OECD ECONOMIC SURVEYS COLOMBIA

ISSN 0376-6438, e-ISSN 1609-7513 October 2019

Consulta en línea desde Intranet

Executive summary	9
Key policy insights	15
Growth is firming up	19
Macroeconomic policies are solid but the fiscal framework could be reinforced	
Social indicators have improved, but Colombia remains a very unequal country	
Strengthening productivity growth	
Green growth indicators are good but deforestation as well as production and use of	
hydrocarbons pose challenges	62
References	
Annex. Progress in other structural reforms	72
Thematic chapters	73
Chapter 1. Boosting exports and integration into the world economy	75
Colombia is not making the most out of international trade	76
Cost-to-trade is very high	89
Lowering input costs for exporters	
Boosting innovation	
Easing access to finance	
References	117
Chapter 2. Fostering high-quality jobs for all in Colombia	123
Setting the scene: Job quality in Colombia	
Implementing the new OECD Jobs Strategy	125
Curbing informality	
Ensuring adequate support for workers in a flexible labour market	
Strengthening equal opportunities	
Promoting skills development	
References	
Annex 2.A.	168
Tables	
Table 1. Structural reforms would boost growth	
Table 2. Projections	
Table 3. Possible shocks to the Colombian economy	
Table 4. The government deficit has decreased	
Table 5. Past recommendations on improving the macroeconomic framework	
Table 6. Estimated impact on poverty and inequality	
Table 7. There is room to improve the targeting of social programmes and benefits	
Table 8. Illustrative long-term impact of some OECD recommendations	
Table 9. Fast OECD recommendations for a pension reform	20

Table 10. Past OECD recommendations on education	. 51
Table 11.Past OECD recommendations to sustain strong economic growth	. 57
Table 12. A large share of firms are small	. 58
Table 13. Informality is concentrated in small firms	. 58
Table 14. Past OECD recommendations on reducing informality	. 61
Table 1.1. Non-tariff measures are prevalent across all sectors	105
Table 2.1. The cost to start a business in Colombia is high	129
Table 2.2. Type of vacancies registered with the public employment service during 2017	138
Table 2.3. Ethnic minorities often face barriers for high-quality jobs	146
P!	
Figures	
Figure 1. Economic growth has been resilient but has slowed	. 16
Figure 2. Social indicators are improving but inequality remains high	
Figure 3. Colombia has lost ground	
Figure 4. The trade of terms shock was larger and the adjustment smooth	
Figure 5. Inflation is near the 3% target	
Figure 6. Growth is picking up	
Figure 7. The labour market has remained subdued	
Figure 8. The current account deficit has been reduced during 2016-17	
Figure 9. Colombia has been resilient to recent episodes of financial uncertainty	
Figure 10. The exchange has remained relatively stable since 2016	
Figure 11. Debt and foreign exchange reserves	. 25
Figure 12. Financial indicators remain solid	. 28
Figure 13. The monetary stance has become accommodative	
Figure 14. Public debt has increased	
Figure 15. Public spending and revenue are lower than in OECD countries	
Figure 16. The tax burden is unbalanced	
Figure 17. There is room to broaden the personal tax base in a progressive way	
Figure 18. The corporate tax rate remains high	
Figure 19. VAT revenues should be higher	
Figure 20. Government is perceived to have limited effectiveness	
Figure 21. Tax administration could be strengthened	
Figure 22. Structural deficit targets are frequently revised	
Figure 23. There is little room for discretionary spending	
Figure 24. Poverty has declined, but territorial disparities remain large	
Figure 25. Higher cash transfers focused on most needy regions would reduce inequality	. 44
Figure 26. The pension system is characterized by low coverage, high inequality and has	40
sustainability problems	
Figure 27. School results have improved, but equity and regional disparities remain a challenge	
Figure 28. Potential growth is falling	
Figure 29. Labour productivity has stagnated	
Figure 30. Productivity is sluggish in all sectors	
Figure 31. Colombian firms grow less	
Figure 33. Regulations are burdensome	
Figure 35. Informality has declined but remains high	. 59
Figure 36. Structural reforms can reduce informality and trough that channel boost growth	. 00

Figure 37. Starting a business is costly	61
Figure 38. Deforestation is increasing	63
Figure 39. Green growth indicators: Colombia	
Figure 1.1. Trade exposure is low	77
Figure 1.2. Exports have remained weak since 2013	77
Figure 1.3. Export performance has deteriorated	
Figure 1.4. Prices are high	78
Figure 1.5. Exports are concentrated in products and destinations	79
Figure 1.6. The share of primary goods is very high	
Figure 1.7. Exports are concentrated by products	
Figure 1.8. Exports are also concentrated by destinations	82
Figure 1.9. Exports are concentrated in products whose demand is decreasing	82
Figure 1.10. FDI has become more diversified	83
Figure 1.11. Integration in global value chains is limited	83
Figure 1.12. Colombia has remained on the side lines of global value chains	84
Figure 1.13. Trade in services is low	84
Figure 1.14. There is room to boost knowledge intensive service exports	85
Figure 1.15. Existing trade agreements are wide	
Figure 1.16. The share of processed agriculture exports remains low	87
Figure 1.17. Colombia's participation in agriculture GVCs is small	
Figure 1.18. Trading is costly in Colombia	
Figure 1.19. The quality of infrastructure is relatively low	90
Figure 1.20. Exports are concentrated in a few regions	
Figure 1.21. Domestic transport in Colombia is more than twice as slow as in neighbours	92
Figure 1.22. Ports are slower than in regional peers	94
Figure 1.23. Port and border handling is main time delay for processing exports	95
Figure 1.24. Logistics operations in Colombia perceived as lacklustre	96
Figure 1.25. Logistics performance has deteriorated	97
Figure 1.26. Real Colombian exports vs synthetic Colombian exports	97
Figure 1.27. There is room to improve trade facilitation	98
Figure 1.28. Restrictions in some key service sectors are high	99
Figure 1.29. Tariffs are higher than in peer countries	101
Figure 1.30. Tariffs have fallen	101
Figure 1.31. Tariffs dispersion has increased over time	
Figure 1.32. Tariffs are highest for food and some manufacturing sectors	103
Figure 1.33. Reducing trade barriers would benefit especially low-income households	104
Figure 1.34. Quantitative import restrictions are prevalent across all sectors	106
Figure 1.35. Non-tariff barriers imply high additional tariffs on imports	106
Figure 1.36. Spending on R&D is low	108
Figure 1.37. There is room to boost the adoption of ICT, particularly in rural areas	110
Figure 1.38. There is room to develop financial markets	111
Figure 1.39. Interest rate spreads are high	
Figure 1.40. Few firms participate in the stock market	
Figure 2.1. Colombia underperforms on a range of labour market indicators	124
Figure 2.2. Colombia should focus on improving job quality and skills	
Figure 2.3. The decrease in informality has been much stronger among employees than among	
employed	
Figure 2.4. Declining use of non-standard contracts, 2010-17	
Figure 2.5. The minimum wage is high relative to the median	
Figure 2.6. Studying longer radically reduces the chances of working informally	

Figure 2.7. Lowering non-wage labour costs and the relative minimum wage could significantly	
reduce informality	132
Figure 2.8. There is room to reduce non-wage labour costs in Colombia	
Figure 2.9. The budget for labour inspection has seen an exponential increase in recent years	
Figure 2.10. The improvement in fines collection seems to have been reversed in 2018	
Figure 2.11. Substantial expansion of the protection mechanism for dismissed workers	
Figure 2.12. Spending in active labour market policies is low	
Figure 2.13. Gender gaps remain sizeable	
Figure 2.14. The gender gap on high-quality employment and participation is sizeable	
Figure 2.15. Employment barriers in Colombia	
Figure 2.16. Collective bargaining coverage in Colombia has significantly increased	
Figure 2.17. Violence against trade unionists has diminished but is still present, 2010-18	
Figure 2.18. Vocational education and training system (VET) in Colombia	
Figure 2.19. Enrolment in VET degrees at secondary level education is low although performance	
is good	
Figure 2.20. Higher education leads to formal jobs	
Figure 2.21. Skill mismatch is high in Colombia	
Figure 2.22. Extending coverage of training courses to the most vulnerable is needed	
Figure 2.23. The apprenticeship system is well developed in Colombia	
Boxes	
Box 1. Key features of the programme of Duque's government	. 18
Box 2. A smooth adjustment to a large terms of trade shock	
Box 3. Migration from Venezuela imply challenges but also opportunities	
Box 4. Implementation of the peace process has advanced	
Box 5. Main measures included in the Financing Law	. 35
Box 6. Potential impact of social policy reforms on poverty and inequality	. 45
Box 7. The contributory pillar of the pension system in Colombia	
Box 8. Regulations, informality and productivity in Colombia	. 60
Box 1.1. Realising the potential of the agriculture sector	. 87
Box 1.2. Paying taxes in kind: public works for taxes mechanisms	
Box 1.3. Assessing the impact of logistics on exports: a synthetic control method approach	
Box 1.4. Recommendations for boosting exports and integration into the world economy	116
Box 2.1. Government priorities for a more inclusive labour market	
Box 2.2. Good jobs for all in a changing world of work: The OECD Jobs Strategy	126
Box 2.3. Drivers of informality in Colombia	
Box 2.4. Two examples of distortions between social contributions and entitlements in Colombia	
Box 2.5. Significant improvements have been made in the Colombian labour inspection but	
continued efforts are needed	134
Box 2.6. The Colombia Workforce Development Social Impact Bond	
Box 2.7. Reduced but persistent violence against trade unionists	
Box 2.8. Learning from well-performing dual-VET Systems in OECD countries	
Box 2.9. Main recommendations for fostering good jobs for all in Colombia	

OECD ECONOMIC SURVEYS SWITZERLAND

ISSN 0376-6438, e-ISSN 1609-7513 November 2019

Consulta en línea desde Intranet

Executive Summary	9
1 Key policy insights	14
Economic activity has softened but wellbeing is high overall	14
Extraordinary monetary policy has become ordinary	24
The financial sector is evolving to meet new challenges	29
Fiscal policy is sound and debt is low	33
Technological transformation is underway	41
Inequality has been contained to date but it is at risk of widening	50
References	61
Annex 1.A. Progress on structural reform	67
Annex 1.B. Predicting severe recessions	68
2 Policies for Switzerland's ageing society	69
Implications and challenges of an ageing society	70
Preparing the pension system for a fast-growing number of retirees	75
Lengthening working lives	91
	103
Coping with rising demand for health care and long-term care References	120
FIGURES	
FIGURES	
Figure 1. The population is becoming older	10
Figure 2. Growth has slowed from a rapid pace	10
Figure 3. Retirement is set to be relatively long	11
Figure 4. Swiss adults' digital skills lag the top performers	12 14
Figure 1.1. GDP per capita is amongst the highest in the OECD Figure 1.2. The population is ageing	14
Figure 1.3. Growth has slowed from a rapid pace	16
Figure 1.4. Indicators suggest that underlying growth is likely to be close to trend	17
Figure 1.5. Europe remains Switzerland's main export destination	18
Figure 1.6. The risk of a severe recession appears to be low in the near term	21
Figure 1.7. Living standards are amongst the highest in the OECD	22
Figure 1.8. The high wage share contains inequality	23
Figure 1.9. Switzerland compares favourably on most green growth indicators	24
Figure 1.10. Monetary policy is very accommodative	25
Figure 1.11. Housing prices and credit continue rising	27 28
Figure 1.12. The banking sector is smaller after the crisis and better capitalised Figure 1.13. Corruption is perceived as very low	28 32
Figure 1.14. There is still scope to improve the framework to fight economic crimes	33
Figure 1.15. Government debt and spending are comparatively low	34

Figure 1.16. Federal fiscal policy has been tighter than intended	35
Figure 1.17. Rising public expenditure will entail fiscal challenges	36
Figure 1.18. Ageing is likely to be uneven across cantons	36
Figure 1.19. Reforms can offset fiscal pressures	38
Figure 1.20. Revenues are comparatively low and tilted towards direct taxation	39
Figure 1.21. Employment and investment are relatively digitally-intensive	42 43
Figure 1.22. Switzerland leads in infrastructure but use of some technologies is average	43
Figure 1.23. Swiss adults' digital skills lag the top performers Figure 1.24. There is scope to ease entry and strengthen competition	45
Figure 1.25. Digital government is less advanced in some respects	48
Figure 1.26. The transport sector contributes to greenhouse gas emissions and air pollution	49
Figure 1.27. Job polarisation has not hollowed out the income distribution	51
Figure 1.28. Participation in adult learning is high but can be broadened	52
Figure 1.29. Finding work is more difficult for older jobseekers, especially the less educated	54
Figure 1.30. The expected replacement rate from mandatory schemes is relatively low	56
Figure 1.31. Long-term care is mostly home-based but varies across cantons	58
Figure 2.1. The population is ageing	71
Figure 2.2. Productivity growth will be the main driver of GDP growth in the years ahead	72
Figure 2.3. Rising public expenditure will entail fiscal challenges	74
Figure 2.4. Ageing is likely to be uneven across cantons	74
Figure 2.5. The relative importance of each pillar changes with the level of income	76
Figure 2.6. Switzerland's pension system is relatively sound	76
Figure 2.7. Expected duration of retirement will become one of the highest in the OECD	79
Figure 2.8. Mandatory pension contribution rates are relatively low	80
Figure 2.9. Swiss pension assets are amongst the largest in the OECD	82
Figure 2.10. The expected replacement rate from mandatory schemes is relatively low	83
Figure 2.11. Lowering the conversion rate will make voluntary saving more important	84
Figure 2.12. The composition of pension fund assets changed after the global crisis	87
Figure 2.13. The household saving ratio is high	88
Figure 2.14. The gender gap in pensions is relatively high Figure 2.15. The household saving ratio has increased across the income distribution	89 90
Figure 2.16. Tax advantages from pension contributions benefit higher-earners	91
Figure 2.17. Labour participation is high until age 65	92
Figure 2.18. The effective retirement age has flatlined in Switzerland	92
Figure 2.19. Early retirement is receding but remains common	93
Figure 2.20. Finding work is more difficult for older jobseekers, especially the less educated	95
Figure 2.21. Involuntary retirement is relatively high	97
Figure 2.22. Reforms could alleviate economic effects of the rising dependency rate	98
Figure 2.23. The tax mix is tilted towards direct taxation	99
Figure 2.24. Switzerland's value-added tax rate is the second-lowest in the OECD	101
Figure 2.25. The property tax mix differs considerably from the average OECD country	102
Figure 2.26. The Swiss health care system is high quality but costly	104
Figure 2.27. Curative care and long-term care needs drive higher costs at older ages	105
Figure 2.28. Public health spending will rise and cost containment is key	106
Figure 2.29. Insurance premia and out-of-pocket payments have risen substantially	107
Figure 2.30. Cantonal policies lead to large differences in insurance costs	108
Figure 2.31. The use of generics is still low	110
Figure 2.32. Long-term care is mostly home-based but varies across cantons	112
Figure 2.33. Informal care is less common than elsewhere and typically low intensity	117
TABLES	
Table 1. The company is set to pick up in 2000	40
Table 1. The economy is set to pick up in 2020	10
Table 1.1. Macroeconomic indicators and projections Table 1.2. Low-probability events that could lead to major changes in the outlook	19 20
Table 1.3. Past recommendations on monetary policy and financial stability	27
Table 1.4. Past recommendations on public spending efficiency and taxation	37
Table 1.5. Key variables underpinning the long-term scenario	38
Table 1.6. Illustrative fiscal impact of recommended reforms	40

Table 1.7. Illustrative impact on GDP per capita from structural reforms	41
Table 1.8. Take-up of some enabling technologies is lagging the leaders across sectors	43
Table 1.9. Past recommendations on productivity	46
Table 1.10. New measures to strengthen the local labour force	53
Table 1.11. Past recommendations on education and skills	53
Table 1.12. Financing of long-term care is fragmented	57
Table 2.1. Age-dependent public expenditure under different assumptions	72
Table 2.2. The Swiss pension system is organised around three pillars	75
Table 2.3. Change in adjustment factors for working less/longer	78
Table 2.4. New measures to strengthen the local labour force	95
Table 2.5. Simulated effects of different tax and pension policy reforms	100
Table 2.6. Key roles in the health and long-term care system	103
Table 2.7. Financing of long-term care is fragmented	113