

DOCUMENT OF INTERNATIONAL MONETARY FUND
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**FOR
AGENDA**

EBD/58/94

June 11, 1958

To: Members of the Executive Board

From: The Secretary

Subject: Colombia - Request for Postponement of Repurchase
Obligation

The attached proposal is circulated for consideration by the Executive Board at a meeting tentatively scheduled for Wednesday, June 18, 1958.

Att: (1)

Other Distribution:
Department Heads
Division Chiefs

INTERNATIONAL MONETARY FUND

Colombia--Request for Postponement of Repurchase Obligation

Prepared by Office of the Treasurer and Western Hemisphere
Department in consultation with the Legal Department

June 11, 1958

1. In December 1954 Colombia purchased \$25 million from the Fund. At Meeting 57/20 on May 8, 1957 the Executive Board approved a proposal by Colombia that a repurchase obligation incurred by Colombia as of April 30, 1956 in the amount of \$7,035,000 be postponed and that the Fund's holdings of Colombian pesos in excess of 75% of Colombia's quota be repurchased in the following installments: December 23, 1957--\$5 million, June 23, 1958--\$5 million, December 23, 1958--\$5 million, June 23, 1959--\$10 million (see EBS/57/23). The installment due in December 1957 was paid by Colombia.
2. On the basis of the monetary reserves data supplied by Colombia the staff has calculated a repurchase obligation incurred by Colombia as of April 30, 1957 in the amount of \$17,950,572.84 payable in U. S. dollars.
3. Colombia has agreed with this calculation in accordance with Rule I-6 and through the Executive Director elected by it proposes an arrangement (Attachment 1) whereby discharge of the above repurchase obligation would be postponed and the schedule of installments previously agreed between Colombia and the Fund would be deferred by six months so that Colombia would repurchase the equivalent of \$5 million in December 1958, \$5 million in June 1959 and \$10 million in December 1959. Repurchase in respect of Colombia's drawing on December 24, 1954 would thus be completed within 5 years from that drawing.
4. There is at present a stand-by arrangement in effect between the Fund and Colombia which expires on June 18, 1958. Colombia has made drawings under the stand-by arrangement on December 26, 1957 and February 21, 1958 of \$5 million and \$10 million, respectively. In accordance with paragraph 11 of the stand-by arrangement, repurchase in respect of these drawings is due 3 years from the day the drawings were effected.
5. Colombia faces a serious balance of payments situation this year. Export earnings are estimated to decline nearly \$100 million for the second consecutive year, largely because of a decline in the international price of Colombia's main export, coffee. This decline in export earnings has taken place in a period when Colombia is faced with very heavy payment commitments abroad as a result of arrears settlements and when the exchange reserves of the country are low.

Colombia's current exchange earnings are inadequate to meet its debt obligations and finance a level of imports considered by the Colombian authorities as the minimum level necessary to sustain domestic economic activity. To meet this situation the Colombian authorities have recently negotiated new foreign credits to stretch out Colombia's international short-term indebtedness burden. A loan of \$75 million has been arranged with the U.S. Export-Import Bank payable in 10 semi-annual installments, commencing in three years. In addition, a credit of \$25 million has been obtained from a group of New York banks. This loan is repayable in six semi-annual installments.

For a detailed discussion of the Colombian economic situation see SM/58/25 and SM/58/25, Supplement 1. The following table replaces table 4 on page 13 of Part II of SM/58/25.

Estimated Debt Service on Colombia's
External Debt, 1958-1965 1/

(In millions of U.S. dollars)

	Short-term debt <u>2/</u>	Fund <u>3/</u>	All other <u>4/</u>	Total
1958	82.8	5.0	37.4	125.2
1959	87.2	15.0	36.3	138.5
1960	57.5	5.0	28.3	90.8
1961	51.7	10.0	24.0	85.7
1962	20.0	-	18.6	38.6
1963	18.1	-	15.7	33.8
1964	17.4	-	11.8	29.2
1965	16.6	-	10.9	27.5

Source: Office of the Treasurer, IMF and Statistics Division, IBRD.

1/ Amortization and interest except for Fund drawings.

2/ Includes service on the new Export-Import Bank and New York bank loans.

3/ Based on proposed repurchase schedule and repurchase commitments under stand-by arrangement.

4/ Based on long-term debt outstanding at the end of 1956.

6. The Board has decided in a number of cases that there is authority to postpone the discharge of a repurchase obligation, and in the case of Colombia has already postponed the discharge of the repurchase obligation due as of April 30, 1956. In view of the difficulties faced by Colombia it is recommended that the Fund agree to the postponement involved in the proposed schedule.

7. In view of the foregoing the staff recommends the following decision:

- (a) In accordance with Rule I-6 the Fund has computed and Colombia has agreed that it has a repurchase obligation under Article V, Section 7(b) as of April 30, 1957 amounting to \$17,950,572.84 and payable in U. S. dollars.
- (b) Colombia has requested that the repurchase schedule adopted at EBM/57/20 be modified and that payment of the repurchase obligation as of April 30, 1957 be postponed and discharged in accordance with the following revised schedule:
 - not later than the end of December 1958-- the equivalent of \$5 million
 - not later than the end of June 1959--the equivalent of \$5 million
 - not later than the end of December 1959--the equivalent of \$10 million
- (c) The proposal of Colombia is agreed.

Attachment 1

C O P Y

TO: Acting Managing Director

DATE: June 4, 1958.

FROM: O. Paranaguá

SUBJECT: Repurchase Obligation - Colombia

In reply to the Fund's notification, Colombia advised the Fund of its agreement with the computation of its monetary reserves resulting in a repurchase obligation as of April 30, 1957 equivalent to \$17,950,572.84. In accordance with Rule I-6(d) payment would have to be made within 30 days after Colombia has received the Fund's request for payment.

Colombia's difficult balance of payments problems were discussed recently by the Executive Board (EBM/58/21, May 7, 1958). The decision taken at that meeting states that the prospects for 1958 indicate continued difficulties mainly due to lower coffee receipts and heavy payments on the indebtedness incurred for the arrears settlements.

I have been instructed by the Banco de la Republica to propose, in view of the aforementioned difficulties and having in mind the decline in gold and foreign exchange holdings of the Banco de la Republica, that discharge of the repurchase obligation be postponed and that the repurchase schedule approved by the Fund in May of last year be deferred by six months so that Colombia would repurchase the equivalent of \$5 million in December 1958, \$5 million in June 1959 and \$10 million in December 1959. These repurchases would also discharge the repurchase obligation as of April 30, 1957.