Intervention by the Governor of Banco de la República (the Central Bank of Colombia) at the 20th Panel Discussion on Constitutional Jurisdiction “In Defense of the Constitutional Order and the Social and Democratic Rule of Law”

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To begin, I would like to congratulate the Constitutional Court and its President, Mr. Jorge Enrique Ibáñez Najar, on this Panel Discussion on Constitutional Jurisdiction, which will unfold over the next two days, thus continuing an important and well-established tradition. This panel discussion for reflection, debate, and dissemination of issues related to constitutional justice is particularly relevant in the current situation.

In my capacity as Governor of *Banco de la República*, it is not my responsibility to judge the advisability or inadvisability of reforms to the current constitutional framework. I also do not possess the in-depth legal training required for this type of discussion. I can only state that, as a citizen, I believe that the 1991 Constitution was the result of a major national agreement that is still valid to this day, without prejudice of the need for reforms that naturally arise over time. Such reforms have been properly processed over the past 34 years and may continue to be addressed in the future through the mechanisms established for that purpose in the Constitution itself.

As Mr. Jorge Enrique Ibáñez stated in his letter of invitation to this event, “the constitutional order enables democracy both as an aspiration and as a limitation.” This constitutional order defines the possibilities available to the various public authorities that represent the citizens while also establishing the limitations and the counterweights they must face in the exercise of their functions.

The current institutional design of *Banco de la República* and its Board of Directors is an important element of the framework established in Articles 371 to 373 of the 1991 Constitution.

- The first of these articles defines the central banking functions carried out by *Banco de la República*, establishing that all of them shall be exercised in coordination with the general economic policy and requiring the Bank to report to the Legislature on the implementation of the policies under its responsibility as well as on any other matters requested to it.
- Article 372 assigns the Board of Directors of the Bank the role of monetary, foreign exchange, and credit authority, per the functions assigned by law, and makes it explicit that the members of the Board of Directors shall exclusively represent the interests of the Nation.

- Article 373, in turn, clearly provides that the State, through *Banco de la República*, shall ensure to maintain the purchasing power of the currency, and establishes that the Bank may not set credit lines nor grant guarantees in favor of individuals different from credit institutions. It also stipulates that financing transactions in favor of the State shall require unanimous approval by the Board of Directors, unless they are open market operations. In this way, it not only imposes limits on what the Bank may do in terms of financing the Executive branch, but also explicitly provides that not even the legislator may order credit lines in favor of the State or individuals.

With these three articles of remarkable simplicity and clarity, the 1991 Constitution defined a radical and highly significant transformation of *Banco de la República*'s institutional framework, which was developed in Law 31 of 1992 and whose constitutionality was endorsed by the Court.

The implications of this new institutional framework have been positive for the country. It should be noted that for much of the two preceding decades, annual inflation had been close to or above 20%, and in 1991 it had reached more than 32%. Since *Banco de la República* began operating under the new constitutional framework, monetary, foreign exchange, and credit policies have been gradually adjusted to a strategy that is in line with international best practices, thus enabling it to reduce inflation to levels increasingly closer to the 3.0% annual target set by the Bank itself as a guideline consistent with the stability of the currency's purchasing power.

It should be acknowledged that we have experienced significant temporary deviations, with periods in which inflation has been above the established target. Among these periods, the last five years stand out, during which the Board of Directors of the Bank has responded with great caution, avoiding excessively contractionary monetary policies in response to phenomena or policies outside its scope of action, such as the major international trade bottlenecks that followed the strong recovery in global demand after the end of the pandemic in 2021 and 2022; the sharp increase in international food and agricultural input prices resulting from Russia's invasion of Ukraine; the climate-related challenges experienced in Colombia in 2022 and 2023; and the multifaceted impact of the increase in public spending and the Colombian fiscal deficit that occurred during the pandemic and has reappeared in the most recent period.

Of course, an extremely contractionary monetary policy could have counteracted phenomena and policies like those I just mentioned in order to bring inflation more quickly toward the target. However, the Board of Directors has acted cautiously to prevent its policies from imposing excessive short-term costs on productive activity, thus complying with the Constitutional Court's ruling C-481 of 1999, which clearly states that "*the primary constitutional purpose of Banco de la República is the protection of a sound currency; however, this authority must take into account in its decisions other economic objectives of State intervention, such as full employment, since its functions must be coordinated with the general economic policy*."1

In any case, I emphasize the importance that this ruling by the Constitutional Court places on the protection of a sound currency as a primary constitutional purpose of *Banco de la República*. This purpose is complementary and supportive of the policies of the national and territorial governments that promote long-term economic growth, equity, poverty reduction, and macroeconomic stability.

Certainly, in specific circumstances, there may be difficult choices between monetary policies needed to ensure that inflation converges toward levels consistent with the stability of the purchasing power of the currency versus more expansionary monetary policies that can boost economic activity or employment in the short term. The 1991 Constitution was clear in granting the Board of Directors of *Banco de la República* autonomy from the governments in office and a sufficiently clear mandate to prioritize the long-term objective of a low and stable inflation compatible with **sustainable** growth (here I emphasize the word sustainable) of economic activity, employment, and equity.

The ensuing two days of this panel discussion on Constitutional Jurisdiction provide an opportunity to debate many issues including social market economy, defense of economic freedoms, and the guarantees of fundamental rights. I am confident that these deliberations will greatly benefit our society and its democratic and peaceful coexistence. I would like to finish my intervention by highlighting a fact that may seem anecdotal, but which, from my personal perspective, is of great relevance:

Thirty-four years ago, there was a young lawyer at *Banco de la República* who quickly stood out and came to work with the Governor at the time, Mr. Francisco Ortega, becoming a major support in the relationship he needed to establish with the 1991 Constituent Assembly and with those who, from here, promoted the transformation of Colombia's central bank into an independent and modern institution, more similar to the central banks that already existed in the developed world and those beginning to emerge in other Latin American countries.

That young lawyer was highly successful in his work alongside Mr. Ortega and continued to excel throughout his career, to the extent that he is now the newly appointed President of the Constitutional Court. Congratulations to Mr. Jorge Enrique Ibáñez for what he accomplished thirty-four years ago, and congratulations as well for his performance in his current functions, which are enormously important for, as the title of this panel discussion states, the "defense of the Constitutional order and the Social and Democratic Rule of Law."

Thank you very much, and I wish the best for the panel discussion that will take place over the next two days.

1 Cited in Gerardo Hernández, *"La jurisprudencia de la Corte Constitucional y la autonomía del Banco de la República", in José Darío Uribe (ed.), Historia del Banco de la República, Cien Años, Chapter 8. Banco de la República. 2023.*

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