

The International Monetary Fund approved the Renewal of the Flexible Credit Line for Colombia

The International Monetary Fund approved the Renewal of the Flexible Credit Line for Colombia Today, the Executive Board of the International Monetary Fund (IMF) approved the renewal of the country's Flexible Credit Line (FCL) with that institution by the amount of SDR 7.8496 billion (i.e., 384% of Colombia's quota), which is equivalent to about USD 10.8 billion. The renewal of this instrument complements the existing liquidity buffers, provides insurance against heightened external risks, and preserves the confidence of agents in the Colombian economy, thus facilitating the country's access to international financial markets on favorable terms.

During the meeting, the IMF Executive Board highlighted the very strong economic policy framework of Colombia and the timely actions taken by the authorities to mitigate the economic effects of the COVID-19 pandemic and the dramatic decline in oil prices. A flexible exchange rate within a credible inflation targeting framework, effective financial supervision and regulation, and sound fiscal policy were highlighted by the Executive Board. The Board also commended Colombia for its great efforts to support and integrate the large flow of migrants from Venezuela.

The FCL is an instrument created by the IMF to which only countries with very strong monetary, fiscal and financial policy frameworks and a favorable history of economic performance can access. This line has three main characteristics: (i) it is a contingent instrument, to insure against - severe external risks; (ii) access to resources is immediate, by which resources are available to countries that have it (currently only Mexico and Colombia have a FCL); and (iii) it is a non-conditional instrument. In this sense, the FCL guarantees upfront and immediate availability of resources with no ongoing conditions in the face of adverse events in the external sector that may produce stress on the balance of payments of the country.

The Colombian authorities have treated this line as a precautionary facility, regarding it as a useful tool to enhance the economy's resilience to severe external shocks.

To read the full press release, please visit:

<https://www.imf.org/en/News/Articles/2020/05/01/pr20201-colombia-imf-executive-board-approves-new-two-year-flexible-credit-line-arrangement>

Go to IMF Staff Report:

<https://www.imf.org/en/Publications/CR/Issues/2020/05/04/Colombia-Request-for-an-Arrangement-Under-the-Flexible-Credit-Line-and-Cancellation-of-the-49392>



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