

# Public Finances

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# Please Read Me

- Check the message **Welcome greeting** published in the News Bulletin Board.
- Dear student please edit your profile uploading a photo where your face is clearly visible.
- The purpose of the virtual meetings is to answer questions and not to make a summary of the study material.
- This presentation is based on (Cardenas 2020, chap. 6)

# Purpose

Explain the role of the State in the economy

# Economic functions of government

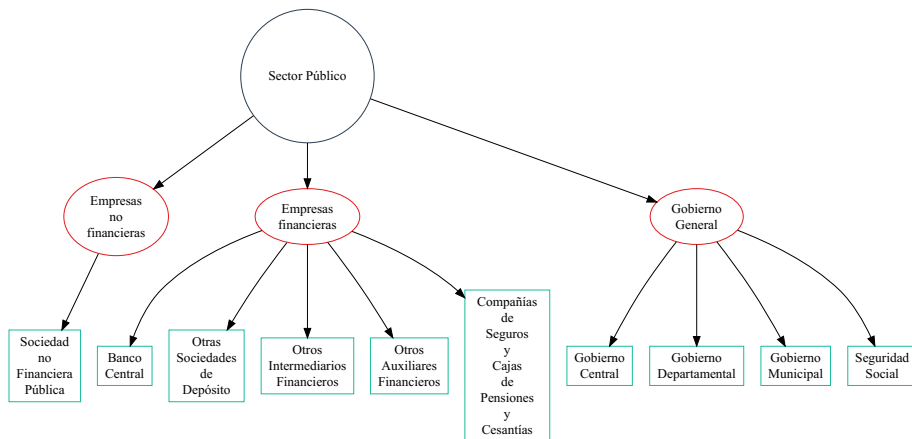
- What are the economic functions of government? (Education 2010, p 45-54)
  - **Maintain the Legal and Social Framework**
    - Define and enforce property rights
    - Establish a monetary system
  - **Maintain competition in the marketplace**
    - Create and enforce antitrust laws
    - Regulate natural monopolies
  - **Provide public goods and services**
    - Some goods and services are not provided by the market in the quantities desired by society

# Economic functions of government

- What are the economic functions of government? (Education 2010, p 45-54)
  - **Correct for externalities**
    - Reduce negative externalities
    - Encourage increased production of goods and services that have positive externalities
  - **Stabilize the economy**
    - Reduce unemployment and inflation
    - Promote economic growth
  - **Redistribute income**
    - Targeting public spending
    - Collect taxes

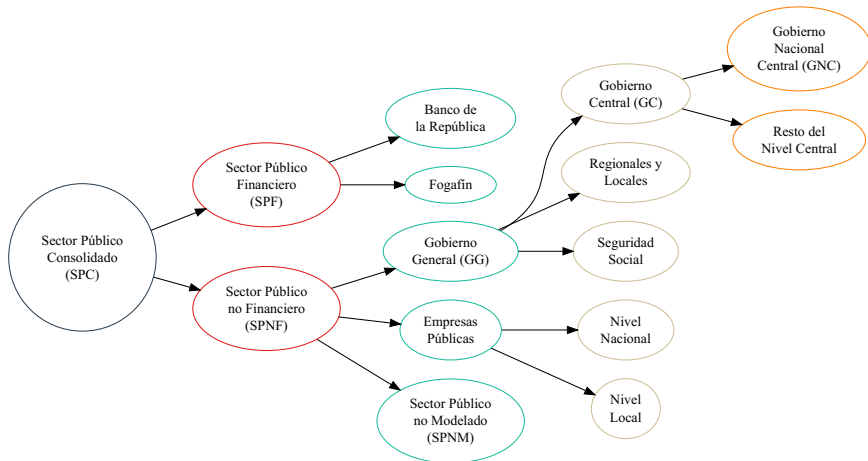
# Colombian public sector

- Division based on (Fund 2014, fig 2.3) and (CIEFP 2019) using the **Código Único Institucional - CUI**



# Colombian public sector

- Division based on how information is reported in (MHCP 2021)





# Colombian public sector

- Central National Government (Gobierno Nacional Central (GNC))  
Fiscal Balance
  - The fiscal balance is the difference between the central national government's revenues and its expenditures
  - It shows the extent to which expenditure in a given year is financed by the revenues collected in that year (OECD 2021b, p 68)
    - When the central national government spends more than it collects as revenues, it has a **fiscal deficit**
    - When the central national government spends less than it collects as revenues, it has a **fiscal surplus**

# Colombian public sector

Concepto	2021 <sup>a</sup>
<b>INGRESOS CORRIENTES DE LA NACION</b>	<b>13.91</b>
<b>INGRESOS TRIBUTARIOS</b>	<b>13.79</b>
<b>DIAN</b>	<b>13.75</b>
Renta	6.84
IVA interno	3.07
IVA externo	2.20
Gravamen arancelario	0.36
Sobretasa a la Importaciones CIF	0.00
Imp. Nacional a la Gasolina y ACPM	0.15
Impuesto al Carbono	0.03
Consumo	0.11
CREE	0.00
Sobretasa a la Gasolina y ACPM	0.00
Gravamen movimientos financieros	0.84
Resto	0.04
Timbre	0.01
Impuesto SIMPLE	0.05
Normalización	0.01
Retención en la fuente inmuebles	0.00
Contribución para la Democracia (Patrimonio) / Impuesto a la riqueza	0.09
<b>INGRESOS NO TRIBUTARIOS</b>	<b>0.12</b>
Contribución de Hidrocarburos	0.00
Concesiones	0.00
Resto	0.12

Source: Ministerio de Hacienda y Crédito Público - Balance Gobierno Nacional Central

Last update: 2022-06-15

<sup>a</sup> %PIB - Cierre fiscal

# Colombian public sector

Concepto	2021 <sup>a</sup>
<b>1. INGRESOS TOTALES (SIN CAUSADOS)</b>	<b>16.32</b>
INGRESOS CORRIENTES DE LA NACION	13.91
INGRESOS TRIBUTARIOS	13.79
INGRESOS NO TRIBUTARIOS	0.12
FONDOS ESPECIALES	0.24
OTROS RECURSOS DE CAPITAL	2.17
Rendimientos Financieros Totales	0.10
Excedentes Financieros	0.76
Ecopetrol	0.05
Banco de la República	0.55
Telecom	0.00
Isa e Isagen	0.03
Bancóldex	0.00
Etapúblicos	0.09
Resto de empresas	0.03
Recuperación de cartera diferente SPNF	0.01
Otros recursos	1.29
Reintegros y recursos no apropiados	0.12
Resto	1.17

Source: Ministerio de Hacienda y Crédito Público - Balance  
Gobierno Nacional Central

Last update: 2022-06-15

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# Colombian public sector

Concepto	2021 <sup>a</sup>
<b>1. INGRESOS TOTALES (SIN CAUSADOS)</b>	<b>16.32</b>
INGRESOS CORRIENTES DE LA NACION	13.91
<b>INGRESOS TRIBUTARIOS</b>	<b>13.79</b>
INGRESOS NO TRIBUTARIOS	0.12
FONDOS ESPECIALES	0.24
OTROS RECURSOS DE CAPITAL	2.17
<b>2. PAGOS TOTALES</b>	<b>23.29</b>
<b>PAGOS TOTALES SIN INTERESES</b>	<b>17.94</b>
<b>PAGOS CORRIENTES DE LA NACION</b>	<b>20.83</b>
INTERESES	2.89
Intereses deuda externa	0.80
Intereses deuda interna	2.10
Costo impuesto endeudamiento externo	0.00
FUNCIONAMIENTO	17.94
Servicios personales	2.18
<b>Transferencias</b>	<b>15.04</b>
Transferencias regionales (SGP desde 2002)	3.94
Pensiones	3.68
Otras	7.42
Gastos generales y otros	0.72
<b>INVERSION</b>	<b>2.47</b>

Source: Ministerio de Hacienda y Crédito Público - Balance Gobierno Nacional Central

Last update: 2022-06-15

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# Colombian public sector

Concepto	2021 <sup>a</sup>
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INGRESOS NO TRIBUTARIOS	0.12
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<b>2. PAGOS TOTALES</b>	<b>23.29</b>
PAGOS TOTALES SIN INTERESES	17.94
PAGOS CORRIENTES DE LA NACION	20.83
<b>INTERESES</b>	<b>2.89</b>
FUNCIONAMIENTO	17.94
INVERSION	2.47
<b>3. DEFICIT O SUPERAVIT EFECTIVO</b>	<b>-6.97</b>
PRESTAMO NETO	0.00
INGRESOS CAUSADOS	0.00
<b>GASTOS CAUSADOS</b>	<b>0.48</b>
DEUDA FLOTANTE	-0.39
<b>4. DEFICIT O SUPERAVIT TOTAL</b>	<b>-7.07</b>
<b>5. COSTOS DE LA REEST. FINANCIERA</b>	<b>0.00</b>
<b>6. DEFICIT A FINANCIAR</b>	<b>-7.07</b>
<b>BALANCE PRIMARIO</b>	<b>-3.69</b>

Source: Ministerio de Hacienda y Crédito Público - Balance  
Gobierno Nacional Central

Last update: 2022-06-15

<sup>a</sup> %PIB - Cierre fiscal

# Colombian public sector

Concepto	2021 <sup>a</sup>
<b>1. INGRESOS TOTALES (SIN CAUSADOS)</b>	<b>192,058,402,559,039.0</b>
INGRESOS CORRIENTES DE LA NACION	163,679,435,283,613.0
INGRESOS TRIBUTARIOS	162,228,108,595,778.0
INGRESOS NO TRIBUTARIOS	1,451,326,687,834.6
FONDOS ESPECIALES	2,841,969,638,460.0
OTROS RECURSOS DE CAPITAL	25,536,997,636,966.8
<b>2. PAGOS TOTALES</b>	<b>274,104,720,594,341.0</b>
PAGOS TOTALES SIN INTERESES	211,060,923,268,551.0
PAGOS CORRIENTES DE LA NACION	245,085,018,488,769.0
<b>INTERESES</b>	<b>34,024,095,220,218.3</b>
FUNCIONAMIENTO	211,060,923,268,551.0
INVERSION	29,019,702,105,572.0
<b>3. DEFICIT O SUPERAVIT EFECTIVO</b>	<b>-82,046,318,035,301.9</b>
PRESTAMO NETO	-19,037,649,970.5
INGRESOS CAUSADOS	0.0
<b>GASTOS CAUSADOS</b>	<b>5,653,444,877,049.6</b>
DEUDA FLOTANTE	-4,531,767,198,467.1
<b>4. DEFICIT O SUPERAVIT TOTAL</b>	<b>-83,148,958,063,913.9</b>
<b>5. COSTOS DE LA REEST. FINANCIERA</b>	<b>0.0</b>
<b>6. DEFICIT A FINANCIAR</b>	<b>-83,148,958,063,913.9</b>
<b>BALANCE PRIMARIO</b>	<b>-43,471,417,966,646.0</b>

Source: Ministerio de Hacienda y Crédito Público - Balance Gobierno Nacional Central

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<sup>a</sup> Pesos colombianos (COP)

# Revenues: taxes

- Useful resources
  - **Global Revenue Statistics Database**
    - <https://stats.oecd.org/> > Data by theme > Public Sector, Taxation and Market Regulation > Taxation > Global Revenue Statistics Database > Global Revenue Statistics Database
  - **Guía ciudadana a la tributación y el gasto del Estado colombiano** (Universidad Javeriana 2018)
    - <https://www.ofiscal.org/publicaciones> > guías ciudadanas

# Revenues: taxes

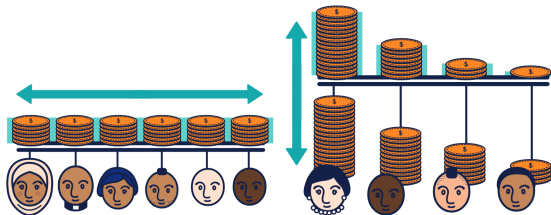
- **Taxes:** “compulsory unrequited payments to the general government or to a supranational authority” (OECD 2020, p 319)
  - “Taxes are unrequited in the sense that benefits provided by government to taxpayers are not normally in proportion to their payments” (OECD 2020, p 319)
  - “The term **tax** does not include fines, penalties and compulsory loans paid to government” (OECD 2020, p 319)
  - Compulsory social security contributions and paid to general government are treated here as tax revenues (OECD 2020, p 320)



- **Classification of Taxes by the OECD** (OECD 2020, p 317-318)
  - 1000 Taxes on income, profits and capital gains (Impuestos sobre la renta, las utilidades y las ganancias de capital)
  - 2000 Social security contributions (Contribuciones a la seguridad social)
  - 3000 Taxes on payroll and workforce (Impuestos sobre la nómina y la fuerza de trabajo)
  - 4000 Taxes on property (Impuestos sobre la propiedad)
  - 5000 Taxes on goods and services (Impuestos sobre los bienes y servicios)
  - 6000 Other taxes (Otros impuestos)

# Revenues: taxes

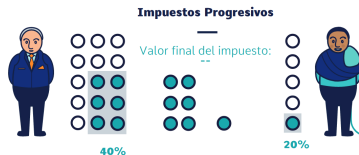
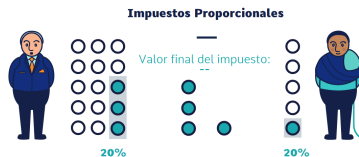
- According to the Colombia's political constitution:
  - *“ARTICULO 363. El sistema tributario se funda en los principios de equidad, eficiencia y progresividad. . . .”*
- **Equity:** Horizontal and vertical (Universidad Javeriana 2018, p 8)



- **Efficiency:** taxes change the behavior of individuals and sometimes distort the economic activity by creating a deadweight loss. Therefore the idea is to have a tax system that minimize or mitigate these negative effects

# Revenues: taxes

- Progressivity (Universidad Javeriana 2018, p 11)

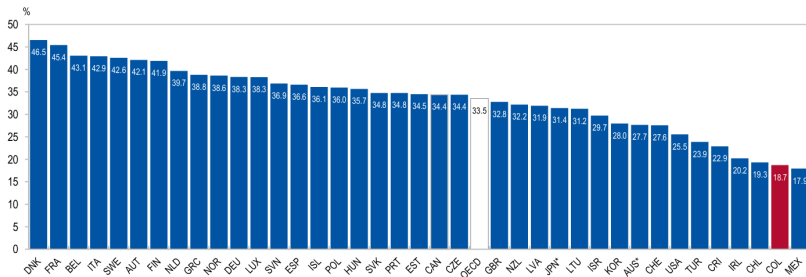


# Revenues: taxes

## • (OECD 2021a, p 2)

### Tax-to-GDP ratio compared to the OECD, 2020

Colombia ranked 37th out of 38 OECD countries in terms of the tax-to-GDP ratio in 2020. In 2020, Colombia had a tax-to-GDP ratio of 18.7% compared with the OECD average of 33.5%. In 2019, Colombia was also ranked 37th out of the 38 OECD countries in terms of the tax-to-GDP ratio.



\* Australia and Japan are unable to provide provisional 2020 data, therefore their latest 2019 data are presented within this country note.

The differences between tax-to-GDP ratios shown may not sum correctly due to rounding

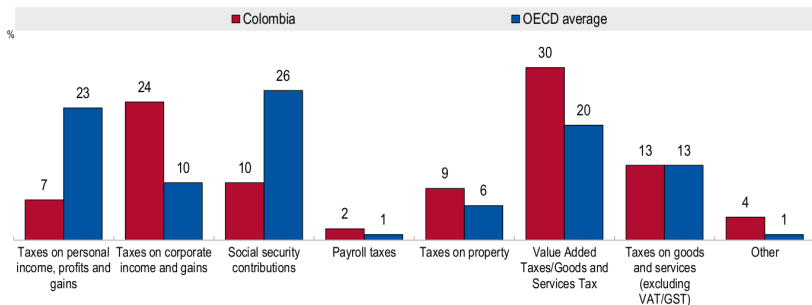
In the OECD classification the term "taxes" is confined to compulsory unrequited payments to general government or to a supranational authority. Taxes are unrequited in the sense that benefits provided by government to taxpayers are not normally in proportion to their payments.

# Revenues: taxes

- (OECD 2021a, p 3)

## Tax structure compared to the OECD average, 2019

The structure of tax receipts in Colombia compared with the OECD average is shown in the figure below.



# Expenditures

- Useful resources
  - **Portal de transparencia económica**
    - <https://www.pte.gov.co> > Consultas sobre la gestión de los recursos públicos > GASTOS DE LA NACIÓN
  - **Guía ciudadana a la tributación y el gasto del Estado colombiano** (Universidad Javeriana 2018)
    - <https://www.ofiscal.org/> > Gasto

- **Presupuesto General de la Nación (PGN)**

- It is the most important financial management instrument of fiscal policy
- This instrument presents the government's proposed revenues and spending for a specific period
- Every year the “Presupuesto General de la Nación (PGN)” is define for the next year
- The “Presupuesto General de la Nación (PGN)” must be approved by the congress and sanctioned as a law by the president

# Expenditures

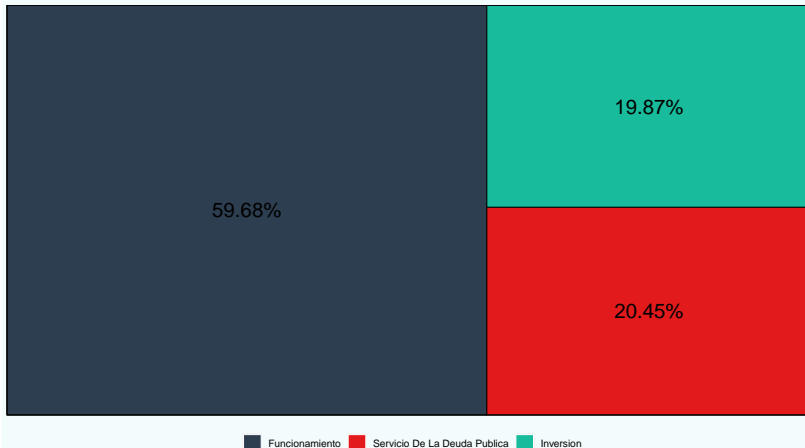
## What is the nation's general budget spent on in 2022?

Total national budget: 350,397,521,760,380 COP

Funcionamiento: 209,107,394,295,649 COP

Servicio De La Deuda: 71,664,579,597,669 COP,

Inversión: 69,625,547,867,062 COP



Portal de transparencia económica – <https://www.pte.gov.co/>  
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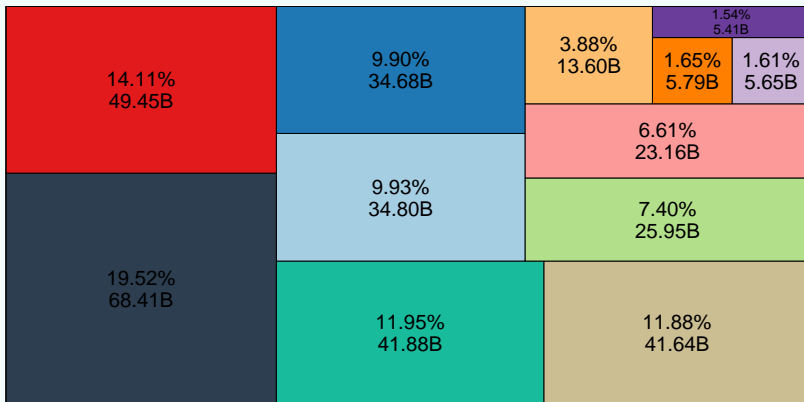


# Expenditures

## Who spends nation's general budget spent on in 2022?

Total national budget: 350,397,521,760,380 COP

Observation: B means billions in long scale ( $10^{12}$ )



Servicio De La Deuda Publica Nacional  
 Educacion  
 Salud Y Proteccion Social

Defensa Y Policia  
 Otros Sectores  
 Trabajo

Hacienda  
 Inclusion Social Y Reconciliacion  
 Transporte

Minas Y Energia  
 Rama Judicial  
 Vivienda, Ciudad Y Territorio

Portal de transparencia económica – <https://www.pte.gov.co/>  
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- To my family that supports me
- To the taxpayers of Colombia and the **UMNG students** who pay my salary
- To the **Business Science** and **R4DS Online Learning** communities where I learn **R**
- To the **R Core Team**, the creators of **RStudio IDE** and the authors and maintainers of the packages **DiagrammeR**, **tidyverse**, **readxl**, **knitr**, **kableExtra**, **tidyquant**, **tufte**, **OECD**, **treemapify**, and **tinytex** for allowing me to access these tools without paying for a license
- To the **Linux kernel community** for allowing me the possibility to use some **Linux distributions** as my main **OS** without paying for a license

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