

IMF Approves Augmentation of the Flexible Credit Line for Colombia to USD 17.2 billion

Attachments

[Questions and Answers. Flexible Credit Line](#)

The Executive Board of the International Monetary Fund (IMF) approved today a request by the Colombian authorities to increase access under its current Flexible Credit Line (FCL) arrangement^[1] to 600% of Colombia's quota, equivalent to USD 17.2 billion. The two-year arrangement remains in effect until April 30, 2022.

- **This higher access, or augmentation, aims to strengthen the country's international liquidity position in the context of the COVID-19 pandemic.** The pandemic has brought about an extraordinary global economic contraction, including Colombia. Moreover, oil and other commodity prices have fallen sharply. Not only are the magnitude and duration of the shock larger than estimated in early May, when the current FCL arrangement was renewed, but also external risks and uncertainty about international economic conditions are significantly greater. These unprecedented shocks have affected the country's external and fiscal accounts at a time when tax collection have fallen, and the policy response has required a temporary expansion of public spending. Accordingly, the Colombian authorities have deemed prudent to request higher access under the FCL.
- **The approval reflects the IMF Board's continued support for Colombia's policy framework and sustained track record of very strong and prudent macroeconomic management.** The IMF Executive Board highlighted the active response of the Colombian authorities to the sanitary emergency due to its very strong, flexible and comprehensive policy framework. This includes a fully-fledged inflation targeting regime, a flexible exchange rate, public finances anchored by a sound institutional arrangement, and adequate financial regulation and supervision. The augmented FCL, together with the continuation of sound policies and IMF support, will anchor confidence in the economy's ability to respond to external shocks. The authorities remain committed to implement very strong economic policies and to respond appropriately to further shocks.
- **In that context, the Colombian authorities intend to draw a portion of the augmented FCL for budget support in response to the pandemic.** The Colombian Government is considering drawing up to 187.5% of quota (about USD 5.3 billion) from the facility, as part of its financing plan for fiscal year 2020. The FCL offers a complementary and cost-effective option to existing financing sources and will support the strong policy response to the pandemic and its effects on the economy. Noteworthy, diversifying financing sources should help mitigate crowding out or higher financing costs for private sector and other public entities in local markets due to the increase in borrowing needs from the government.
- **After the disbursement, remaining FCL access will continue to be treated as precautionary, to strengthen Colombia's external liquidity position in a highly uncertain international environment.** Along with a strong international reserve position, this precautionary cushion should enhance market confidence and the country's capacity to respond to external shocks.
- **The augmented FCL provides greater flexibility to meet external financing needs in the context of high uncertainty.** Unlike other IMF facilities, the FCL does not carry any ex-post conditionality regarding economic policy, as it is awarded to countries that maintain strong macroeconomic fundamentals and recurrent access to domestic and international markets. Increased FCL access enhances the Colombian economy's flexibility to respond to shocks and its ability to insure against heightened external risks.
- **In line with previous plans, the Colombian authorities intend to reduce access to the FCL when the exceptional situation in the global economy improves and risks recede.**

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<https://www.imf.org/en/News/Articles/2020/09/25/pr20300-colombia-imf-executive-board-approves-augmentation-of-the-flexible-credit-line>



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[1] The two-year FCL arrangement was renewed by the IMF's Executive Board on May 1, 2020 in an amount equivalent to 384 percent of Colombia's quota or USD10.8 billion.

Link

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