

**OVERSEAS DEVELOPMENT INSTITUTE – CABRI – SOUTH AFRICA TREASURY
FINANCE MINISTRIES IN THE 21ST CENTURY: CHALLENGES, INSTITUTIONS, AND CAPABILITIES**

Johannesburg, S.A - March 25-26 2015

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**

Carolina Rentería

Lead Economist, World Bank Group

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)

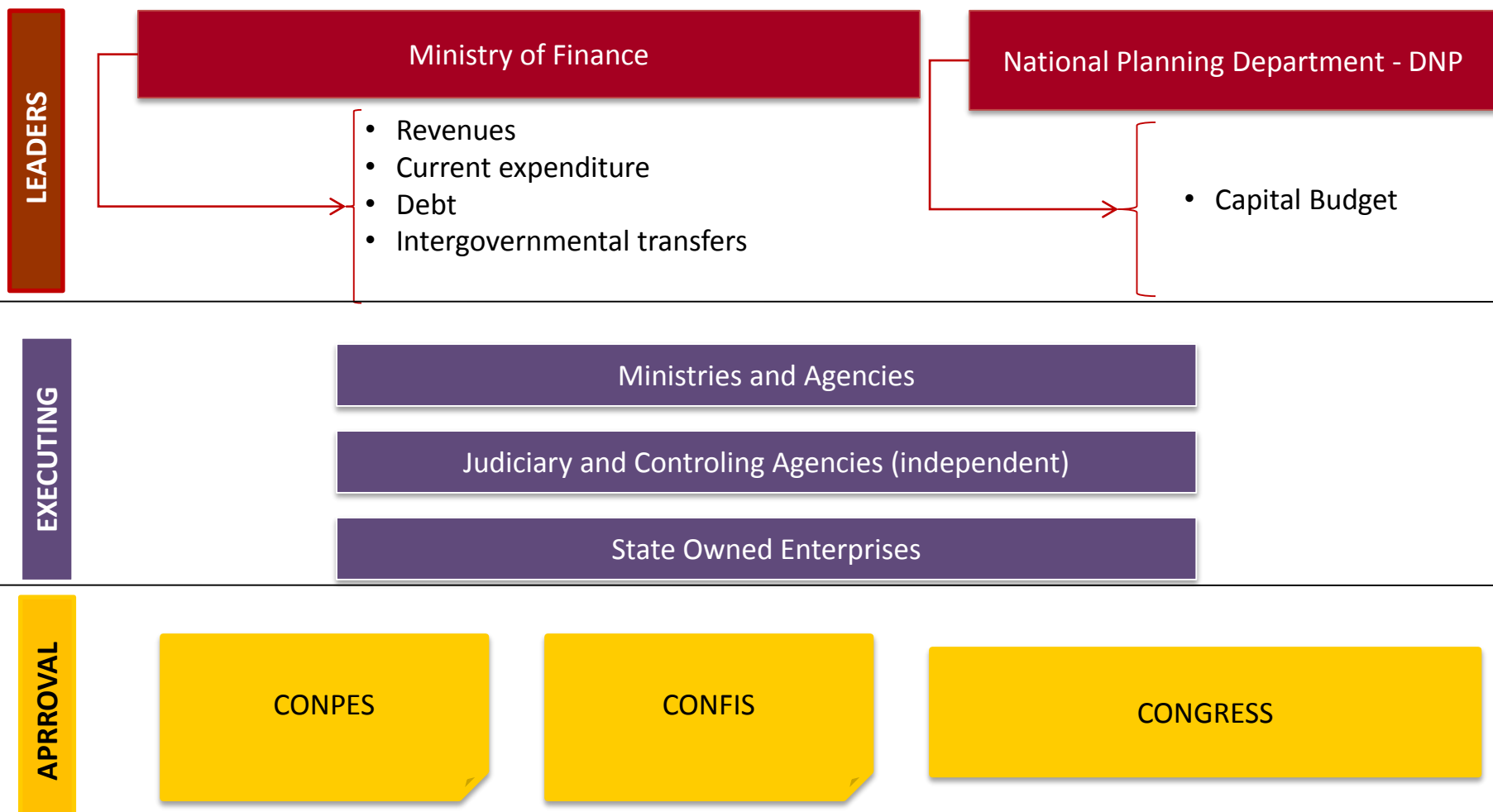
- Bicameral Congress:
 - Each chamber has two specialized economic commissions:
 - Third: economic and tax issues
 - Fourth: Budgetary issues

Judicial
(Control)

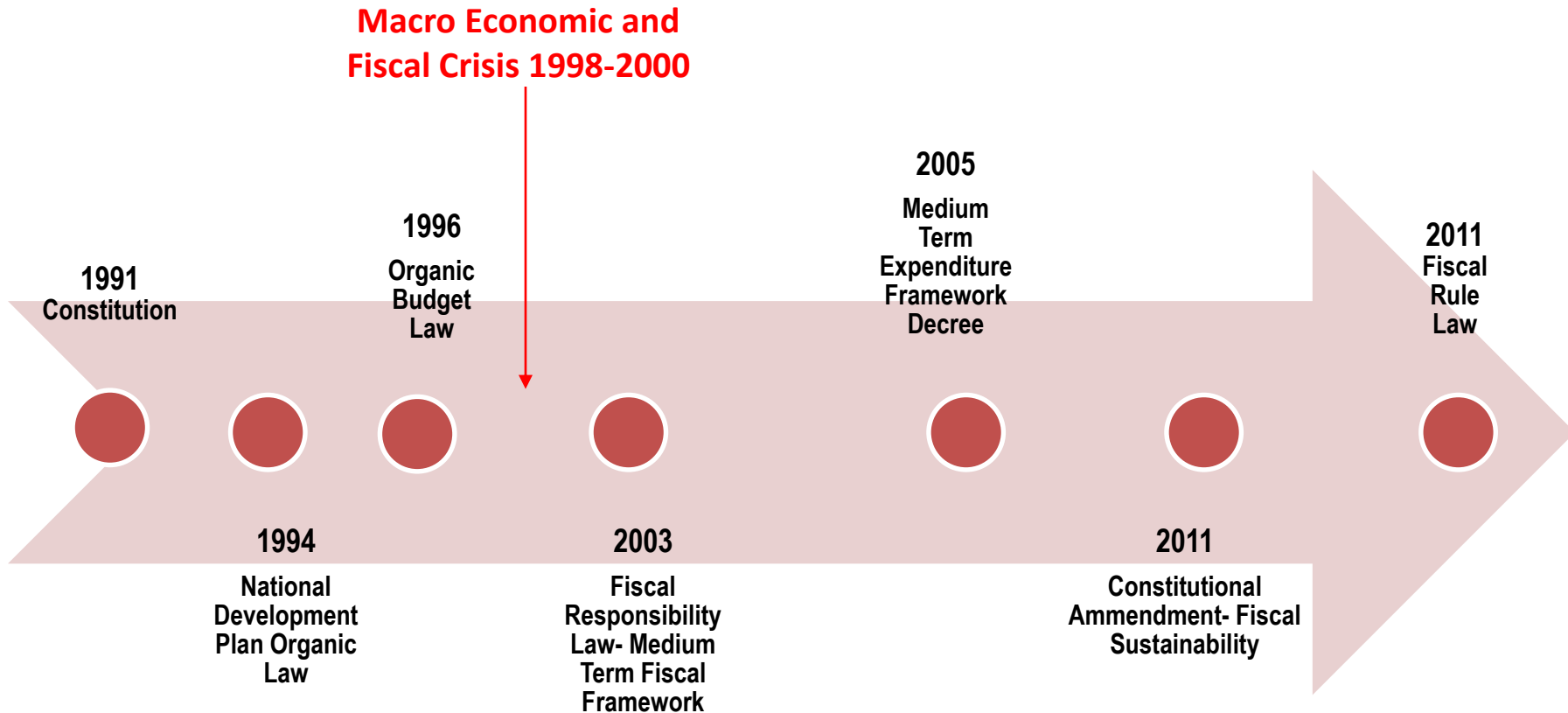
- Oversight institutions: (“Contraloría General, Procuraduría General, Auditoría General de la Nación, Fiscalía General”)
- Constitutional Court, “Consejo de Estado” and Judges



CLEAR ROLES AND RESPONSIBILITIES FOR BUDGET / FISCAL POLICIES



STRONG FISCAL LEGAL SETTING – PERMANENTLY UPDATED



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)



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

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

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



CONPES

<https://www.dnp.gov.co/CONPES/documentos-conpes/Paginas/documentos-conpes.aspx>

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.

CONPES ECONÓMICOS	CONPES SOCIALES
Año 2015	Año 2015 (178)
Año 2014 (del 3797 al 3825)	Año 2014 (del 170 al 177)
Año 2013 (del 3739 al 3796)	Año 2013 (del 159 al 169)
Año 2012 (del 3718 al 3738)	Año 2012 (del 146 al 158)
Año 2011 (del 3692 al 3717)	Año 2011 (del 137 al 145)
Año 2010 (del 3636 al 3691)	Año 2010 (del 131 al 136)
Año 2009 (del 3565 al 3634)	Año 2009 (del 122 al 130)
Año 2008 (del 3506 al 3564)	Año 2008 (del 112 al 121)
Año 2007 (del 3456 al 3505)	Año 2007 (del 104 al 111)
Año 2006 (del 3409 al 3455)	Año 2006 (del 097 al 103)

Mauricio Cárdenas S. @MauricioCard · Feb 4.
 En presentación del Plan Nacional de Desarrollo en Conpes, liderado por el Presidente @JuanManSantos en Casa de Nariño



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



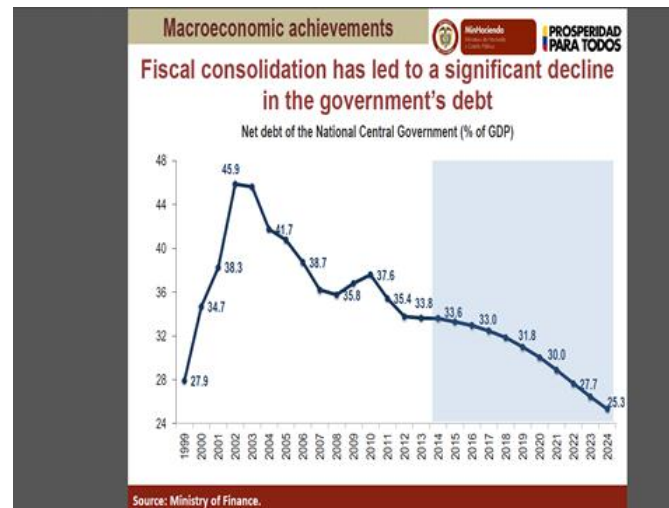
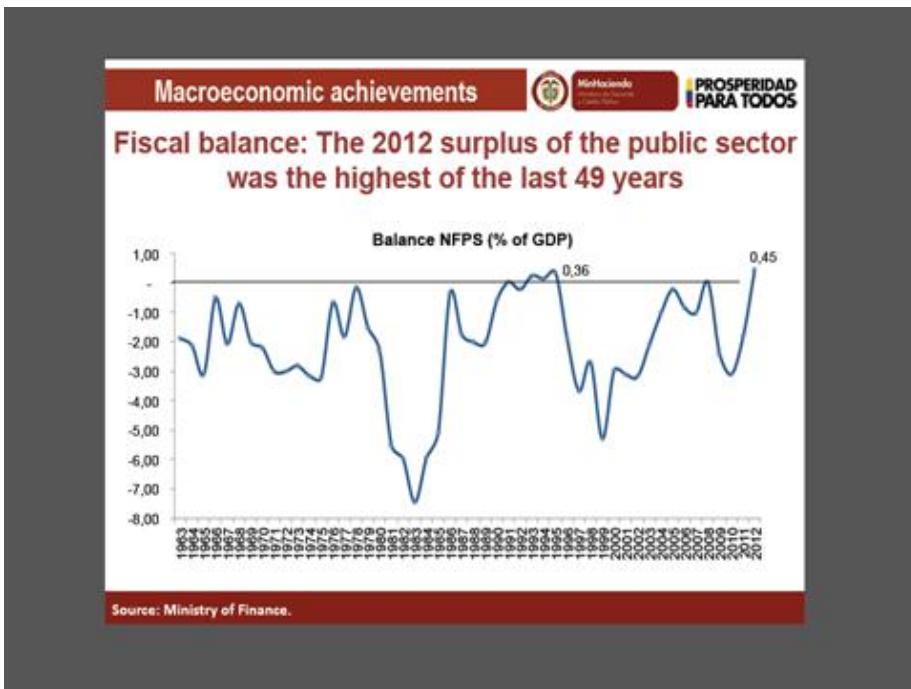
RELATIONS WITH CONGRESS (PARLIAMENT)

- 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.



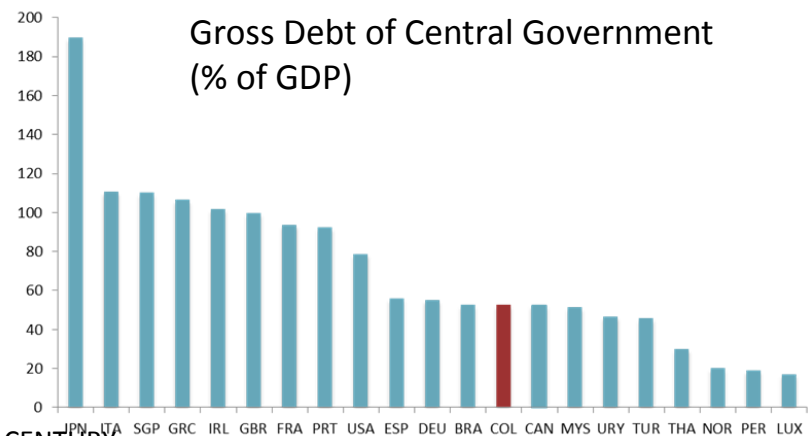


IS COLOMBIA'S MoF SUCCESSFUL? FISCAL CONSOLIDATION RESULTS



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



WORLD BANK GROUP