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On April 29, 2022, the Executive Board of the International Monetary Fund (IMF) approved a successor two-year arrangement under the Flexible Credit Line (FCL) for 7,155.7 million Special Drawing Rights (SDR) (i.e., 350% of the country's quota at the Fund), equivalent to about USD $9.8 billion. This arrangement will replace the previous one approved in 2020 and will be treated by Colombian authorities as a precautionary instrument against external risks.

The FCL is an instrument created by the IMF exclusively for countries with sound economic fundamentals and very strong policy frameworks. Its main purpose is to offer beneficiary countries immediate access to liquidity when facing a tail external risk scenario. Additionally, the FCL provides a positive signal to the international community, since its approval confirms the presence of a very strong policy framework. For the same reason, access to the FCL does not entail any ex-post conditionality regarding the country's macroeconomic policies.

The new agreement complements the country's external liquidity, provides insurance against tail external risks, and contributes to maintaining the agents' confidence in the Colombian economy. Current external risks associated to a high level of uncertainty on account of geopolitical factors and tighter international financial conditions highlight the importance of maintaining adequate levels of external liquidity.

Colombia's reduction of access to 350% of the quota in the new arrangement (vis-à-vis 417% remaining in the 2020 arrangement held with precautionary purposes) is in line with an expected reduction in external vulnerabilities, reduced risks after the pandemic, and with the commitment by the Colombian authorities to gradually reduce access to the FCL instrument as external risks recede.

The IMF considers that Colombia continues to meet the criteria to access this credit line and emphasized the soundness of the country's institutional policy framework, made up by a credible inflation targeting strategy, a fiscal policy framework anchored in sustainability of public debt and effective financial surveillance and regulation. The renewed access to the FCL stands as a vote of confidence from the IMF to the country and its economic authorities.

To read the IMF press release, please visit: IMF Executive Board Approves New Two-Year US$9.8 Billion Flexible Credit Line Arrangement for Colombia

Fuente: https://www.banrep.gov.co/en/international-monetary-fund-imf-approved-new-two-year-us-9-8-billion-flexible-credit-line-fcl