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On April 26, 2024, the Executive Board of the International Monetary Fund (IMF) approved a successor two-year arrangement under the Flexible Credit Line (FCL) for 6,133.5 million Special Drawing Rights (SDR) (i.e. 300% of the country's quota at the Fund), equivalent to about USD 8.1 billion. This arrangement will replace the previous one approved in 2022 and will be treated by Colombian authorities as a precautionary instrument against external risks.

The country has managed to reduce its imbalances and mitigate external vulnerabilities in a globally uncertain macroeconomic and financial environment, allowing the economy to reach more sustainable levels of activity. However, although external risks have moderated, they remain elevated. High uncertainty stemming from tighter international financial conditions and the impact of geopolitical tensions highlight the importance of maintaining adequate levels of external liquidity.

The FCL is an instrument created by the IMF to provide upfront and flexible financing to member countries with very strong macroeconomic policy frameworks and a favorable record of economic performance. This instrument allows beneficiary countries immediate access to IMF resources in the event of extreme external risks, without ex-post conditionalities or any macroeconomic policy commitments.

In this sense, access to the instrument improves the availability of the country's external liquidity, provides additional buffers to face external risks, preserves the agents' confidence in the Colombian economy, and facilitates the country's access to international markets under favorable conditions. In this regard, this instrument complements the coverage provided by country's international reserves.

The lower requested access reflects the authorities' commitment to continue with a strategy of gradual reduction of access to the instrument as external risks recede. As announced last December, the Banco de la República has been implementing a program to accumulate international reserves since the beginning of 2024 in order to compensate for the reduced access to the FCL.

By approving the new arrangement, the IMF considers that Colombia continues to meet the criteria to access this facility and emphasizes that its strong institutional policy framework ensures that the country remains resilient to external shocks.

To read the IMF press release, please visit:

IMF Press Release

Fuente: https://www.banrep.gov.co/en/news/imf-press-release-26-april-2024