Deficit in balance of goods and services	1.5	0.9	0.1	0.5	-0.3	-0.2	-0.1	-0.2	0.3	0.6	0.6	
Exports	16.2	18.1	16.5	15.9	19.1	18.2	18.0	18.0	17.2	16.8	16.4	
Imports	17.8	19.0	16.6	16.4	18.8	18.0	17.9	17.8	17.6	17.3	17.0	
Net non-debt creating capital inflows (negative)	-3.9	-3.6	-1.7	-0.1	-1.5	-2.8	-2.7	-2.7	-2.6	-2.4	-2.5	
Automatic debt dynamics 2/	-4.4	-1.0	1.5	-3.2	-0.2	0.4	0.4	0.3	0.3	0.2	0.1	
Contribution from nominal interest rate	1.5	1.2	1.2	1.0	1.0	1.4	1.3	1.2	1.2	1.0	0.9	
Contribution from real GDP growth	-1.3	-0.7	-0.3	-0.7	-1.1	-1.0	-0.9	-0.9	-0.9	-0.9	-0.8	
Contribution from price and exchange rate changes 3/	-4.6	-1.5	0.6	-3.5	...	...	...	...	...	...	...	
Residual, incl. change in gross foreign assets (2-3) 4/	3.1	1.5	2.3	0.8	0.5	-0.7	1.1	1.0	0.5	0.3	0.4	
External debt-to-exports ratio (in percent)	130.0	108.5	137.4	139.7	121.1	117.6	118.1	115.0	116.9	116.2	113.9	
Gross external financing need (in billions of US dollars) 5/	16.2	17.1	16.4	19.1	24.4	30.6	32.5	34.0	40.1	36.5	37.9	
in percent of GDP	7.7	7.3	7.1	6.7	7.4	8.2	8.3	8.2	9.3	8.0	7.8	
Scenario with key variables at their historical averages 6/						**21.1**	**18.8**	**16.6**	**13.9**	**11.3**	**9.0**	**-2.9**
Key Macroeconomic Assumptions Underlying Baseline												
Real GDP growth (in percent)	6.9	3.5	1.7	4.0	5.9	4.7	4.4	4.5	4.5	4.5	4.5	
GDP deflator in US dollars (change in percent)	22.6	7.9	-3.2	18.3	8.6	9.4	0.1	0.7	0.0	1.1	1.7	
Nominal external interest rate (in percent)	7.7	6.5	6.0	5.6	4.9	6.9	6.3	5.9	6.1	5.3	4.9	
Growth of exports (US dollar terms, in percent)	19.8	24.7	-10.4	18.5	38.3	8.9	3.7	5.0	0.1	2.7	4.1	
Growth of imports (US dollar terms, in percent)	23.4	19.6	-14.0	21.3	32.2	9.2	4.3	4.2	3.5	4.1	4.2	
Current account balance, excluding interest payments	-1.4	-1.6	-0.9	-2.0	-2.1	-1.2	-1.2	-0.9	-1.2	-1.3	-1.2	
Net non-debt creating capital inflows	3.9	3.6	1.7	0.1	1.5	2.8	2.7	2.7	2.6	2.4	2.5	

Source: IMF staff estimates.

1/ Does not assume any drawings under the Flexible Credit Line arrangement.

2/ Derived as [r - g - p(1+g) + ea(1+r)]/(1+g+p+gp) times previous period debt stock, with r = nominal effective interest rate on external debt; p = change in domestic GDP deflator in US dollar terms, g= real GDP growth rate, e = nominal appreciation (increase in dollar value of domestic currency), and a = share of domestic-currency denominated debt in total external debt.

3/ The contribution from price and exchange rate changes is defined as [-p(1+g) + ea(1+r)]/(1+g+p+gp) times previous period debt stock. p increases with an appreciating domestic currency (e > 0) and rising inflation (based on GDP deflator).

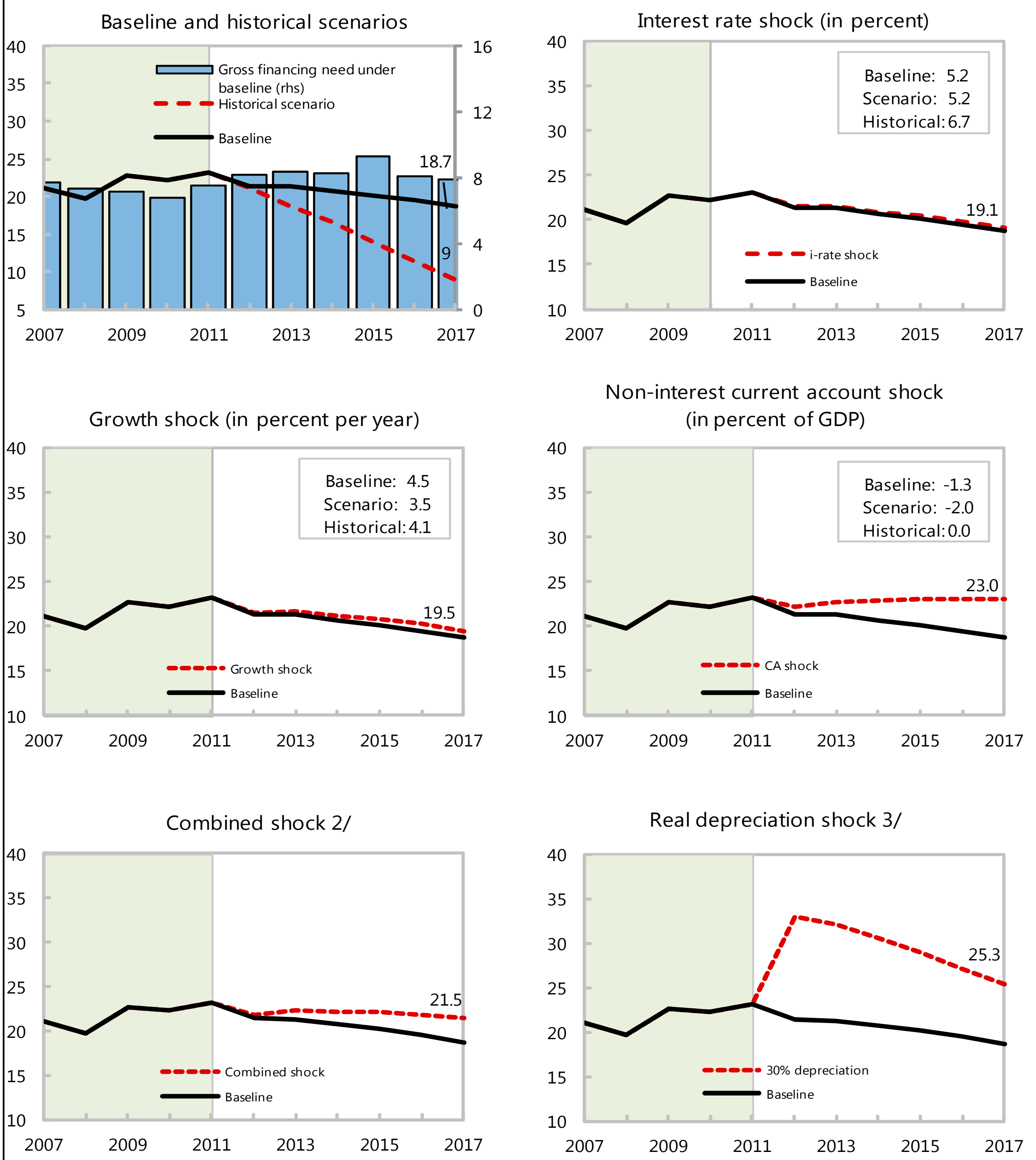
4/ For projection, line includes the impact of price and exchange rate changes.

5/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

6/ The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.

7/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and non-debt inflows in percent of GDP) remain at their levels of the last projection year.

Figure 6. Colombia: External Debt Sustainability: Bound Tests 1/
(External debt in percent of GDP)



Sources: International Monetary Fund, Country desk data, and staff estimates.
1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.
2/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and current account balance.
3/ One-time real depreciation of 30 percent occurs in 2012, with real depreciation defined as nominal depreciation (measured by percentage fall in dollar value of local currency) minus domestic inflation (based on GDP deflator).

Table 10. Colombia: Public Sector Debt Sustainability Framework, 2007-2017
(In percent of GDP, unless otherwise indicated)

	Actual					Staff Projections						
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	**Debt-stabilizing primary balance 10/**
Baseline: Public sector debt 1/	32.7	30.9	36.7	36.9	34.1	**32.3**	**31.8**	**31.0**	**30.9**	**30.4**	**29.6**	**0.3**
o/w foreign-currency denominated	13.7	12.5	16.0	13.9	13.1	12.2	12.4	12.1	11.9	11.5	11.1	
Change in public sector debt	-4.1	-1.8	5.8	0.2	-2.8	-1.8	-0.5	-0.7	-0.1	-0.5	-0.8	
Identified debt-creating flows (4+7+12)	-6.0	-2.0	-0.3	0.0	-2.6	-1.6	-0.9	-0.9	-0.3	-0.6	-0.9	
Primary deficit	-3.0	-3.5	-0.8	0.2	-0.7	-1.3	-1.2	-1.0	-1.0	-0.9	-1.0	
Revenue and grants	27.2	26.4	26.7	26.2	26.7	27.3	27.1	26.9	27.0	26.7	26.5	
Primary (noninterest) expenditure	24.2	22.9	25.9	26.4	26.0	26.1	25.9	26.0	26.0	25.8	25.5	
Automatic debt dynamics 2/	-1.5	1.6	0.7	-0.2	-1.8	0.3	0.6	0.4	0.7	0.3	0.1	
Contribution from interest rate/growth differential 3/	0.0	0.1	1.9	0.2	-1.5	0.3	0.6	0.4	0.7	0.3	0.1	
Of which contribution from real interest rate	2.3	1.2	2.3	1.6	0.4	1.7	2.0	1.7	2.0	1.6	1.4	
Of which contribution from real GDP growth	-2.3	-1.0	-0.5	-1.4	-1.9	-1.5	-1.3	-1.3	-1.3	-1.3	-1.3	
Contribution from exchange rate depreciation 4/	-1.6	1.5	-1.1	-0.4	-0.3	...	...	...	...	...	...	
Other identified debt-creating flows	-1.4	-0.1	-0.2	-0.1	0.0	-0.6	-0.3	-0.4	0.0	0.0	0.0	
Privatization receipts (negative)	-1.4	-0.1	-0.2	-0.1	0.0	-0.6	-0.3	-0.4	0.0	0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Residual, including asset changes (2-3) 5/	1.9	0.2	6.0	0.2	-0.2	-0.2	0.4	0.2	0.1	0.1	0.1	
Public sector debt-to-revenue ratio 1/	120.4	117.1	137.2	140.9	127.4	118.1	117.1	115.3	114.4	113.7	111.7	
Gross financing need 6/	9.1	7.1	7.9	7.4	6.3	5.4	6.1	5.6	5.5	4.8	4.8	
in billions of U.S. dollars	19.2	16.7	18.3	21.0	20.7	20.2	24.0	23.3	23.6	21.7	23.3	
Scenario with key variables at their historical averages 7/						**32.3**	**30.4**	**28.2**	**26.3**	**24.4**	**22.5**	**0.0**
Scenario with no policy change (constant primary balance) in 2012-2017						**32.3**	**31.7**	**30.7**	**30.3**	**29.4**	**28.4**	**0.2**
Key Macroeconomic and Fiscal Assumptions Underlying Baseline												
Real GDP growth (in percent)	6.9	3.5	1.7	4.0	5.9	4.7	4.4	4.5	4.5	4.5	4.5	
Average nominal interest rate on public debt (in percent) 8/	12.4	11.8	11.4	8.5	8.5	9.0	9.1	8.8	8.8	8.2	7.9	
Average real interest rate (nominal rate minus change in GDP deflator, in percent)	7.3	4.3	8.0	4.8	1.6	5.7	6.6	6.0	7.1	5.6	5.1	
Nominal appreciation (increase in US dollar value of local currency, in percent)	11.1	-10.2	9.8	2.7	2.4	...	...	...	...	...	...	
Inflation rate (GDP deflator, in percent)	5.0	7.6	3.4	3.6	6.9	3.3	2.5	2.8	1.8	2.6	2.8	
Growth of real primary spending (deflated by GDP deflator, in percent)	6.5	-1.9	15.1	5.9	4.5	4.9	3.9	4.5	4.7	3.7	3.3	
Primary deficit 9/	-3.0	-3.5	-0.8	0.2	-0.7	-1.3	-1.2	-1.0	-1.0	-0.9	-1.0	

Source: IMF staff estimates.

1/ Gross debt of the combined public sector, including Ecopetrol and Banco de la República's outstanding external debt. Does not assume any drawings under the Flexible Credit Line arrangement or any contingent liability.

2/ Derived as [(r - p(1+g) - g + ae(1+r)]/(1+g+p+gp)) times previous period debt ratio, with r = interest rate; p = growth rate of GDP deflator; g = real GDP growth rate; a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).

3/ The real interest rate contribution is derived from the denominator in footnote 2/ as r - π (1+g) and the real growth contribution as -g.

4/ The exchange rate contribution is derived from the numerator in footnote 2/ as ae(1+r).

5/ For projections, this line includes exchange rate changes.

6/ Defined as public sector deficit, plus amortization of medium and long-term public sector debt, plus short-term debt at end of previous period.

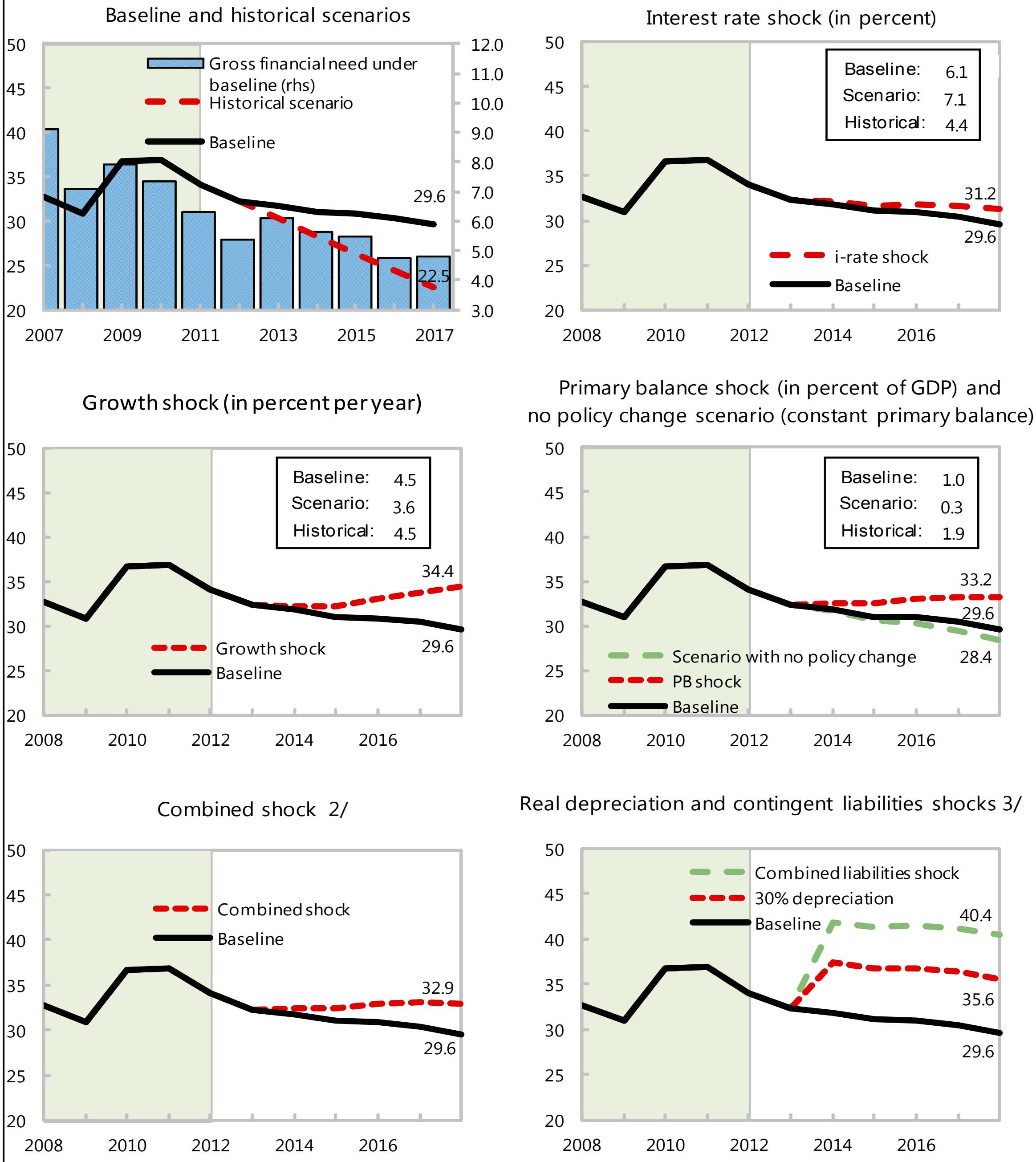
7/ The key variables include real GDP growth; real interest rate; and primary balance in percent of GDP.

8/ Derived as nominal interest expenditure divided by previous period debt stock.

9/ Excludes statistical discrepancy.

10/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

Figure 7. Colombia: Public Debt Sustainability: Bound Tests 1/
(Public debt in percent of GDP)



Sources: International Monetary Fund, country desk data, and staff estimates.
1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.
2/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and primary balance.
3/ One-time real depreciation of 30 percent and 10 percent of GDP shock to contingent liabilities occur in 2012, with real depreciation defined as nominal depreciation (measured by percentage fall in dollar value of local currency) minus domestic inflation (based on GDP deflator).

Press Release No. 12/159
FOR IMMEDIATE RELEASE
May 4, 2012

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Review of Colombia's Performance under the Flexible Credit Line

The Executive Board of the International Monetary Fund (IMF) today completed its review of Colombia's qualification for the arrangement under the Flexible Credit Line (FCL) and reaffirmed Colombia's continued qualification to access FCL resources. The Colombian authorities have indicated that they intend to continue treating the arrangement as precautionary.

The two-year FCL arrangement for Colombia in an amount equivalent to SDR 3.87 billion (about US$5.98 billion) was approved by the IMF's Executive Board on May 6, 2011 (see Press Release No. 11/165). Colombia's first FCL was approved on May 11, 2009 (see Press Release No. 09/161) and a successor one-year arrangement was approved on May 7, 2010 (see Press Release No. 10/186).

Following the Executive Board discussion of Colombia, Mr. David Lipton, First Deputy Managing Director and Acting Chair of the Board, made the following statement:

"Colombia's continued resilience to global financial turbulence and its vigorous growth during the past year attest to its strong fundamentals and skillful policy management. Sound policy track records and institutions, including the structural fiscal balance rule, a credible inflation targeting regime, and effective financial supervision, have underpinned robust public and private balance sheets.

"The FCL arrangement for Colombia, approved a year ago in a context of heightened external risks, has supported the authorities' macroeconomic strategy, providing insurance against global tail risks, and helping to strengthen market confidence. The Executive Board confirms that Colombia continues to meet the qualification criteria for access to FCL resources.

"The authorities are committed to continue rebuilding policy buffers gradually to protect against global risks. Fiscal consolidation has outpaced expectations and the gradual tightening of monetary policy has been appropriate given strong domestic demand. The floating exchange rate regime continues to play a key role in helping to absorb external shocks, while the increase in external buffers is being complemented by the FCL arrangement.

"Lingering global uncertainty entails significant downside risks, particularly regarding the outlook for global trade, external financing, and commodity prices. Colombia has maintained ample policy space to mitigate the potential fallout from those shocks, and the authorities remain committed to their rules-based framework and to adjust policies as needed."

Statement by Maria Angelica Arbelaez, Alternate Executive Director for Colombia, on the Review Under the Flexible Credit Line Arrangement, May 4, 2012

On behalf on my authorities I want to express our gratitude to the Board for the FCLs that Colombia has obtained, and to staff and management for their continued support. The FCLs have been an important complement to the wide policy response to the global crisis, which has involved exchange rate flexibility, countercyclical fiscal and monetary policies, securing precautionary external funding and ensuring a cushion of international liquidity for the country. The FCLs have also signaled the strength of our economy and policy framework.

The Colombian economy was resilient to the global financial crisis of 2008-2009 and the recent troubles in Europe have had virtually no impact on the economic performance. In 2011 the economy grew by 5.9 percent (1.2 percent above the Latin-American average) and will continue to gain momentum in 2012 with an expected growth around 5 percent. Growth has been broad-based, led by both internal demand and exports. Despite the protracted weak external demand in advanced economies, both traditional and non-traditional exports have been dynamic (total exports grew 43 percent in 2011) in part as a result of strong efforts to diversify markets. In addition, confidence stemming from good performance and strong fundamentals was reflected in high consumption, a boom in domestic and foreign investment and an increasingly comfortable access to markets.

Macroeconomic fundamentals continue to be strong. In 2011 the fiscal deficit was lower than expected, the public debt has remained on a downward trend and inflation was subdued. The external position has continued to be favorable stemming from a narrow current account deficit, abundant foreign investment and an adequate international reserve position. The financial sector has remained robust and has played a critical role in supporting growth. Given the commitment of the Colombian authorities to maintain sound economic management complemented with an ambitious agenda of structural reforms it is expected that the good performance will persist in 2012.

Although contagion effects in Colombia have been negligible thus far, a further deterioration of the global growth could have severe negative impacts on the economy, particularly through a decline in commodity exports, remittances and foreign direct investment. Colombia is particularly vulnerable to commodity price shocks, since most of exports are commodities and FDI is concentrated in commodity sectors. The authorities consider that preserving strong fundamentals and macroeconomic policies supported by well-built institutions are the first line of defense against external shocks and continue to see the FCL as a valuable insurance and a complement to reserves in a still highly uncertain global environment.

Fiscal Stance

Colombia has a track record of fiscal discipline and the authorities have been putting in place a comprehensive institutional framework to anchor a credible and healthy long-term fiscal stance. This has allowed a gradual reduction of the fiscal deficit and a significant decline in the public debt. In 2011, the fiscal position was better than expected as a result of lower expenditure and higher revenues, the latter driven by the 2010 tax reform and ambitious measures to improve tax administration. The deficit of the Central Government was 2.9 percent instead of 4 percent; the non financial public sector (NFPS) deficit was 2.2 percent instead of 3.4 percent; and the net public debt ended at 34 percent of GDP, down from 36.6 percent of GDP a year before.

Based on this favorable outcome, the authorities further tightened the fiscal targets for 2012 to 2.8 percent for the Central Government and 1.8 percent for the NFPS. The risks are on the upside owing to larger than expected mining production by around 1 percent of GDP, higher commodity prices and stronger GDP growth. It is noteworthy that fiscal discipline strengthened amidst severe flooding that had been hitting the entire country, leaving enormous losses and infrastructure damage. The authorities are carefully preparing the budget for 2013 with a view to containing the deficit further, but at the same time seeking to accommodate infrastructure spending and the financing of the flood recovery plan.

With an aggregate demand still dynamic, the authorities do not see merit for fiscal stimulus measures at this time and rather continue to build fiscal buffers. However, should further deceleration of domestic and external demand materialize, they are ready to react by using temporary countercyclical tools that were put in place during the financial crisis of 2008-2009 and proved to be effective.

The authorities have developed a clear and transparent public credit strategy fully consistent with the short and medium-term fiscal plan. Among the achievements of 2011 were reducing financing risk, building liquidity buffers, decreasing risk perception, enhancing debt profile and limit external exposure. The next step is to adapt the debt strategy to the fiscal rule which operation is envisaged for 2014.

Monetary Policy and Exchange Rate

Long run inflation expectations are well anchored by the Inflation Targeting framework. Owing to strong economic growth, abundant capital flows, favorable terms of trade and relatively rapid growth in consumption credit, the authorities tightened the monetary policy for most of 2011 and early in 2012 and increased interest rates during the period by 2.25 basis points. Core inflation edged up and surpassed the mid-point range of 3 percent and inflation expectations were in the upside of the range. However, signs of moderation of the economic activity and credit since March as well as a decline in monthly inflation since end-2011 have not warranted further increases of the policy interest rate over the last two months. The authorities remain vigilant over the evolution of the demand for credit as well as asset prices, especially real estate, and stand ready to act should the external crisis deepen.

Capital inflows remain substantial, mostly FDI. Portfolio inflows rose recently but are still small and other private inflows have been offset by outflows. FDI has had a very positive impact on the economy, not only through higher tax receipts but also through the second-round effect of increased private domestic investment. Nonetheless, the country has experienced pronounced exchange rate appreciation, even greater than that of its peers, and has been tightly linked to the faster reduction in the sovereign risk premium.

Exchange rate flexibility has been the first shock absorber, but the authorities remain attentive to the disruptions that the surge of capital flows and their volatility may cause. In order to select the appropriate policy, the central bank is looking closely at the kind of inflows, currency misalignment, risks of financial instability and long term fundamentals. The program of daily purchases of foreign exchange (US$20 million per day) was recently extended, with the primary objective of maintaining a stable level of reserves. Macro-prudential measures have also been put in place and are an important component of the policy toolkit. The government is also taking administrative steps to mitigate exchange appreciation such as barring the repatriation of foreign currency dividends from the oil company, Ecopetrol. In addition, structural measures have been adopted to improve competitiveness, including the amendment of import tariffs on capital goods and other tax adjustments.

Financial Sector

The financial sector remains solid and highly profitable (with profits above pre-crisis levels). Regulation and supervision are strong and have improved further with the creation of the Financial Stability Committee (FSC) in which the Ministry of Finance, the Central Bank and the Financial Superintendency participate.

Credit continues to grow dynamically (22 percent in 2011), led by corporate and consumption borrowing. Non-performing loans are moderate (close to 2 percent) and they are well provisioned. In addition, in November of 2011 prudential regulation was strengthened through an update of the criteria to value guarantees by banks and an increase of provisions for consumption credit. The system is well capitalized with an average capital ratio of 14.9 percent, well above the 9 percent statutory minimum. Nonetheless, the authorities see room for improving the quality of capital and plan to implement in June 2012 a new regulation on capital which changes the components of Tiers I, II and III to align with international standards. Banks are liquid and liquidity standards were recently strengthened in the line with Basel III standards. The FSC is analyzing Systemically Important Financial Institutions (SIFIs) and interconnectedness, with a view to either increasing capital or improving supervision.

The financial sector has low vulnerability to the ongoing financial difficulties in Europe. Banks are mainly funded by local deposits with low exposures to European banks. The largest banks are domestic and foreign banks are mostly small and subsidiaries, therefore subject to the same regulation and supervision as domestic banks.

Structural Reforms

The government has undertaken an ambitious reform agenda. Among the most important achievements of 2011 were the introduction of a fiscal rule, the inclusion of the principle of fiscal sustainability in the Constitution, a comprehensive reform to royalties, labor formalization and healthcare reform. In the second quarter of 2012 the authorities plan to submit to Congress a comprehensive tax reform package, followed by pension reform legislation in the second semester.

The main objective of the tax reform is to promote economic growth. The new tax structure is intended to improve equity, enhance competitiveness, increase formalization, improve transparency and meet international best practices. In addition, it creates new tools to minimize tax elusion and evasion.

Final Remarks

The Colombian authorities are committed to preserving strong fundamentals and macroeconomic policies supported by well-built institutions. The FCL has been extremely helpful during past and current troubles in the global economy serving as an insurance against external shocks, and has complemented well the authorities' wide policy response. Colombia has treated the FCLs as precautionary and will continue to do so.