

22nd session of the Committee of Experts on Public Administration

Written statement by University of Antioquia

Agenda item 8: Public financial management in times of emergency and implications for the credibility of budgets.

Management and credibility of budgets within the Colombian state university system: challenges and perspectives

The global economy is currently framed by a context of crisis and uncertainty, especially because of the after-effects of 2022 and the winds of recession that are blowing during 2023. This scenario restricts and compromises the public policy scope as it pertains to effective funding and budgeting processes, with a significant impact on spending and investment at government institutions.

Colombian public universities participate in the national policy for Higher Education and receive resources transferred from the Nation for their operation. They have not been immune to the state of emergency being experienced globally and by the local economy.

This was made more evident by the complex landscape these institutions faced because of the Covid-19 pandemic, reflected in 2020 by a 38.6% reduction in operating income experienced by the country's 32 public universities and represented mainly by a reduction in revenue from the sales of goods and services and from tuition fees (Ulloa, Rodríguez, & Ceballos, 2021).

This situation was partly counteracted by the additional funding the Colombian government has been granting since 2019, which, to date, has provided maneuvering space within a progressive structural defunding of the Colombian state university system.

This has impacted the universities' financial scheduling and is reflected in their original budgets at the start of each period and the budget performance recorded at the end of each tax year. Changes in budgets can be explained more by the volatility of the income generated by the universities' themselves, rather than by differences in the contributions or transfers they receive from the State, because these have grown as a result of additional funding achieved in recent years.

In practice, this has meant that these institutions' discretion to adequately carry out their mission has been affected by the dynamics created by the new reality of public higher education as regards their income and expenditures. In light of this, the credibility of budgets in terms of meeting the goals defined according to their mission to efficiently cover the universities' operations and investments, has undergone changes.

Budget credibility at the limit

In this regard, the budget debate associated with effective financing and budgeting processes, has gained importance in public finance management. This falls under Goal 16.6 of the Sustainable Development Goals (SDGs) which aims to create efficacious, transparent and accountable institutions. Concretely, these topics are embodied in indicator 16.6.1 that defines the government's primary expenditures as a proportion of the originally approved

budget, broken down by sector (or by budget codes or similar elements). This is known as budget credibility.

This indicator, also known as budgetary reliability, shows a government's (or a university's) capacity to meet its goals related to collections and payment. This means that, insofar as its effective expenditures are lower (higher) than the budgeted or assigned amount, deviations are produced that lead to the underuse or overuse of budgeted resources.

In this sense, this indicator can be applied to the 34 Colombian public universities for the period between 2018 and 2022, based on information reported in the CHIP system (Consolidation System for Treasury and Public Information) of the General Accounting Department, as the quotient between the universities' effective operating expenses and investments and their originally approved overall expense budget (without debt).

On average, universities met 92.3% of their goals. This represented an underused expense gap of close to 7.7%, which falls within the 5% to 10% deviation threshold used to determine whether budget credibility issues exist (Nemec, Ott, & Moubayed Bissat, 2023).

This helps prove that Colombian public universities had no budget credibility risks in their expenditure programming for the period between 2018 and 2022. However, a closer look at the period before and after the Covid-19 pandemic shows that budget credibility was affected in 2020 and 2021, standing at 88.2%. This implies an increased gap in underused operating and investment expenses equal to 11.9% during those years. This is logical due to the containment of certain expenditures by universities due to closures and lockdowns of different university stakeholders.

This decreased budget execution related to budget appropriations, besides the effect of the pandemic, went hand in hand with a drop in own revenues at public universities, which also affected these institutions' budgets and cash flows.

Phenomena associated with low expectations of economic recovery, income restrictions that translated into expense prioritizations, adaptations to a new catalog or classification system for budget accounts, and a lack of experience with budgeting or forecasting and planning under conditions of uncertainty, made adequate budget planning difficult, which, in turn, led to increased losses of budget credibility in 2020 and 2021. The return to normality in 2022 yielded the highest credibility index in recent years, at 96.4%.

Challenges and perspective

Considering the above, an improved budget credibility index is an important challenge for the Colombian public university system. It represents a critical principle for the transparent management and effective governance of university finances based on the fulfillment of planned revenue and expenditure targets, makes it easier to maneuver in times of emergency, and contributes to financial sustainability.

In this sense, as transparency is one of the principles of governance, its relationship to budget credibility is manifested on different fronts that range from the creation of information systems, the use of new financial measurement instruments and the preparation of reports that evaluate and manage the resources used by Colombian public universities to fulfill their goals under their missions.

In this regard, since 2009 and to date, analyses and studies of funding for higher education have been a fundamental part of the reports published periodically by the Colombian public university system. These reports contain useful information for decision making by universities and the National Ministry of Education as they define public policy for higher education.

These reports, entitled Sustainability and Financing of Public Universities in Colombia, have become important tools for budget planning as they provide income and expense-related information that facilitates the definition of funding sources, operating and investment costs, student coverage, teaching and administrative staff, instruction, research, and public service activities, among other important key topics for financial programming.

From the government side, the General Accounting Office's *Consolidation System for Finance and Public Information* (CHIP, in Spanish) is a computer platform that generates, transmits, and disseminates financial information produced by public entities to the central government, control entities, and the general public. This tool compiles financial information related to university accounting, treasuries, and budgets and is important both for accountability purposes and as Big Data that enables a historical analysis of university-related information and the creation of new financial tools to facilitate budget programming.

Finally, these reports and the use of the tool are elements that help mitigate the uncertainty deriving from income and expenditure estimations during times of emergency. This demands greater responsibility to efficiently plan and execute budgets that will facilitate the universities' proper operations according to their missions and improve their budget credibility indexes and transparent use of public resources.