



**DEPARTAMENTO
NACIONAL DE PLANEACIÓN**

Fiscal Governance of States and Localities

April 2023



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Agenda

1. Fiscal decentralization in Colombia
2. Experiences with strengthening intergovernmental fiscal relations
3. Policy Reform plans



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Fiscal Decentralization in Colombia



Current Decentralization Model

Regulatory Framework

Political Constitution of Colombia 1991

Article 1. "Colombia is a social rule of law, organized as a unitary, decentralized, democratic, participatory and pluralist Republic, with the autonomy of its territorial entities".

Article 286: The departments, districts, municipalities, and indigenous territories are territorial entities. The law may give the character of territorial entity to the regions and provinces that are constituted under the terms of the Constitution and the law.

Article 287: The territorial entities shall be granted autonomy for the management of their interests. In such virtue they shall have the following rights:

- *To be governed by their authorities.*
- *To exercise the powers that correspond to them.*
- *To administer the resources and establish the taxes necessary for the fulfillment of their functions.*
- *To participate in national revenues*

Fiscal Decentralization

Subnational governments fiscal attributions and responsibilities that allows them to achieve a higher level of autonomy in the financing their revenues and, therefore, in the decision-making process regarding the destination of their expenditures

Current Context

Primary sources of territorial financing: tax and non-tax revenues (own resources), resources from the General System of Participations and other transfers from the Nation, royalties, co-financing resources, and credit.

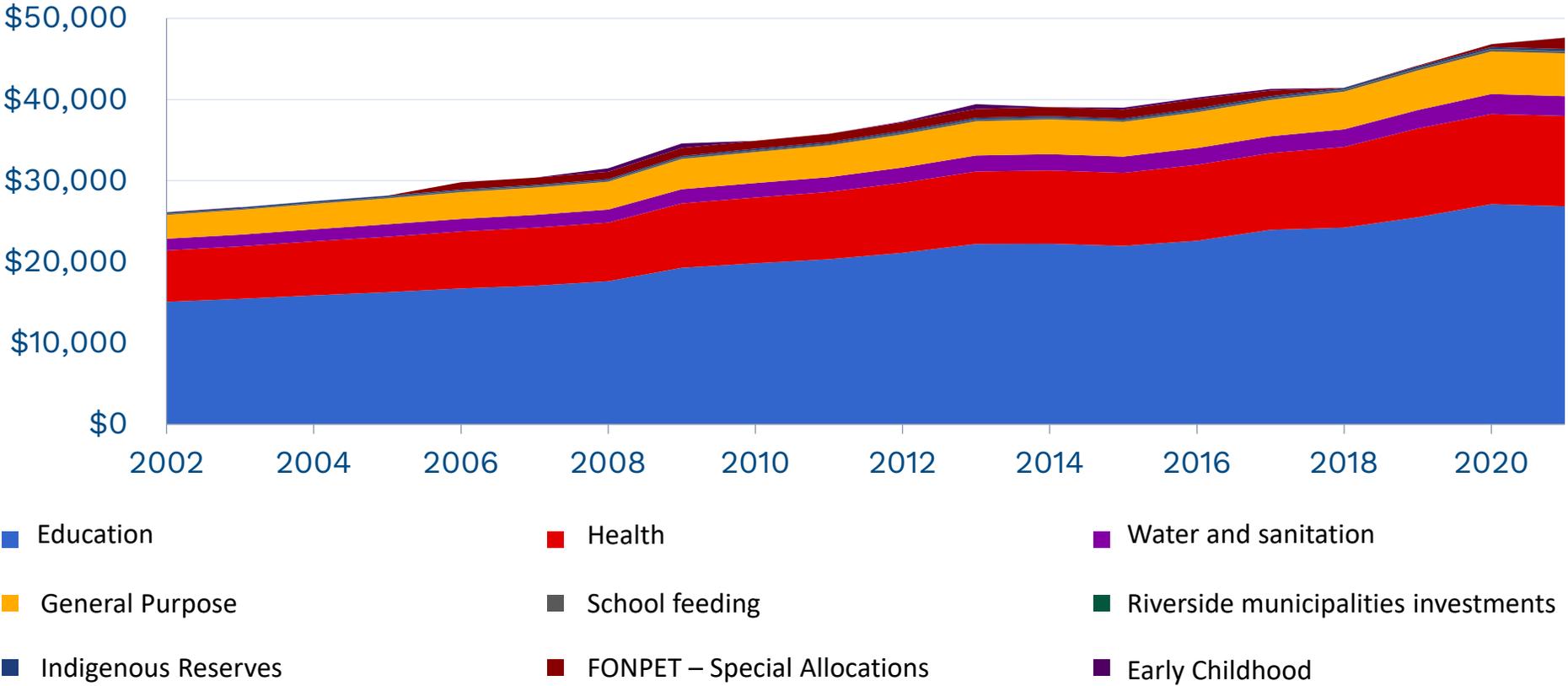
Within the most important tax revenues, we highlight the following: Industry and Commerce and the property tax for municipalities, liquor, and beer tax, and registration and annotation tax for departments



Current Decentralization Model

Transfers System: The general participation system (SGP) is created to allocate resources to adequately finance the provision of public goods and services by subnational governments such as departments, districts, and municipalities (Article 356)

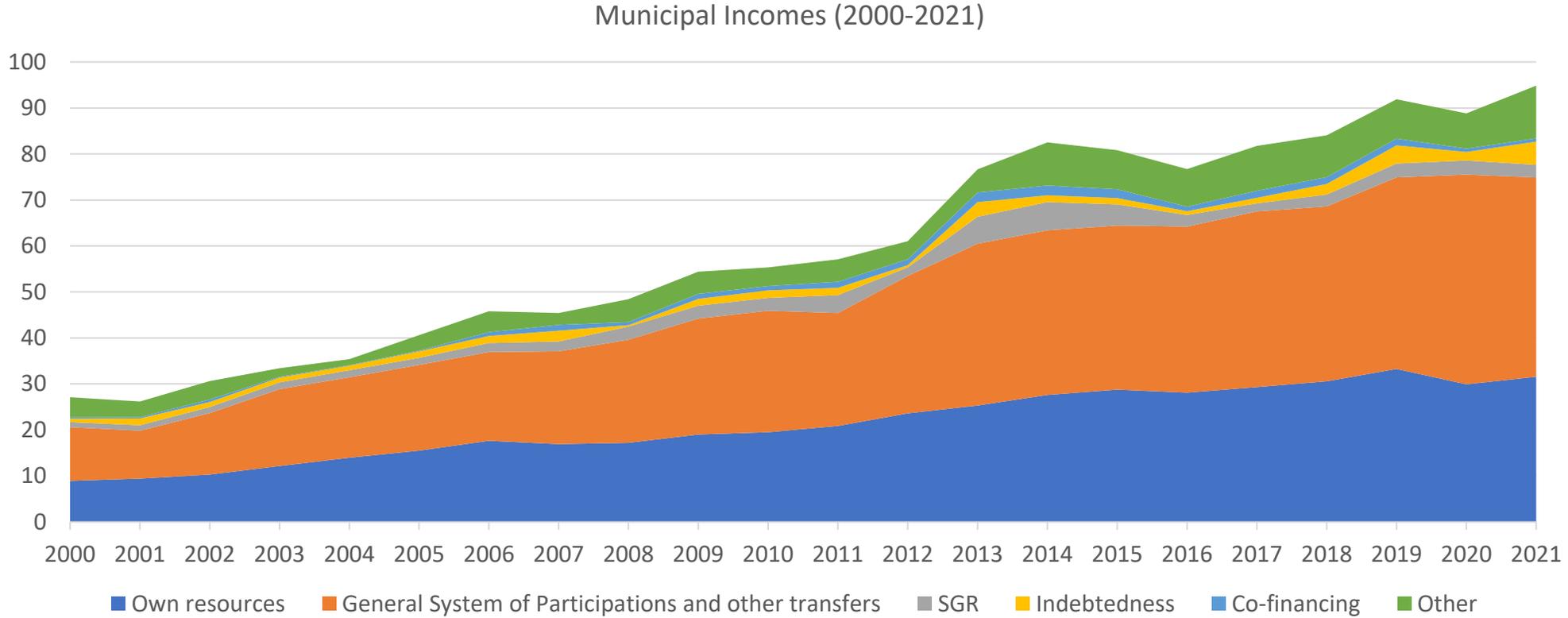
Distribution of the General System of Participations (SGP) Billions of COP





Current Decentralization Model

Incomes: Article 287 stipulates the territorial entities right to administer the resources and establish the necessary taxes for the fulfillment of their functions

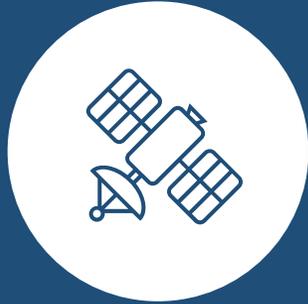




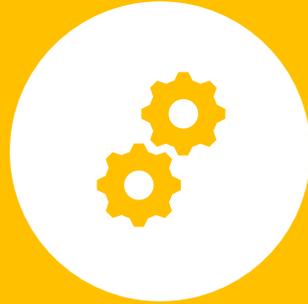
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Experiences strengthening intergovernmental fiscal relations

Strategies for territorial strengthening



Multipurpose cadaster as a tool for strengthening fiscal and territorial planning and management. Territorial Administration System with functional governance



Software Services to guide financial and fiscal planning processes (MGT)



In pursuit of transparency of territorial entities, tools are generated to monitor the performance and targeting of technical assistance (IDF, Effectiveness, MDM and MDD)

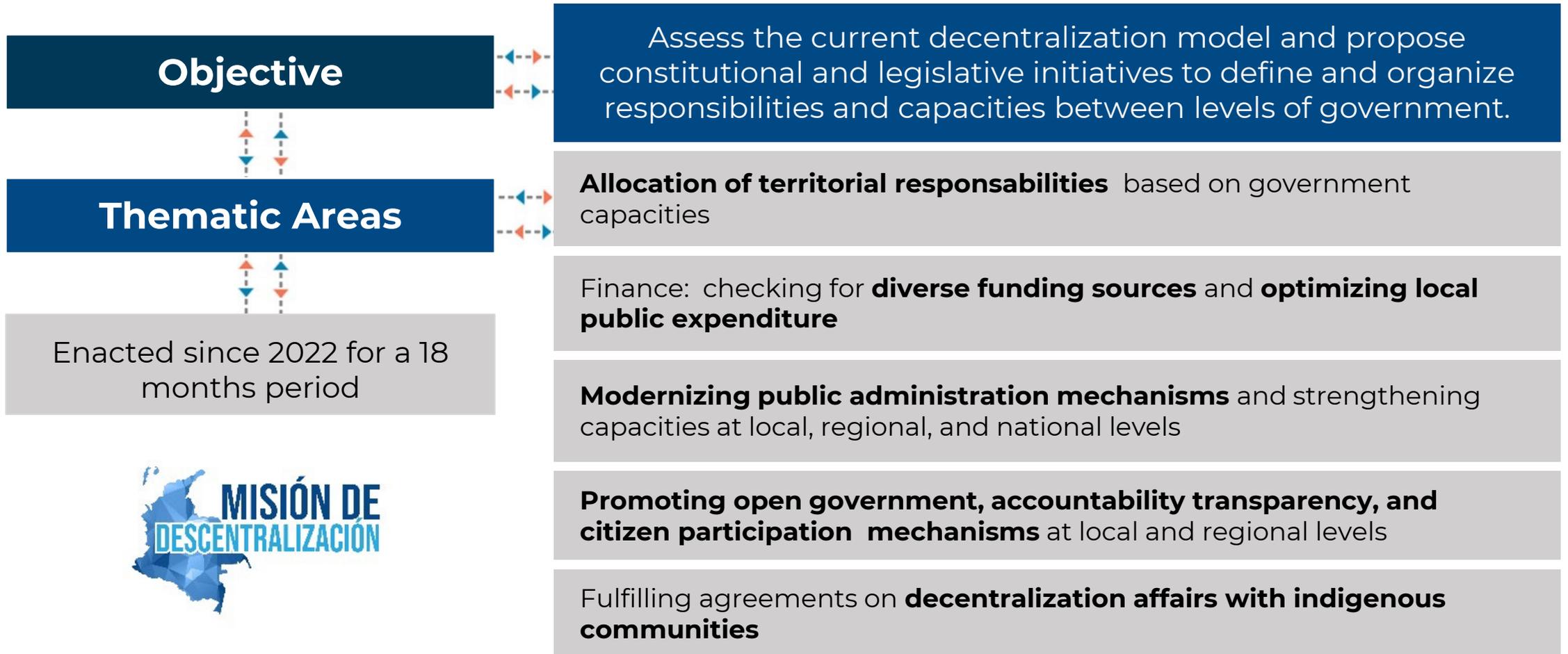
Decentralization Mission to promote institutional and regulatory arrangements to deepen the model



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Policy Reform Plans

Decentralization Mission: an opportunity for regional development





Decentralization Mission: reorienting decentralization towards four goals



Vertical and horizontal territorial equity



Inclusion of borders, ethnic groups, poverty, peasants, "territories of wars" and illegalities



Climate change and energy transition



State and open society, public construction of what is public



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