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Statement by the Hon. **JUAN CARLOS ECHEVERRY**,
Governor of the Bank for **COLOMBIA**

**Statement by Mr. Juan Carlos Echeverry,
Minister of Finance and Public Credit for Colombia
2011 World Bank and IMF Annual Meetings**

It is a great honor as Minister of Finance to represent the President of Colombia, Mr. Juan Manuel Santos, on the occasion of the 2011 IMF and World Bank Annual Meetings.

In this first year in office we have achieved most of our goals in terms of economic policy and of steering the economy towards a path of growth.

The job done so far strengthens our economy's perspectives and its resilience for confronting the uncertainties stemming from international economy.

The Santos Administration has set up a world class macro fiscal framework, based on:

- A Fiscal Sustainability Constitutional Reform (approved on June 2011) – introducing Fiscal Sustainability as a criterion for guiding all public sector institutions.
- A Royalties' Reform (approved on June 2011) – that redistributes revenues generated by the oil and mining boom amongst all Colombian provinces, providing important resources for investment, infrastructure and innovation.
- A Fiscal Rule (approved on June 2011) – that imposes fiscal discipline to the Central Government with the objective of obtaining a primary fiscal surplus by 2012.
- A Tax Reform (approved on December 2010) – that is expected to raise revenue in more than 1% of GDP.

This framework puts Colombia on a Medium Term Fiscal Path that:

- Provides predictability, sustainability and will support investor confidence.
- Avoids accumulating imbalances.
- Allows social expenditure for poverty reduction and compensating victims of violence; as well as winning the war on narcotrafficking, investing in infrastructure, and confronting fiscal liabilities like pensions or healthcare.

The most recent economic performance indicators are:

- Colombia avoided recession during 2007-2010 period.
- GDP growth was 5.1% in IQ 2011 and is expected to be around 6% by year-end. Inflation is 3.2%.

Our economy is solid:

- Families have access to more employment and purchasing capacity.
- Domestic and foreign investment are booming.
- The Financial System is under world class regulation and supervision.
- Colombia was ranked 4th in inflation control, according to OECD ranking.
- Credit is booming.
- Full investment grade recovered during 2011.
- Sound public finances abide to a fiscal rule and medium term targets.
- Strong political governability.

Colombia is well prepared to face international volatility:

- Tax revenues are over performing, growing more than 20% in real terms in 2011.
- Our budget deficit for 2011 and 2012 will be lower than expected.
- At 23% of GDP, the public sector net debt/GDP is sustainable.
- We are prepared for shocks: Enough International Reserves (USD 33 billions), and an IMF Flexible Credit Line (USD 6 billions).

However, emerging economies' performance will depend on the commitment of rich economies to clean their balance sheets, increase investment, and approve fiscal and economic reforms.

This commitment begins with the conviction that policymakers of those rich countries convened at this Annual Meeting, to implement all the necessary and responsible decisions in order to guarantee a stable worldwide economy.

During the past years, emerging economies have done their share to achieve fiscal sustainability, avoid financial bubbles, promote growth and contribute to international financial stability. It is now the turn of developed economies to lead by example.