



WB/Colombia: Support for Fiscal Sustainability to Promote Shared Prosperity

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Accompanying government efforts to improve collection, management and allocation of budgetary resources for the benefit of the most vulnerable
WASHINGTON, September 9, 2013 - The World Bank Board of Directors approved a US\$600 million loan to strengthen Colombias fiscal capacity. This Development Policy Loan (DPL) was designed to support the Colombian administrations budgetary program and improve equity in the country.
"The World Bank continues to support the Colombian Governments budgetary needs while acknowledging government efforts such as the Tax Reform and its importance in terms of equity, said Mauricio Cardenas, Minister of the Treasury and Public Credit.
The objective is to support the Colombian government improve fiscal, territorial and gender equity through specific actions defined by the National Development Plan. More concretely, this financing is earmarked for six areas considered essential by the government:
A more progressive tax policy and management
Increase inter-regional equity and sub-national government capacities
Improve focus of social spending on elderly populations
Strengthen government capacity to help women victims of violence
Greater transparency in terms of access to information on public budget
Improve monitoring of poverty and other social indicators
"We intend to strongly support the Colombian governments strategy aimed at achieving a significant reduction in inequality over the coming years, said Gloria M. Grandolini, World Bank Director for Mexico and Colombia. "We are convinced that sustainable growth and equal opportunities are needed to attain shared prosperity and a reduction in extreme poverty.
This operation is expected to provide resources to the poorest departments and municipalities, enabling them to undertake projects to promote regional development. This is after the allocation of royalties, which will reduce regional inequalities. It will also support reforms aimed at guaranteeing that official poverty figures follow international good practices. It also seeks to increase the percentage of beneficiaries of the Colombia Mayor program from 35 percent in 2012 to 42 percent in 2014.
The support of the World Bank goes in line with the Country Partnership Strategys new approach, through which the institution is to provide a comprehensive package of financial as well as knowledge and convening services. The program also goes in line with the objective of inclusive growth with greater productivity.
The Ministry of Finance and Public Credit, together with the National Planning Department, will be responsible for coordinating and executing this program. The loan has an 18-year maturity period and includes a 17.5-year grace period.
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