Box 2: Inflexibility of Public Spending in Colombia: Analysis of the Composition and Evolution of the Government Budget, 2000-2024 - Report of the Board of Directors to the Congress of Colombia - July 2025

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Pursuant to Article 5 of Law 31 of 1992, the Board of Directors of Banco de la República (the Central Bank of Colombia) submits a report to the Honorable Congress of Colombia, informing about the performance of the economy and its outlook. This report is submitted twice a year, in March and July, within ten business days following the start date of the sessions of the Congress.

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Spending inflexibility is a structural feature of Colombia's Government Budget (PGN). This condition reflects the existence of earmarked revenues, the establishment of spending commitments through the Constitution and the law, and the state's permanent obligations related to pensions and debt service. A rigid budget significantly limits the government's capacity to reallocate spending, respond to emergencies, and make fiscal policy adjustments in order to achieve objectives of economic stability, growth, or improved income distribution.

The 1991 Political Constitution strengthened the decentralization process in Colombia by allocating an increasing percentage of the nation's current revenues (ICN in Spanish) to the regions. These commitments came to represent nearly 45% of the ICN by the end of the 1990s, significantly reducing the flexibility of the PGN and introducing a factor of instability into the central government's finances, which led to a constitutional reform in 2001.

Fuente: https://www.banrep.gov.co/en/publications-research/report-board-directors-congress/box2-july-2025