Recovery at a Crossroads: How countries spent Covid-19 funds in the Global South

Country report: Colombia

Socio-economic context

Before the pandemic, the Colombian economy was facing a gradual but constant process of slowdown, accompanied by systematic external deficits, increases in unemployment levels, and a reduction in employment.

For the last few years, and after the boom in high prices for its exportable raw materials, the growth of the Colombian economy slowed down. For 2018 and 2019, it was 2.56% and 3.28% respectively. Thus, even before the pandemic, it was insufficient for what the labour market required.

2020 had the worst figure of the century in terms of unemployment, with 16.1% and an increase of more than 1.1 million people in this condition. The destruction of pre-existing jobs exceeded 2.4 million people in 2020, many being relegated to inactivity (which increased by 1.8 million people) and not exactly to unemployment.

Recovery Spending: 2,65% of GDP

During the pandemic, the statal measures to face the health, economic and social crisis included an Emergency Solidarity Income Program, a Formal Employment Support Program and tax relief measures.

However, these actions were insufficient and late: 2.4 million people lost their jobs, real average income dropped by 5.6%, and 3.6 million additional people fell into unemployment or poverty.

- Formal private sector

The economic ones were perhaps the most important due to their impact on the population. Still, in addition to criticising the lateness and shallowness of the response, it was possible to improve transparency in the allocation of resources to and from the Emergency Mitigation Fund (FOME), the main channelling tool for actions aimed at addressing the emergency.

Despite the fact that the term to renew the Single Business and Social Registry (RUES) was extended due to the health emergency, these fell 10% compared to 2019. Of the stock of 1,802,906 productive units for 2020, 80.9% correspond to autonomous and commercial establishments; the rest fell into informality or closed (at least temporarily) their operations.

Corporate stimulus vs MSMEs

The most important measure was the Program of Support to Formal Employment (PAEF), with an associated investment of almost USD 2 billion. However, of these resources, only 9% were accessed by MSMEs, while 80% were large companies. In addition, while the registries show the disbursed amount, it does not revise effective usage or if such use was aligned with the items and goals initially defined.

- Informal private sector

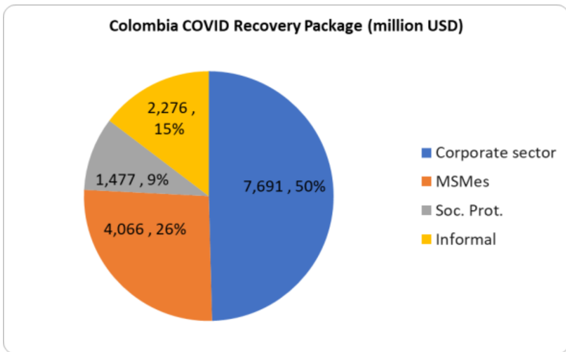
Support guarantees were granted for the issuance of new credits that finance natural persons, who have stopped receiving income due to their status as independent workers or unemployment. The problem with this execution was that not all the assigned resources were disbursed. There was also a Solidarity income for households in conditions of poverty, extreme poverty and in conditions of economic vulnerability, within the framework of the FOME program.

- Social protection

The disbursed resources reached individual allocations of approximately USD 43 per month, covering the extreme monetary poverty line (USD 39.3 per month), but not reaching half the monetary poverty line (USD 89.8 per month). There were also complementary measures such as gas, electricity and water subsidies to the poorest segments of the population, suspension of service cuts for non-payment within the provision of internet connection, support for the detection, reporting and isolation of contagions, and specific aid to migrant, young and elder vulnerable populations.

- General comparison (Table and pie chart)

Colombia COVID Recovery Package (million USD)			
Corporate	**MSMEs**	**Soc. Prot.**	**Informal**
7,691	4,066	1,477	2,276



- Highest spending

Private corporations received the highest spending within the revised period. These actors received 50% of the total emergency budget, followed by MSMEs with 26%. Social protection measures and those directed to informal workers amounted to 9% and 15%, respectively.

- Gender aspects

By 2019, despite representing 51% of the country's population, women barely represented 43% of the labour force and 41.4% of the employed population. On the other side, women were already 55.6% of the unemployed and 65.2% of the country’s inactive people. Within this last category, women represent 93.2% of the subclassification of those in charge of unpaid household chores.

For 2020, while men’s unemployment increased by 4.7%, women’s grew in 7%. The unemployment gap between men and women increased from 5.5% points in 2019 to 7, 8% in 2020. The consequent levels of poverty (46.7% vs. 40.1%) and misery (17.8% vs. 13.5%) are also higher for women than for men.

- Tax-related measures (exemptions, cuts, amnesties, etc.)

The deadlines for generation, presentation and payment of IT, VAT, taxes on imports and other complementary charges were extended. These measures, together with the serious economic crisis generated by the pandemic, reduced tax collection by 7.1%, going from USD 42,617 million in 2019 to USD 39,585 million in 2020. VAT was the one that fell the most in its collection due to the slowdown in household consumption, with an 11.8% reduction, compared to the 1.9% drop in IT.

To raise resources and address the emergency, the solidarity tax was created, with public servants and contractors whose monthly fees were USD 2,708 or more as taxpayers. However, the violation of the generality and equity principles of tax is highlighted.

- Debt (IFI’s loans, SDR, etc.)

Debt-to-GDP levels were 50% and 65% in 2020 and 2021. Although these numbers do not seem severe, they already allowed debt service to reach up to a quarter of the Nation’s General Budget, reducing the attention capacity of the State in social matters and productive investments. Recently, with the approval of the Social Investment Law (Law 2155 of 2021), the government established an Austerity Plan with average expected annual savings of USD 514.4 million between 2022 and 2032, which is important in a country with relatively low public spending in comparison to neighbour economies (33% and 35% in 2020 and 2021, only above Chile, Mexico and Peru within the region).

Conclusions and recommendations

The implemented programs consisted of direct transfers to the lowest-income population, tax relief for individuals and companies, support for payroll payments, and provision of flexible and subsidized credit lines, among others.

Despite the efforts, Colombia faced structural conditions that made a social catastrophe almost inevitable. Before the pandemic, the economic slowdown had increased unemployment levels. In addition, establishing fiscal austerity policies and privatizations weakened the institutional response capacity during the emergency.

The national government proposed some tax and public spending reforms in March 2021, mostly in search of resources for debt payment. This caused a two-month social uprising that further damaged the chances of economic recovery. The government withdrew the reform, but not its intention to establish further austerity measures. Thus, guaranteeing future reforms are oriented to meet the revised socio-economic needs and to achieve an equitable and sustainable reactivation, requires a greater appropriation of public resources.

Finally, the figures regarding the disaggregation of interventions' results are mostly an approximation (because of reporting practices) and have not been sufficient or specific enough to guarantee the inclusion of the most vulnerable groups.

Annexe: Country Summary Table

Ref.	Measures taken	Spending Adjustment (USD)	Total (USD)	Sources
	Support to formal private sector, total		**7,690,727,609**	
i	Grants and Subsidies	1,902,050,147	1,902,050,147	PAEF and PAP
ii	Tax Exemptions			
iii	Tax amnesties			
iv	Tax rate changes (cuts or increases)			
v	Tax deferrals			
vi	Loss carry over			
vii	Granting of loans to corporates	5,517,973,741	5,517,973,741	Colombian Commitment, FNG, Tourism, Findeter
viii	Granting of loans to SMEs	4,065,969,888	4,065,969,888	San Andrés,Capital and wages guarantees
ix	Business loan restructuring			
x	Other support to formal private sector	270,703,721	270,703,721	Gas and energy subsidies
	Support to informal private sector, total of		**2,275,877,979**	
xii	Granting of loans	270,703,721	270,703,721	Independent workers' guarantees
xii	Direct support			
xiii	Other measures to informal	2,005,174,258	2,005,174,258	Solidary income
	Social Protection Measures and Safeguards, total of		**1,476,913,172**	
xiv	Allowance / grant	1,377,098,980	1,377,098,980	Families, youth and elderly in action
xv	Income/ job protection/job guarantee	712,627	712,627	Tourism
xvi	Unemployment allowance			

xviii	Housing support (subsidy, allowance, no evictions)	14,728,391	14,728,391	Housing subsidies
xviii	Basic Services support (subsidy, deferral, no service cuts)**			
xix	Food / nutrition (subsidy, allowance, price regulation)	27,070,372	27,070,372	A million families
xx	Care related measures (subsidy, allowance, policy measures)			
xxi	Sickness related (e.g. allowance for Covid19 illness, self-isolation)	184,317	184,317	DAR Bogotá
xxii	Loan restructuring support (e.g. student, credit card, mortgage)			
xxiii	Other social protection measures	57,118,485	57,118,485	VAT reimbursment
	Total fiscal measures		**15,509,488,647**	
	Total as % of GDP		**2.654375354**	