Session 5:  
Power, strength and influence of finance ministries: coordination between the center, line ministries and legislature  
Colombia’s Ministry of Finance and Public Credit

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Former Director DNP - National Planning Department (“Planning Ministry”)  
Former Budget Director - MoF  Colombia
SESSION 5:

POWER, STRENGTH AND INFLUENCE OF FINANCE MINISTRIES: COORDINATION BETWEEN THE CENTRE, LINE MINISTRIES AND LEGISLATURE

• In Colombia, the Ministry of Finance is THE Ministry:

  ➢ Powerful, strong, very influential, coordinates ministries and agencies, has “veto” power backed by Constitution and laws, is a leading voice in cabinet and congressional discussions, manages high levels of responsibilities, is accountable for macroeconomic and fiscal results, is the leading Government voice for economic issues.

• However, the MoF shares this power, strength, influence and coordination with two additional partners:

  ➢ DNP – National Planning Department (equivalent to Ministry of Planning)
  ➢ The Independent Central Bank (Monetary and Exchange rate policy)

• Economic, fiscal and budgetary legislation has to be approved by Congress: Senate and House of Representatives.
MoF LEADS FISCAL POLICY... BUT IS NOT ALONE

Government
(Designs, implements, monitors)

- Ministry of Finance (MoF), Tax and Customs Administration Office (DIAN) and the General Accounting Office
- National Planning Department, (DNP)
- Sectors: Line Ministries and Agencies
- Coordination and Decision Making Committees: CONPES and CONFIS

Legislative
(Enacts Laws)

- Bicameral Congress:
  - Each chamber has two specialized economic commissions:
    - Third: economic and tax issues
    - Fourth: Budgetary issues

Judicial
(Control)

- Oversight institutions: (“Contraloría General, Procuraduría General, Auditoría General de la Nación, Fiscalía General”)
- Constitutional Court, “Consejo de Estado” and Judges
CLEAR ROLES AND RESPONSIBILITIES FOR BUDGET / FISCAL POLICIES

Ministry of Finance
- Revenues
- Current expenditure
- Debt
- Intergovernmental transfers

National Planning Department - DNP
- Capital Budget

Ministries and Agencies

Judiciary and Controlling Agencies (independent)

State Owned Enterprises

CONPES
CONFIS
CONGRESS

ODI CABRI SOUTH AFRICA TREASURY - FINANCE MINISTRIES IN THE 21ST CENTURY
March 25-26 2015, Johannesburg, South Africa
Carolina Renteria, Lead Economist World Bank Group
STRONG FISCAL LEGAL SETTING – PERMANENTLY UPDATED

1991 Constitution

1994 National Development Plan Organic Law

1996 Organic Budget Law

2003 Fiscal Responsibility Law - Medium Term Fiscal Framework

2005 Medium Term Expenditure Framework Decree

2011 Fiscal Rule Law

2011 Constitutional Amendment - Fiscal Sustainability

Macro Economic and Fiscal Crisis 1998-2000
COORDINATION WITHIN THE MOF AND BETWEEN THE MOF AND DNP (“ECONOMIC TEAM”)

• Main DNP Functions that need coordination with MoF
  – National Development Plan:
    • Preparation and monitoring of the NDP
    • Public Investment Plurianual Plan
  – Capital Budget
  – Financing of Sector and Multisector Policies
  – M&E NDP and policies

• Main coordination mechanism within the MoF and between the MoF and DNP:
  – CONFIS – National Council for Fiscal Policy
CONFIS – NATIONAL COUNCIL FOR FISCAL POLICY – MAIN COORDINATION MECHANISM

Minister of Finance (CONFIS’s President)

DNP Director of DNP – National Planning Department
Economic Counselor from the Presidency
Two Deputy Ministers of Finance
Director of Budget - MoF
Director of Treasury and Public Credit - MoF
DIAN Director (Tax and Customs Agency)

http://www.minhacienda.gov.co/HomeMinhacienda/politicafiscal/Confis/

MAIN COORDINATION INFORMATION INSTRUMENTS: SIIF, SUIFP, SPI, SINERGIA

ODI CABRI SOUTH AFRICA TREASURY - FINANCE MINISTRIES IN THE 21ST CENTURY
March 25-26 2015, Johannesburg, South Africa
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COORDINATION BETWEEN THE MINISTRY OF FINANCE AND THE REST OF THE GOVERNMENT

• Cabinet Meetings

• CONPES – National Council for Economic and Social Policies
  – Led by the President
  – Director of DNP is the Technical Secretariat
  – All Ministers are members and selected officials are invited based on the Agenda to be discussed
  – Main Instrument: “CONPES Document”: Includes diagnostic, policy questions, analysis and recommendations

• Macro and fiscal CONPES Documents usually are preceded by a CONFIS discussion and a decision making meeting
Documentos Conpes
En esta sección encontrará un listado cronológico por años de los últimos documentos Conpes aprobados por el Consejo Nacional de Política Económica y Social -Conpes.

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FISCAL SUSTAINABILITY FRAMEWORK

Medium Term Fiscal Framework - MTFF
Due: JUNE 15

- Document presented to CONGRESS before June 15.
- Includes: **Multi annual Macro fiscal Projections for 10 years:** revenues, current expenditures, investment, deficit, debt, fiscal impact of tax exemptions, fiscal contingencies, ...

- **Produced by MoF, requires approval by CONFIS and CONPES**

Medium Term Expenditure Framework - MTEF
Due: JULY 15

- Four year forecasts of the main sectorial priorities and the maximum level of expenditure (recurrent and investment), allocated by sectors and budget items.
- The expenditure ceilings are consistent with the MTFF and the NDP.

- **Produced by MoF & DNP, requires approval by CONFIS and CONPES**

Financial Plan, FP
DUE: JUNE 15

- Defines the forecast and targets for (revenues, current expenditures, investment, deficit, financing (by sources and type of debt) for the next year.
- Includes Central Government, Decentralized Public Sector (regions, SOE’s, social security and the Central Bank). MUST be CONSISTENT with MTFF.

- **Produced by MoF, requires approval by CONFIS and CONPES**

Annual Investment Plan - POAI
DUE: JULY 20

- Includes the **Investment Projects** (already appraised and included in the Bank of Projects -BPIN) by sectors, entities and programs to be included in the budget. Must be consistent with NDP, MTFF, MTEF and FP.

- **Produced by DNP, requires approval by CONFIS and CONPES**

Annual Budget, PGN
Due in Congress by JULY 29
Congress must APPROVE by Oct 20

- **Annual Budget:** includes revenues, financing, expenditures (current and capital expenditure, debt). Consistent with MTFF, MTEF, FP and POAI.

- **Led by MoF, includes capital budget from DNP, requires approval by CONFIS, CONPES, Council of Ministers and CONGRESS**

See Annexes
RELATIONS WITH CONGRESS (PARLIAMENT)

• Bicameral Congress: Senate (102 senators) and House of Representatives (166 representatives)

• Each chamber has two specialized economic commissions:
  - Third: economic, monetary, taxes, debt
  - Fourth: Budgetary issues

• The Minister of Finance is the leading economic and fiscal voice for Parliamentary discussions, is the only Minister that can present Economic, Fiscal, Tax, Budget Law proposals to Congress.

• Any constitutional amendments, laws, decrees that have potential fiscal impact needs to have a written OK from the Minister of Finance (including all line ministries and parliamentary proposals). If they don’t have it, they can be demanded by any Colombian and they will be declared unconstitutional by the Constitutional Court.
Last year Colombia was accepted as a candidate country to join the OECD.

- Fiscal and budget responsibility and transparency are a constant, permanent, never ending effort!
THANK YOU