

COLOMBIA

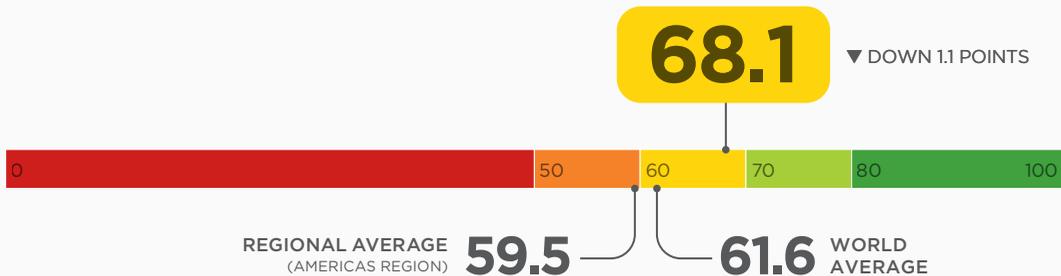
Colombia's economic freedom score is 68.1, making its economy the 49th freest in the 2021 *Index*. Its overall score has decreased by 1.1 points, primarily because of a decline in the **government spending** score. Colombia is ranked 6th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

Colombia sank further in the moderately free category this year. Declines in the government spending and fiscal health indicators contradict the government's stated commitment to making budgetary reforms. Although additional constitutional and judicial changes are intended to improve judicial effectiveness and government integrity, rising political polarization has slowed the pace of reform.

IMPACT OF COVID-19: As of December 1, 2020, 36,934 deaths had been attributed to the pandemic in Colombia, and the economy was forecast to contract by 8.2 percent for the year.

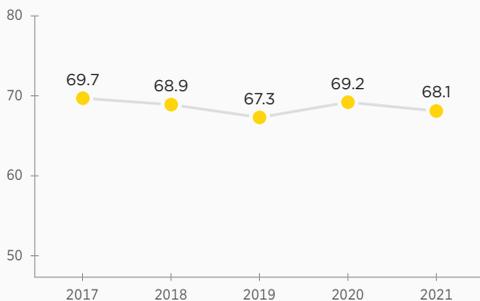


ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +3.6

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
50.3 million

GDP (PPP):
\$785.8 billion
3.3% growth in 2019
5-year compound annual growth 2.4%
\$15,644 per capita

UNEMPLOYMENT:
9.7%

INFLATION (CPI):
3.5%

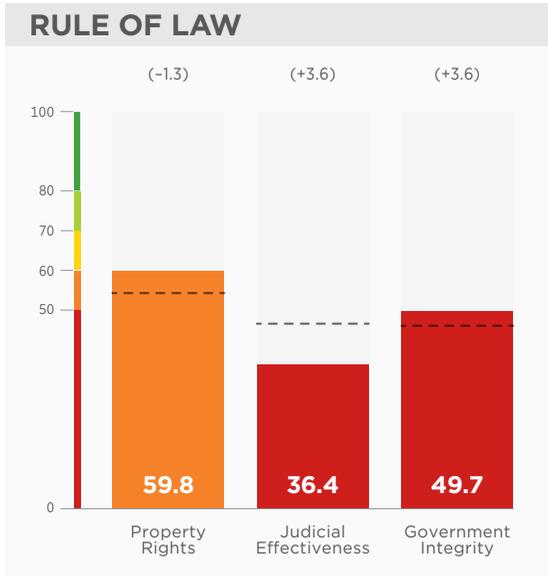
FDI INFLOW:
\$14.5 billion

PUBLIC DEBT:
52.9% of GDP

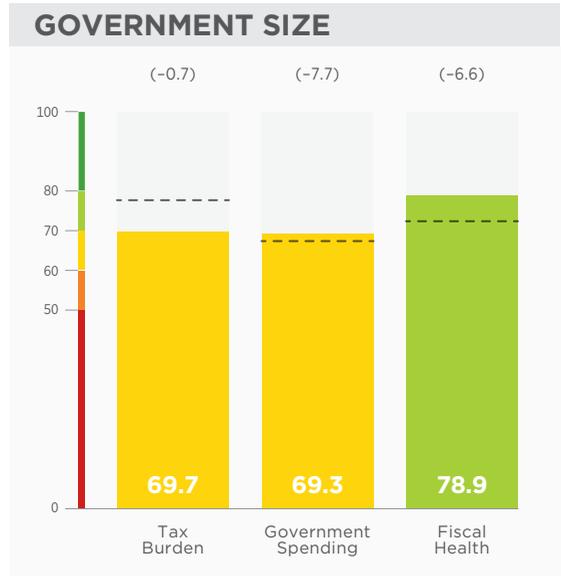
2019 data unless otherwise noted. Data compiled as of September 2020

BACKGROUND: Colombia is South America's oldest democracy and fourth-largest economy. Center-right president Iván Duque began his four-year term in 2018 and has pursued a reformist agenda. The Duque administration has been challenged by fluctuating approval ratings, antigovernment social unrest, and an opposition-controlled Congress that includes nonelected members of the former Revolutionary Armed Forces of Colombia (FARC) narco-terrorist group. Because of the previous administration's flawed peace deal, Colombia remains the world's top producer and exporter of cocaine. Although Colombia is not a member of China's One Belt, One Road initiative, a Chinese state-owned consortium is building its largest infrastructure project. Colombia is a founding member of the Pacific Alliance and has free-trade agreements with the U.S. and many other nations.

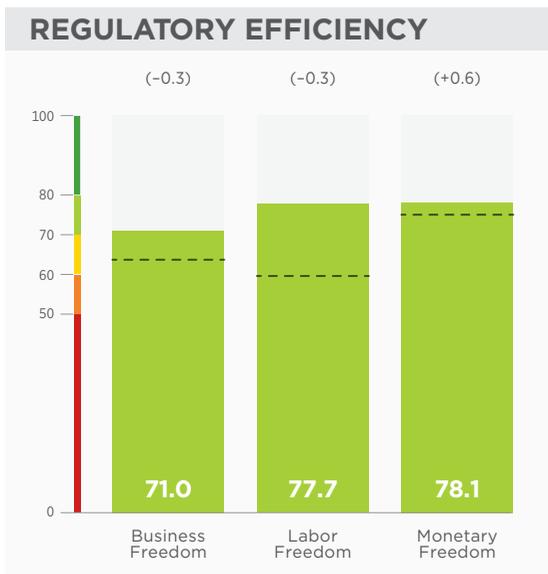
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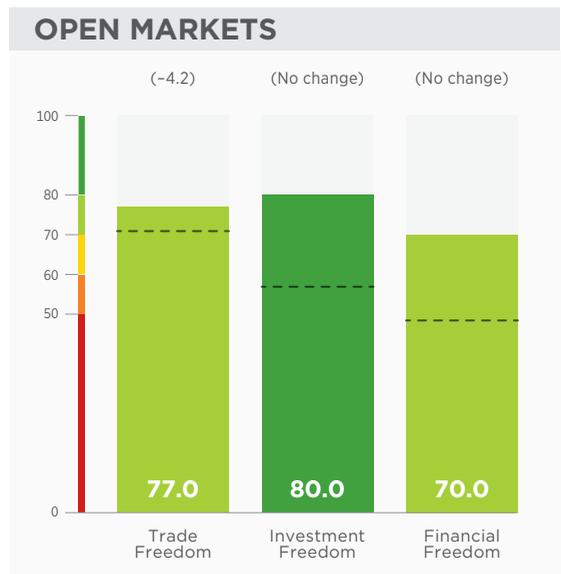
Property rights are usually recognized and protected. The judicial system is generally regarded as competent, fair, and reliable, although corruption, bribery, influence peddling, and abuse of privileged information persist. Violence and corruption engendered by drug trafficking continue to erode institutions at multiple levels of public administration. Corruption scandals involving the Catholic Church, the military, and the police have weakened trust in traditional institutions.



The top individual income tax rate is 39 percent, and the top corporate tax rate has been cut to 32 percent. Other taxes include value-added and financial transactions taxes. The overall tax burden equals 22.0 percent of total domestic income. Government spending has amounted to 32.0 percent of total output (GDP) over the past three years, and budget deficits have averaged 3.1 percent of GDP. Public debt is equivalent to 52.9 percent of GDP.



Minor incremental improvements in some business freedom metrics have not been enough to keep Colombia from losing ground in business freedom compared to other countries. Labor force participation decreased from 2018 to 2019. The government has provided billions in subsidies to producers of electrical energy, liquefied petroleum gas, and natural gas in 2020.



Colombia has 13 preferential trade agreements in force. The trade-weighted average tariff rate is 6.5 percent, and 153 nontariff measures are in effect. Foreign investment in some sectors is subject to investment registration and concession agreements with the government. Foreign investors may own 100 percent of financial institutions. Credit is generally allocated on market terms. Measures to boost liquidity in the financial sector were adopted in 2020.