

23rd session of the Committee of Experts on Public Administration

Statement written by the University of Antioquia

Agenda item 8: Public Financial Management. Accelerating the reform of public financial management to strengthen the 2030 Agenda for Sustainable Development and eradicate poverty in times of multiple crises

Colombia: Financial Framework for Colombian public universities, a good practice for the management of public resources

The recent situation in many developing economies like Colombia marks complex times regarding inflation and low economic growth. This undoubtedly imposes barriers and limits the budgetary capacity of governments to address a myriad of obligations, as public financial resources are put to the test, along with the financing needs to address the economic, social, and administrative functions of states.

In the case of public higher education in Colombia, the effects of the multiple crises associated with the country's macroeconomic problems, facing a new general education law, impose budgetary challenges and new financial needs on the set of university actors responsible for the educational mission. In particular, the National Government, territorial entities at the departmental and municipal levels, and of course educational institutions, who are responsible for promoting knowledge, conducting research, and addressing the growing educational demand, among other important matters.

It is important to note that in Colombia, the State contributes, on average, 50% of the funding required for the operation of public universities. The rest of the resources to cover annual operating budgets come from self-generated revenue from the sale of goods and services, as well as from agreements with other governmental institutions or private entities and from consulting services in the business world.

Under this context, the starting point for the new education law is the commitments derived from the educational statutory law that elevates education in Colombia as a right, which are reflected in greater resources to address increasing expenditure in coverage with quality associated with issues of affordability, accessibility, acceptability and adaptability.

This obliges educational institutions in the country to reinforce the forecasting and planning of income as well as the growth of expenses and investments in the university environment.

In this sense, a central objective in the field of educational public policy is adequate financial management on all fronts. This includes ensuring at the same time accountability, transparency and participation in budgetary processes.

Therefore, initiatives are required to improve the credibility of the budget and reduce excessive budgetary deviations, with the aim of achieving efficient use of public resources.

Carrying out this process requires the creation of financial instruments that facilitate better appropriation of budgetary information for political, social and university actors to understand university financing.

To advance in this, issues related to public financial management and budgeting for the Sustainable Development Goals of the 2030 Agenda are used as a reference framework, focusing on effective mobilization, allocation and management of budgetary resources (Nemec & Ott, 2024).

The result in the Colombian case is a new instrument called the Medium-Term Financial Framework (*MFMP*) for the State University System (*SUE*), developed by the Applied Macroeconomics Research Group of the Faculty of Economic Sciences of the University of Antioquia in the Financing of Higher Education line (Mesa, Ramon Javier & Ruiz, Juan Alejandro 2024).

MFMP information and design

The MFMP is constituted as an example of good practices and recommendations to improve the management of public university finances. It is the first one built in Colombia, marking a milestone in the global literature on new financial tools applicable to the budgetary structure of higher education institutions.

Its use will allow overseeing, supervising and projecting the budgetary processes of public universities to be transparent, credible and participatory in light of the changes that are coming in the country's educational system.

In Colombia, the General Accounting Office (*CGN*) has developed a platform called the Consolidated System of Treasury and Public Information (*CHIP*), which seeks to consolidate the financial and accounting information of Colombian public entities, with the aim of improving transparency and efficiency in the management of public resources.

The CHIP allows public entities to report their financial statements and other accounting information in a standardized manner and in line with Colombian accounting standards. It also facilitates the generation of consolidated reports at the national, departmental and municipal levels, providing a comprehensive view of public finances in the country.

Through the use of the CHIP, the CGN and the general public have access to the financial information of public entities and can conduct analyses and evaluations on compliance with accounting standards, budget execution and the management of public resources. This contributes to strengthening accountability, transparency and efficiency in public administration in Colombia.

Based on the budgetary information reported by the 33 public universities of the country in the CHIP, the MFMP for the SUE is constructed, which facilitates the projections of income and expenses for each of the university institutions belonging to the SUE.

This tool calculates the paths of budgetary availability for the coming years, as inputs to assess the scope of state financing, as well as the own resources managed by public

universities regarding expenditure performance. This is important for measuring university management in terms of the objectives of their development plans, operating expenses and action plans.

MFMP scope and perspectives

A critical component of sustainable management of public university finances is the ability to execute operating budgets in line with the missional needs of educational institutions.

The MFMP allows simulating in the present the effects on the budget derived from changes in the cycle of representative macroeconomic variables for the higher education sector. Similarly, it measures the budgetary changes that may result from different proposals to modify articles related to the financing of higher education institutions.

The importance of the MFMP, in addition to contributing to greater transparency in the management of public resources and supporting the behavior and stability of university finances, is that it provides the opportunity to simulate income and expenditure projections scenarios at the budget level in the short and medium term, based on the budgetary executions of previous fiscal years.

Undoubtedly, having this financial tool sets a path for long-term sustainability and highlights the scope of an educational financial reform that facilitates the achievement of objectives associated with increases on coverage in higher education contained in the national development plan 2022-2026.

In summary, the added value of the MFMP is summarized in contributions to the financial analysis of each university institution and the System as a whole, becoming an important input for the Ministries of National Education and Finance and Public Credit, as well as for the Congress of the Republic of Colombia and other stakeholders facing the need to reform the current model for the financing of public higher education in the country.