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Earmarking Government Revenues in Colombia

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Reducing and rationalizing the earmarking of government funds will give Colombia's government budget more flexibility. The extent of earmarking could be sharply reduced by limiting its application to revenue-sharing between levels of government and to cases where the benefit principle applies.

This paper — a product of the Public Economics Division, Country Economics Department — is part of a larger effort in PRE to improve the evaluation of government expenditure programs and the rationalization of public expenditures. Copies are available free from the World Bank, 1818 H Street NW, Washington DC 20433. Please contact Ann Bhalla, room N10-059, extension 37699 (88 pages with tables).

About 55 percent of total public income in Colombia is earmarked for specific areas of government activity. McCleary and Tobon recommend reducing the proportion and amount of earmarked funds to give the government budget more flexibility. Their recommendations would eliminate one quarter of existing earmarking and introduce greater flexibility for an additional one quarter. They further conclude that:

Earmarking should be limited to revenue-sharing and to situations where there is a clear connection between the source of revenue and the benefits of earmarked spending (for example, between payroll taxes and pension/disability benefits or between gasoline taxes and highway funding).

Even then the commitment to earmarking should not be open-ended. The automatic financing arrangement should be reviewed regularly and terminated automatically unless expressly renewed. This would force a review of pricing arrangements, of the quality of investments financed, and of the past and future growth of sector infrastructure relative to needs.

Payroll taxes should cover only social security. Colombia's payroll taxes add 24-29 percent to the cost of labor. Eliminating payroll taxes for non-social-security purposes would lower labor costs and probably take 0.5-1.0 percentage points off the employment rate.

Earmarking for PROEXPO, which finances subsidized loans for exporters, should be eliminated. There is little connection between those who pay import duties and those who benefit

(exporters or foreign consumers). The level of duty is arbitrary so it is questionable whether the correct amount of export financing is provided, and the large subsidy differences among sectors distort the allocation of resources.

The earmarking of departmental taxes on alcohol, tobacco, and gambling for health, welfare, and sports are particularly strong candidates for elimination. There is no connection between taxpayers and beneficiaries in these arrangements and hence no indication of whether appropriate amounts of funding for these activities is being provided.

The relatively new tax allowance and sales tax transfer have played important roles in the government's effort to decentralize, the former for departments, the latter mainly for municipalities. These revenue-sharing arrangements need to be strengthened by eliminating anomalies in the sharing formulas, introducing more incentives for local resource mobilization, and strengthening municipal capacity to absorb the additional resources.

Earmarking that follows the benefit principle closely (the coffee fund, the gasoline tax, and the municipal valorization tax) can be continued, but in each case, modifications are suggested to make the arrangement work better.

Certain parts of the new Organic Law of the Budget related to earmarking should be implemented quickly — the limits on minibudgets, the prohibition of new earmarking from existing public resources, and the claim of the central budget on public enterprises' operating surpluses.

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THE EARMARKING OF GOVERNMENT REVENUES IN COLOMBIA

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THE EARMARKING OF GOVERNMENT REVENUES IN COLOMBIA

I. INTRODUCTION

A. Definition of Earmarking

1. Earmarking is the term given to the practice of assigning revenues from specific taxes or groups of taxes to certain government activities which may be broadly or narrowly defined. As such, it contrasts with general fund financing where revenues from various sources are pooled together to be used for various government purposes; under general fund financing the connection between any particular government activity and any specific revenue source is remote or non-existent. In practice, earmarked revenues may be the sole source of financing for the specified activity or they may be supplemented by general transfers from the government budget or by borrowing. Lastly, earmarking may or may not have a benefit connection, with the persons paying the taxes or fees overlapping substantially with the group receiving the benefits of the public goods or services being provided.¹

2. Broadly defined as the setting aside of government revenues for certain activities, earmarking can pertain to a wide range of public sector activities. At one end of the spectrum would be a fairly specific set of taxes set aside to be used for certain quite specific purposes. Examples would be gasoline taxes or tolls used for highway maintenance and construction, payroll taxes used to finance pensions and medical payments,

¹/ Conversely benefit taxation may or may not involve earmarking since revenues may be added to the general pool.

and the after-tax profits of public commercial and industrial enterprises, the latter being included as earmarking to the extent that profits are government purposes. At the opposite end of the spectrum would be earmarking in the broadest sense--the unconditional sharing of revenues between levels of government. Between these two ends of the spectrum lie a variety of earmarking varying in the specificity of revenue sources, the specificity of government expenditures, the degree to which the benefit principle applies, and the mix of financing between earmarked and non-earmarked sources.

B. Types of Earmarking Found in Colombia

3. Among free-market LDCs, Colombia--together with some other South American countries--have long been known for extensive earmarking. Table 1--which cites the major instances of earmarking in existence today with the agencies involved, the tax bases and rates, and the purposes to which revenues are put--gives some notion of the breadth of earmarking as currently practiced. It should be clear from the outset that earmarking in Colombia runs the full spectrum of experience. It has earmarking which follows the benefit principle (e.g., the highway funds, the airport funds, the valorization tax). It also has taxes with no clear benefit rationale (e.g., taxes on alcohol, gambling and tobacco used for health, sports, and neighborhood roads). It has payroll taxes used for traditional social security purposes (pensions and medical payments) and also for other purposes--vocational training, family welfare and nutrition. It also has revenue sharing between levels of government and an extensive set of decentralized agencies and enterprises at all the levels of government.

4. This paper has two broad objectives. The first is the examination of the trends in the size and structure of earmarking since 1970,

Table 1 Major Sources of Earmarking in Colombia

Named Fund/ Agency	Legal Instruments	Tax/Revenue Base	Tax Rate	Purpose
A. Revenue Sharing				
Tax Allowance (Situated Fiscal)	Law 46/1971 (implementing Article 182 of 1968 Constitution)	National Current Revenue Minus Earmarked Revenues	13% (1973) 14% (1974) 15% (thereafter)	Of transfer. 70% on basis of population and 30% shared equally among departments, territories and the Special District of Bogota. Of amount received by each jurisdic- tion, 74% for Regional Education Funds (FERs) and 26% for Sectional Health Services (SES).
Sales Tax Transfer (Cesión a las ventas)	Law 33/1968	Sales tax revenues	10% (1969) 20% (1970) 30% (1971)	Municipal activities, secondary education, and the sectional pension funds. The various shares allocated to each were altered by Law 22/1973, Law 43/1975 and Decree 132/1983.
	Law 12/1986	Value added tax revenues	30.5 (1986) 32.0 (1987) 34.5 (1988) 37.5 (1989) 41.0 (1990) 45.0 (1991) 50.0 (1992)	For municipal activities, esp. small municipalities. Amounts also for national territories, sectional social security funds, and the Instituto Geografico Agustín Codazzi (IGAC) and Escuela Superior de Administración Pública (ESAP).
B. National Level				
3. PROEXPO (Fondo de Promoción de Exportaciones)	Dt. 444/1967 (Article 229)	CIF value of merchandise imports	1.5%	Encourage and promote diversification of exports.
	Dt. 2366/1974 (Article 6)	CIF value of merchandise imports	3.7% (5% from 1981)	
	Law 75/1986	CIF value of merchandise imports	6%	
4. Highway Fund (Fondo Vial Nacional)	Law 65 (1967) and Decree 2862 (1968)	Refinery price per gallon of gasoline and ACPM	114% and 55.5% respectively	Highway investment program with 10% going to National Fund for Neighborhood Roads (Fondo Nacional de Caminos Vecinales or FNCV); 10% for national railways (Ferrocarriles Nacionales de Colombia); and 5% for urban transport operations (Corporación Financiera de Transporte or CFT)
	Law 30 (1982)	Refinery price per gallon of gasoline and ACPM	Col.\$13.50 per gallon	
5. SEMA (Servicio Nacional Aprendizaje)	Decree 118/1957 (Article 9)	Payroll of private enterprises	1% annually	Programs of technical skills training.
	Law 53/1963 (Articles 2 and 5)	Payrolls of public industrial and commercial enterprises and mixed enterprises	2% annually	
		Private Enterprises	2% annually	
		Payrolls of central, department, territories, municipalities and Bogota DE governments.	0.5% annually	
. ICBF (Instituto Colombiano de Bienestar Familiar)	Law 75/1968 (Article 63)	Sale price of salt	12%	Programs of protection of children and the family
	Law 7/1979 (Article 39)	Payrolls of Public enterprises Payrolls of Private enterprise	2% annually 2% annually	
	Law 89/1989	Payrolls of Private and Public enterprises	3% annually	
. Compensation Funds (Cajas de Compensación Familia)	n.a.	Payrolls of Private enterprises	4%	Family allowances and social investments; various private investments.
. FAN (Fondo Aeronautical Nacional)	Law 3/1977 and Resolution 8062/1982	International Passengers	US\$15 per passenger	Construction, Rehabilitation and Enlargement of Airports
	Resolution 1310/1985	International Passengers	Col.\$500 per passenger	

(Continued)

Table 1 Major Sources of Earmarking in Colombia

Earmarked Fund/ Agency	Legal Instruments	Tax/Revenue Base	Tax Rate	Purpose
9. IFI (Instituto de Fomento Industrial)	Law 63/1983 and Decree 28/1985	C.I.F. value of imports	0.8% (40% of 2%)	Capitalization of IFI (for conversion of investments and debt service)
10. Caja Agraria	Law 68/1983 and Decree 628/1985	C.I.F. value of imports	0.8% (40% of 2%)	Capitalization of the fund according to the laws 35/1971 and 66/1982 and for the Fund for Rural dwellings (Law 20/1976)
11. Corporación Nacional de Turismo	Law 20/1979 (Article 24)	Tariff on hotel lodging.	5%	Planning, promotion and financing of the tourist industry
12. Fondo Nacional del Carbon	Law 61/1979 (Article 4)	Value of the production of coal at the mine site	2.8% (56% of 5%)	Financing programs of exploration, exploitation, transport, and commercialization of coal.
13. FOCINE (Compania de Fomento Cinematografico)	Law 55/1985 (Article 15)	Net value of cinema tickets	16%	Encouragement and development of the cinematographic industry in Colombia (8.5% for the Fund to encourage film making and 7.5% for producers, distribution and exhibitions of national works).
14. Caja Nacional de Prevision Social	Law 4a/1966 (Article 1)	Value of payrolls for the government (national, departmental, municipal, territorial and special district), police offices, and decentralized institutions	Col.\$0.10 per each \$100 or fraction thereof	For social services
15. Superintendencia de Notariado Y Registro	Law 50/1984 (Article 8) Decree 3140/1984 and Law 65/1985 (Article 13)	Public documents and deeds	Fixed amount in pesos	As of 1986, 20% to be used for construction, adaptation and endowment of judicial courts and jails.
16. Fondo Nacional de Cafe	1940	F.O.B. value of coffee exports	4% of export value. Retention on export volume 6% on inferior grades	Stabilization of producer incomes; investments in economic and social projects in coffee growing areas; financial and equity investments; various Fund activities (e.g. quality control, export promotion).
<u>C. Departmental</u>				
17. Fondo de Caminos Vecinales	Decree 190/1969 (Article 9)	Consumption of beer in all department except Cundinamarca	Col. \$0.02 per bottle	Construction, maintenance and repair of local roads.
18. Sectional Health Services	n.a.	Beer, liquor, wine	Beer - 8% Liquor - 35% Wine - 15%	Health expenditures
19. Sectional Health Services and Welfare Agencies (beneficiencias)	n.a.	Various gambling profits and taxes	Health expenditures and welfare assistance	
20. Sectional Sports Commissions (Juntas Administradoras de Deportes)	n.a.	Cigarettes	10% ad valorem plus Col.\$0.10 per pack (domestic and Col.\$0.20 per pack (imports)	Assistance to sports. Of ad valorem revenues, 30% goes to Colombian Institute of Youth and Sports (COLDEPORTES) which in turn must transfer 10% to Colombian Institute of Culture (COLCULTURA)
21. Schools for the Blind/ National Federation for the Blind	n.a.	Lottery prizes exceeding 100 pesos	2%	Assistance for the blind
<u>D. Municipal</u>				
22. Valorization tax for various municipal activities	Law 25/1921	Increase in site value	Amount equal to cost of investment and associated expenses	Investment in various municipal improvements (e.g. roads, water, sewers).

illuminating the major changes and their causes. To examine these trends, we create what is--to our knowledge--the first comprehensive time series on earmarking at all levels of government in Colombia. The second is an evaluation of the major examples of earmarking--what are their objectives and how well do they work in practice--with a view toward making recommendations for change. In making recommendations for reducing the scope of earmarking in Colombia, we will be guided by several principles: (a) is there a substantial overlap between the beneficiaries and the tax/price payers for any given government service; (b) do the tax/price arrangements appear to be leading to appropriate levels of the service over time; and (c) are resources being utilized effectively for the purpose intended. The remainder of the paper is divided into four parts. Part II presents time series data on the size and structure of earmarking during the last two decades, which shed light on the factors behind the trends in earmarking. Part III outlines some of the factors behind the popularity of earmarking in Colombia and reviews the findings and recommendations of two major government commissions which have examined the subject--the Mission on Intergovernmental Finance of 1981 (or Bird-Wiesner Commission) and the Public Expenditures Commission of 1986 (Comision del Gasto Publico). Part IV undertakes a critical review of the major examples which make up over 90% of total earmarking. Part V summarizes our major findings and makes some recommendations for changes.

II. TRENDS IN THE SIZE AND STRUCTURE OF EARMARKING (1970-87)

A. Size and Structure of Earmarking

5. Earmarking (rentas de destinacion especifica or RDEs) has long been a prominent feature of Colombian public finances.² During the past two decades, the proportion of government revenues earmarked has increased by about one half and the sources of earmarking have become more varied.

In 1970, RDEs constituted just 11% of national government revenues and were equally large in size at the departmental level where they formed a much larger proportion of revenues (see Table 2). The most prominent sources of earmarking were beer, alcohol, and lottery revenues at the departmental level followed by the coffee export tax and gasoline tax at the national level, and the valorization tax for local improvements. Together, these four sources accounted for about 89% of all earmarking (see Table 3). In total, RDEs constituted 21% of revenues at all levels of government.

6. The upward trend in earmarking since 1970 has been the product mainly of greater earmarking at the central government level; over the period, the proportion of national government revenues earmarked tripled from 11% to a peak of 34% in 1984 before falling off slightly in the past three years (Table 2). The shares of earmarking in departmental and

2/ At first, our discussion will be confined to traditional sources of earmarking--i.e. those funds and revenue sharing arrangements that are usually listed as earmarking in Colombia. Later, nontraditional sources of earmarking--payroll taxes and the operating profits of nonfinancial enterprises--will also be considered. There are two reasons for splitting the discussion in this fashion. First, the traditional sources are what is more commonly thought of as earmarking. Secondly, longer time series were available for the traditional earmarking sources.

Table 2 Shares of Earmarked Revenues in Government Revenues^a
(percentages)

	1970	1975	1980	1981	1982	1983	1984	1985	1986	1987
Share in National Government Revenues	11.3	17.5	27.8	27.0	28.3	27.9	34.4	31.3	27.7	27.7
Share in Departmental Government Revenues	93.9	82.5	88.6	85.8	86.6	85.5	78.3	76.6	76.5	..
Share in Municipal Government Revenues	30.1	30.2	31.3	30.5	29.3	33.9	27.0	22.9	16.3 ^b	..
Share in Government Revenues All Levels	21.1	23.5	33.4	32.3	31.1	33.5	39.1	35.5	32.0	..

Source: Estimates based on Tables A1 and A2 in Statistical Appendix.

a. Earmarked revenues are listed in Statistical Appendix Table A2, excluding payroll taxes, the operating profits of nonfinancial public enterprises and, at the national level, "other" sources of earmarking. Revenues are total tax and non-tax revenues at each level of government; at the national level, revenues from the 4% ad valorem tax on coffee exports are added 1970-1983, because these monies did not pass through the budget in those years.

b. Likely to be an underestimate due to missing data.

municipal incomes have been generally trending downward over the period. Between 1970 and 1986 the share of the central government's RDEs in the total rose from 44% to 75%, while the shares of the departmental and municipal governments fell from 40% to 23% and 9% to 2% respectively.

7. By far the biggest contributing factor to the increase was the rise in revenue sharing between levels of government. "Situación fiscal" and "cesión a las ventas" contributed about 39% of the total increase in earmarking over the period. Other major contributors were: departmental alcohol/tobacco/gambling taxes (23%), the gasoline tax (14%), import duties to support PROEXPO, IFI and Caja Agraria (11%) and the coffee export tax

(5%).³ In addition, there was a proliferation of relatively minor RDEs--e.g. hotel taxes to support tourism, taxes on movie tickets to support movie making and culture, taxes on coal production to support exploration and development, and a variety of others.

8. By the mid-1980s, the following six were the major sources of earmarking in descending order of importance: revenue sharing (situado fiscal and cesion a las ventas), departmental alcohol/tobacco/gambling taxes, the gasoline tax, the import tax (PROEXPO, etc.), the coffee export tax, and the valorization tax. Together they constituted about 94% of total earmarking (see Table 3). The remaining funds (about 20 in number) individually and even together contribute very little to total earmarking.

B. The Effects of Law 55 (1985)

9. Since the mid-1980s there has been a deliberate government effort to curtail the extent of earmarking, most particularly as the result of recommendations by the Commission on Public Expenditures. However, resistance to reductions in earmarking has been strong and the impact of measures taken to date has been limited. Specifically Law 55 stipulated that the National Council of Economics and Social Policy (CONPES) would decide on the reassignment of funds from recipients of earmarking to

^{3/} While the taxes listed made significant contributions to increases in earmarking over the period, not all grew as fast as total government revenues. We have already seen how departmental and municipal earmarking failed to keep pace with own sources of revenue at those levels of government. The rising share of earmarking in national government revenues is explained by rising shares for revenue sharing, PROEXPO (plus IFI and Caja Agraria), and (to a small extent) a variety of minor funds making up for falling shares for the coffee export tax and gasoline tax. Together, the former three rose from 2.9% to 21.7% of national government revenues between 1970 and 1987 while the latter two fell from 8.4% to 5.9%.

complementary or related activities. The RDEs affected by Law 55 and the activities to which funds could be reassigned are spelled out in Table 4. The upper bounds or reassignments were set at 10% of earmarked revenues in 1985,⁴ 20% in 1986, and rising in 10% increments to a maximum of 50% in 1989. In implementing Law 55, proposals would be made by the relevant minister and the Chief of the National Planning Department based on programs submitted by the agencies receiving earmarking funds and related agencies and the final allocation would be made by CONPES on a case by case basis. The reassignment could be effected by the earmarking recipient agency itself carrying out the activity or, if it was unable, by contractual agreements with the government or with its various public organization or enterprises.

10. Law 55 resulted in the reallocation of Col.\$30 billion and 52 billion in 1986 and 1987 (Table 5), the equivalent of 11.9% and 15.2% of total earmarking at the national level in the two years respectively. If these amounts were removed the remaining earmarking at the national level would have constituted 24% of national revenues in the two years (in contrast to the 28% figures reported in Table 2). Particularly significant amounts--both absolutely and relative to total earmarking--were involved in the cases of PROEXPO, the gasoline tax, ICBF and SENA.

^{4/} The limit for PROEXPO was set at 20% for 1985 after which it would follow the same schedule as other funds.

Table 3 Share of Various Traditional Earmarked Funds in Total Earmarked Funds, 1970-86 a/
(percentages)

	1970	1975	1980	1981	1982	1983	1984	1985	1986
<u>National Level</u>	<u>44.7</u>	<u>65.2</u>	<u>72.2</u>	<u>72.4</u>	<u>74.7</u>	<u>70.8</u>	<u>71.9</u>	<u>73.5</u>	<u>74.7</u>
Tax on Imports C.I.F.	1.3	4.1	8.1	7.5	8.4	6.8	8.5	8.5	10.5
Caja Agraria	0.0	0.0	0.0	0.0	0.0	0.0	1.1	1.1	1.2
IFI	0.0	0.0	0.0	0.0	0.0	0.0	1.1	1.1	1.2
PROEXPO	1.3	4.0	7.3	6.7	7.5	6.0	6.3	6.3	8.1
Gasoline Tax	14.2	8.9	20.8	21.1	18.1	15.3	13.5	14.8	13.8
Fondo Vial Nacional (FVN) 75%	10.7	6.7	15.6	15.2	13.5	11.5	10.5	9.9	9.7
Fondo de Caminos Vecinales (FCN) 10%	1.4	0.9	2.1	2.1	1.8	1.5	1.2	2.0	1.6
Ferrocarriles Nacional 10%	1.4	0.9	2.1	2.1	1.8	1.5	1.2	2.0	1.6
Corp. Fin de Transporte 5%	0.7	0.4	1.0	1.1	0.9	0.8	0.6	0.9	0.8
Tax on International Travel	0.7	n.a.	1.1	1.5	1.9	1.7	1.5	1.4	1.0
4% Tax Coffee Exports	19.1	12.9	4.4	3.2	2.7	2.6	2.8	3.3	5.3
Fondo Nacional del Cafe Fedecafe, zonas cafeterias	n.a.	n.a.	3.7	2.7	2.3	2.2	2.3	2.8	4.4
	n.a.	n.a.	0.7	0.5	0.4	0.4	0.5	0.5	0.9
2% Tax on Tourism	0.0	0.7	0.4	0.5	0.5	0.5	0.1	0.1	0.1
6% Tax on Movie Theater Tickets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Contributions and Participations	2.8	2.2	1.5	1.0	1.6	1.9	1.9	3.0	2.7
Special Funds	0.1	0.5	0.1	0.1	0.1	0.4	0.6	1.2	2.4 b/
Revenue Sharing	6.4	35.9	35.7	37.7	41.4	41.7	43.1	41.2	38.9
Tax Transfer	0.0	23.4	23.8	27.4	28.3	29.9	28.7	25.9	22.5
Sales Tax Allowance	6.4	12.5	11.9	10.3	13.1	11.8	14.3	15.3	16.5
<u>Department Level</u>	<u>46.7</u>	<u>29.5</u>	<u>23.4</u>	<u>23.1</u>	<u>21.0</u>	<u>23.8</u>	<u>23.5</u>	<u>22.7</u>	<u>23.2</u>
<u>Municipal Level</u>	<u>8.6</u>	<u>5.3</u>	<u>4.4</u>	<u>4.5</u>	<u>4.3</u>	<u>5.4</u>	<u>4.6</u>	<u>3.8</u>	<u>2.1 c/</u>

See footnote to Table 2 for definitions.
Includes some miscellaneous reallocations under Law 55.
Understated because of missing data.

Source: Estimates based on Table A2 in Statistical Appendix.

11. There are a number of reasons why the foregoing overstates the reduction in earmarking actually achieved by Law 55. First, Law 55 did not--and was not intended to--free up earmarked money to be used entirely at the central government's discretion. The alternatives for which monies could be used were carefully spelled out and narrowly limited to activities in the same sector. Secondly, while intending to free up budgetary resources, Law 55 actually created two new (relatively small) earmarked funds--the tax on cinema tickets and the fees on registration of public documents. Moreover, in subsequent years, still further RDEs have been established e.g., the allocation of the VAT on cement for housing and water/sewerage and the national valorization tax on public works to be allocated for municipalities. Lastly, in numerous cases, the earmarking recipient agencies have ended up carrying out the activities mandated by Law 55 themselves. As examples, the Law 55 stipulation that a portion of gasoline tax revenues be used for road maintenance and repair effectively keeps the funds within the highway fund (Fondo Vial Nacional). Many of Law 55 projects in integrated rural development or in training for the Ministry of Education are carried out by SENA itself on a contract basis since other agencies are not prepared to carry out the work. While some of ICBFs monies were reallocated to Ministry of Health programs (e.g. vaccinations, children's hospitals, malaria control) in 1985-87, thereafter ICBFs Law 55 money will be dedicated to its own "hogares" (household) program of nutrition and daycare support (see paragraph 62). In sum, the reallocation of resources under Law 55 is in reality much smaller than appears on the surface; only in the case of PROEXPO has there been a significant shift of resources (in this case, out of subsidized export credit toward a separate program of export subsidies).

Table 4 Potential Reallocations Under Law 55 (1985)

<u>Organization or Agency</u>	<u>Earmarked Source</u>	<u>Recipients of Reallocation</u>
1. National Highway Fund and National Fund for Neighborhood Roads	Tax on gasoline and valorization tax on national public works	Construction; maintenance and repair of national highways and local roads; and improvements in river navigation.
2. National Aeronautical Funds	Stamp tax on sales aboard and airport tax.	Airport activities and those activities listed in 1 above.
3. PROEXPO	6% tax on CIF value of imports	Funding of CERTS (tax refund certificates and other instruments to promote exports).
4. IFI	Tax on cif value of imports	Small-scale industry, timber industry, and fisheries.
5. National Tourism Corporation	Tourism tax	Preservation and restoration of national monuments and parks; promotion of cottage industry; and the financing of tourism development certificates.
6. National Coal Fund	Coal production tax	Finance of mining investigation and exploration activities.
7. Notary and Registration Superintendency	Duties on the registration of public instruments and issuance of notary certificates	Finance of investments for construction; improvement and equipping of judicial offices and prison facilities.
8. Motion Picture Promotion	A new 16% tax on cinema ticket prices	8.5% of the tax amount to be paid into the Motion Picture Promotion Fund to be managed by the Motion Picture Development Company and used to finance cultural and artistic programs. The remaining 7.5% shall be paid to producers, distributors, and exhibitors of Colombian films in proportions established by government with greater amounts going for full length features.
9. SENA (National Apprenticeship Service)	Payroll tax	Training geared to jobs, technical and small industry and agriculture extension. SENA to assume responsibility for financing, in full or in part, industrial schools and technical institutes, colleges, agricultural training schools, and computer and telemetrics programs.
10. ICBF (Colombia Family Welfare Institute)	Payroll Taxes	Child and Family protection programs; vaccination and prevention health programs; food assistance programs for India communities; public nursing homes; and also the maintenance of children's hospitals and construction of water supply infrastructure in community with less the 60,000 inhabitants (based on 1973 census).

Source: LEY 55 Por medio de la cual se dictan normas tendientes al ordenamiento de las Finanzas del Estado y se dictan otras disposiciones; June 18, 1985.

Table 5 Reallocation of Earmarked Funds Under Law 55/85, 1986-89
(millions of Colombian current pesos)

Donor	1986		1987		1988	1989
	Budget	Actual	Budget	Actual	Budget	Budget
PROEXPO	6,651.0	5,408.0	10,503.0	20,744.0	31,120.0	42,000.0
ICBF	3,100.0	2,635.0	3,300.0	1,145.0	0.0	19,315.0 ^a
SENA	2,286.0	2,449.0	2,980.0	2,984.0	0.0	19,500.0 ^a
FAN	990.0	500.0	1,000.0	332.0	696.0	850.0
Supernotariado Y Registro	910.0	677.0	1,510.0	1,315.0	1,750.0	1,750.0
Fondo Rotatorio De Aduanas	0.0	56.0	359.0	70.0	350.0	570.0
Corturismo	278.0	242.0	643.0	643.0	404.0	582.8
Focine		35.0	146.0	32.0	164.0	185.1
Fondo Nacional Del Carbon	556.0	139.0	775.0	297.0	649.0	926.2
Gasolina ACPM ^b	9,683.0	9,937.0	17,556.0	17,880.0	25,492.0	40,324.0
Reallocations among various agencies (LEY 55/85) ^c	3,453.0	3,164.0	1,245.0	1,157.0	1,555.0	2,969.0
Ecopetrol (Decree 399/86)	5,120.0	5,120.0	5,500.0	5,500.0	5,500.0	
Instituto De Fomento Industrial						970.0
TOTAL	33,027.0	30,362.0	45,517.0	52,099.0	67,680.0	129,942.1

a. ICBF will reallocate this amount within its budget to a program that is a government priority (Children's Welfare Homes). SENA will reallocate this within its budget to special government programs.

b. Estimates based on Law 55/85 percentages.

c. Several agencies included.

Source: Contraloria General de la Republica for actual figures and Departamento Nacional de Planeacion for budget figures.

C. Consideration of Social Security and Public Enterprise Profits

12. Focussing on the traditional sources of earmarking--as in Tables 2 and 3 above--understates the true extent of the earmarking of public funds in Colombia.⁵ Public enterprise profits and the payroll tax for social security and SENA, ICBF, etc. are the major reasons for the understatement. Net profits of public enterprises (i.e. gross receipts net of operating

^{5/} Quite apart from the fact that some relatively minor funds are not included in our data.

expenses and taxes paid to government) may be considered earmarking because they are left to the control of the enterprises despite the fact that they are owned in whole or in part by the government; that is, the government cannot or in practice does not attempt to allocate such resources at its discretion. Similarly, payroll taxes for social security imply an obligation to pay pensions and medical expenses now and in the future and the government has no discretion about how payroll tax receipts are to be used. Depending on the rates charged relative to the mortality and morbidity problems faced by the population, present revenues may be greater or less than the present payment obligations. That part of the payroll tax that is allocated to SENA and ICBF commits the public monies to funding a variety of activities in training, nutrition, daycare, and social welfare. In reality, therefore, such profits and payroll taxes are little different than the traditional cases of earmarking.

Table 6 Shares of Traditional and Non-Traditional Earmarking in Public Income^a
(incl. social security and public enterprises profits)
(percentages)

	1970	1975	1980	1981	1982	1983	1984	1985	1986	1987
Share in national public income	28.6	31.8	39.3	38.2	43.3	43.0	54.2	49.9	44.9	46.0
Share in departmental public income	..	..	90.9	88.5	89.3	88.4	82.0	80.8	..	..
Share in municipal public income	..	..	61.4	65.0	65.9	67.9	63.4	67.2	..	..
Share in Public Income All levels	..	..	45.5	44.6	48.7	49.1	57.8	54.6	..	..

a. Public income is the sum of tax and non-tax revenues, operating profits of public non-financial enterprises, and payroll taxes for social security and for SENA, ICBF, etc. The ad valorem coffee export tax is added to national public income 1970-83 since these revenues did not pass through the budget in those years. The earmarking considered here is traditional earmarking plus non-traditional earmarking which includes non-financial public enterprise profits and payroll taxes for social security and SENA, ICBF, etc.

Source: Estimates based on Tables A1 and A2 in Statistical Appendix.

13. The result of adding these non-traditional sources of earmarking to the traditional sources is shown in Tables 6 and 7 for the period 1980 to 1985. The extent of earmarking in public income⁶ is, of course larger at all levels of government but, most particularly, at the national and municipal levels. The upward trend in earmarking is still also clear, most particularly at the national level where data is available for 1970-87. Earmarking in total public income was 46% in 1980 and rose to 55% or more in 1984 and 1985. Over the period, the share of earmarking contributed by payroll taxes and public enterprise operating profits has been increasing while the share contributed by traditional RDEs has been falling; by the end of the period the split between traditional and non-traditional sources of earmarking was roughly fifty-fifty. Increasing public enterprise profits at the national and municipal level have been the major cause of this trend. In 1985, the major contributors to traditional plus non-traditional earmarking were in descending order of importance: public enterprise profits (27%), payroll taxes for social security and SENA/ICBF (24%), revenue sharing (20%), departmental alcohol/tobacco/gambling taxes (11%), gasoline tax (7%), import duties for PROEXPO, etc (4%), the municipal valorization tax (2%)⁷ and the ad valorem tax on coffee exports (2%). Together these eight sources account for about 97% of total earmarking. Out of the large number of other cases of earmarking, no single source contributes as much as one percent to the total.

^{6/} Public income is derived by adding to the tax and non-tax revenues used in Table 2 the net operating profits of non-financial enterprises and payroll taxes.

^{7/} Also includes Bogota's taxes on beer and tobacco.

Table 7 Share of Various Traditional and Non-traditional Earmarking Sources in Total Earmarking, 1980-85 a/

	1980	1981	1982	1983	1984	1985
<u>National</u>	<u>72.5</u>	<u>71.6</u>	<u>75.2</u>	<u>72.5</u>	<u>75.4</u>	<u>73.3</u>
Traditional Earmarking	44.6	43.7	40.6	37.6	35.4	36.3
Tax on Imports C.I.F.	4.9	4.4	4.5	3.5	4.1	4.1
Gasoline Tax	12.5	12.3	9.6	7.9	6.5	7.2
Tax on International						
Travel	0.7	0.9	1.0	0.9	0.7	0.7
Coffee Export Tax	2.7	1.9	1.4	1.3	1.3	1.6
Tax on Tourism	0.3	0.3	0.3	0.3	0.1	0.0
Tax on Movie Tickets	0.0	0.0	0.0	0.0	0.0	0.0
Contributions and						
Participation	0.9	0.6	0.8	1.0	0.9	1.5
Special Funds	0.0	0.0	0.0	0.2	0.3	0.6
Revenue Sharing	<u>21.6</u>	<u>22.1</u>	<u>21.9</u>	<u>21.6</u>	<u>20.7</u>	<u>19.9</u>
Tax Allowance	14.3	16.1	15.0	15.5	13.8	12.5
Sales Tax	7.3	6.0	6.9	6.1	6.9	7.4
Other	1.1	1.2	1.0	1.1	0.9	0.8
Non-Traditional Earmarking	<u>27.9</u>	<u>27.9</u>	<u>34.6</u>	<u>34.9</u>	<u>40.0</u>	<u>37.0</u>
Payroll Taxes	22.0	23.2	21.6	25.3	23.4	22.2
Social Security	16.4	17.6	16.0	19.5	17.9	17.1
SENA, ICBF, etc.	5.6	5.6	5.6	5.8	5.5	5.1
Operating Profits						
of Non-Financial						
Public Enterprises	5.9	4.7	13.0	9.6	16.6	14.8
<u>Departments</u>	<u>18.2</u>	<u>17.3</u>	<u>14.4</u>	<u>15.9</u>	<u>14.2</u>	<u>14.1</u>
Traditional Earmarking	14.1	13.5	11.1	12.3	11.3	11.0
Non-Traditional Earmarking						
Social Security	1.1	1.2	1.0	1.1	0.7	1.1
Operating Profits of						
Non-Financial						
Public Enterprises	3.0	2.6	2.3	2.5	2.2	2.0
<u>Municipal</u>	<u>9.4</u>	<u>11.1</u>	<u>10.4</u>	<u>11.5</u>	<u>10.4</u>	<u>12.6</u>
Traditional Earmarking	2.7	2.6	2.2	2.8	2.2	1.8
Non-Traditional Earmarking						
Social Security	0.5	0.5	0.5	0.7	0.6	0.6
Operating Profits						
of Non-Financial						
Public Enterprises	6.2	8.0	7.7	8.0	7.6	10.2
<u>Total</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Traditional Earmarking						
(All Levels)	61.4	59.8	53.9	52.7	49.0	49.1
Non-Traditional Earmarking						
(All Levels)	38.6	40.2	46.1	47.3	51.0	50.9

a. See footnote to Table 6 for definitions.

Source: Estimates based on data in Table A2 in Statistical Appendix.

III. THE EXPERIENCE OF EARMARKING

A. The Origins of Earmarking

14. The extent of earmarking found in Colombia is the product of several important features of its politics--decentralization, political instability, and an elaborate budgetary process. Since Independence, its politics have been dominated by powerful and opposing political forces favoring centralization and decentralization of power. Over the long sweep of one hundred or more years, centralization has been the dominant tendency, producing a central government that carries out the majority of public activities, collects an even larger share of public incomes, and dominates the decisionmaking process on economic and social questions. In the last two decades, however, there have been greater efforts at decentralization, the hiving off of government activities to special agencies and to lower levels of government. This has necessitated a shift in public revenues--partly on a discretionary basis and partly on a more automatic basis through the sharing of government revenues or the setting aside of particular revenue sources for particular activities.

15. Colombia's political history has also been dominated by strong opposing forces, producing periods of extreme tension and often violence. In a climate of uncertainty--where the political situation can shift abruptly and sharply, earmarking provides a means for providing somewhat greater certainty that certain important activities will be carried out. The wishes of one administration or congress will be carried on to the next unless explicit measures are taken to stop the activity.

16. Last, but very important, is the budgetary process. The process has been designed on the premise that carelessness and outright dishonesty

are prevalent; unless checked, monies are likely to be mismanaged and/or diverted to personal use or uses not intended by the executive or congress. Elaborate procedures have been set up to assure that this does not occur.

17. Several aspects of the budget process have been relevant to explaining the popularity of earmarking.⁸ First is that initial budgets bear little relation to final budgets. While initial budgets may have been carefully prepared in line with the government's medium-term objectives, they are constrained by artificial limits on estimates of revenue increases and the requirement of budget balance, necessitating several additional budgets each year. During the additions, political pressures, short-term emergencies (e.g. unforeseen losses in public agencies), and lack of time appear to overwhelm the planning process leading to a final budget that is different in total (often 25% or more) and composition than the original. Second, the authorization process by which monthly allocations of allowable expenditures are made leads to considerable uncertainty. "Authorizations" are based on estimates of monthly available resources by the Ministry of Finance, the resulting giros issued by ministries and agencies become payment orders only when countersigned by the Inspector-General (Contraloria) which checks to see whether resources exist, and payment is actually made by Treasury only if resources are in fact available. Since there is considerable pressure to pay government salaries, debt service obligations, transfer payments and other seeming essentials (defense, security), the investment program bears the brunt of short-term adjustments. Lastly, recipients of budgetary resources have to pass through elaborate and time-consuming controls designed to prevent the

^{8/} The following statements would have to be modified somewhat in light of the new budget law. See paragraph 71.

diversion of funds. Through pre-audit (control previo), Contraloria attempts to check each item of expenditure to ensure that it is in accordance with the government's intentions, but it is not clear that these procedures do prevent the misuse of funds or, more importantly, ensure that on balance the funds are being used effectively to forward the government's objectives.

18. For agencies faced with this process, earmarking has a number of advantages.⁹ It gives them greater certainty about the amount and timing of resources they will receive during the year. It is easier for them to forecast the amounts of the earmarked tax (even acknowledging possible errors in those forecasts) than to forecast the outcome of the budgetary process during the year. Moreover, procedures are easier for earmarked funds. Earmarked taxes may be collected by the Division of National Taxes and distributed to the relevant agency or, in some cases collected directly by the agency itself. In either case, earmarked monies are subject to far less detailed controls than general budgetary resources. In sum, earmarking gives recipients more certainty about available resources, allowing them to plan their spending programs more effectively and to enter into longer-term contractual arrangements.

B. Recommendations of Previous Government Commissions

19. The Commission on Intergovernmental Finances of 1981 (the Bird-Wiesner Report)¹⁰ took a generally skeptical view of the earmarking of taxes, but recognized that such earmarking had its origins in the weakness of Colombian budgetary processes and could be justified--in some cases--by

⁹/ These points were cited in numerous interviews with officials from agencies that are recipients of earmarked funds.

¹⁰/ Intergovernmental Finance in Colombia - Final Report of the Mission on Intergovernmental Finance (International Tax Program: Harvard Law School; Cambridge, Massachusetts; 1984).

appeal to public finance principles. Budgetary processes are designed to curb deviations and dishonesty and the result is bothersome, time-consuming and uncertain. Earmarking provides simpler and clearer procedures and more certain outcomes. The Bird-Wiesner Report took the pragmatic view that a more perfect world of rational budget processes moving resources to their highest-priority uses is not readily obtainable and earmarking may be justified because it works and because it protects priorities. Thus Bird-Wiesner approached earmarking on a case-by-case basis asking whether the following criteria were fulfilled: (a) is the benefit principle involved with a clear identity of tax/price payers and beneficiaries (i.e. it is not appropriate to use earmarking where benefits are not easily assigned or where income redistribution objectives are involved); (b) does earmarking provide the sole source of financing (or, at least the preponderance of funds) for the entity involved; where large amounts of funds from the general budget are involved, earmarking may not be doing any harm but it is also not clear that it is having any impact on the allocation of resources; and (c) is there a match between the revenues generated and requirements of the recipient agency or is there a systematic tendency for the tax/pricing procedures to under- or over-fund activities.

20. With these criteria in mind, the Bird-Wiesner Report made a number of recommendations:¹¹

- o Earmarking which takes the form of allocating a fixed percentage of total government expenditures (or total government revenues) to a specified activity (e.g. justice or education in Colombia's national budget) serves no justifiable purpose and should be eliminated.

^{11/} Ibid, pp. 111-114 and pp. 379-380.

- o Revenue sharing arrangements between levels of government may be justified but the sharing formulas need to be modified to assure that no jurisdiction obtains amounts in excess of its needs.
- o Some uses of the payroll tax can be clearly justified on benefit principle grounds (e.g., SENA) but others (e.g. ICBF and the Cajas de Compensacion) clearly cannot and in no case was it clear that the payroll taxes were generating the appropriate amount of resources for the sector.
- o Earmarking of taxes with no clear benefit rationale ought to be abolished; this would eliminate, for example, the use of departmental taxes on beer and alcohol for the health sector or the use of tobacco and amusement taxes to support sports.
- o There is no justification for leaving public enterprise sector profits at the disposition of the enterprise and public enterprises should be subject to income taxes.

21. Since the Bird-Wiesner Report, there appears to be growing pressure to eliminate or at least substantially reduce the role of earmarking in Colombia. Starting from the same set of criteria as Bird-Wiesner, the Comision del Gasto Publico (1986) comes to a much harsher conclusion. Having examined most of the prominent cases of earmarking, it finds that cases of identity between payers and beneficiaries are in fact the exception (only the funds for highways and aviation seem to fit this criterion very closely); cases of extremely tenuous or non-existent connections predominate (even SENA and PROEXPO fail to produce a significant overlap). Moreover, the Commission is very skeptical of the argument justifying earmarking by reference to Colombia's inefficient budget processes. Given these inefficiencies it may be desirable, from any

agency's point of view to obtain earmarked resources, but there is no evidence that recipients of earmarked resources are more efficient than other agencies or that--given the lack of identity between payors and beneficiaries--the appropriate amount of resources is being allocated to these sectors. Hence, it is not clear that earmarking leads to an efficiency gain from the point of view of the country.

22. On the basis of the above arguments, the Commission concludes: (a) earmarking should be eliminated;¹² (b) the budgets of all agencies ought to be subject to the same budgetary process; (c) improvements in the administration of the revenue sharing arrangements appear to be desirable. While not pursuing this matter further, the Commission also expressed concern over the effects of payroll taxes on the cost of labor and hence upon employment.

IV. AN EVALUATION OF EARMARKING

A. Revenue Sharing

23. One of the prominent characteristics of Colombian public finance is the significant transfer of revenues between levels of government and from the various levels to a number of decentralized agencies. In the main, the flow is from the central government proper to its own decentralized agencies and to lower levels of government and their decentralized agencies. Part of the transfers are discretionary, the amounts being decided each year as part of the budgetary process, but a growing proportion of transfers are automatic, the result of turning over revenues from specified taxes or fees to decentralized agencies and the sharing of

^{12/} Reference here seems to be to a subset of earmarking that excludes revenue sharing, payroll taxes (except for SENA, ICBF, and the Cajas de Compensacion Familiar), and the profits of public enterprises.

revenues between levels of government according to predetermined rules. The dominant factors in the latter have been the tax allowance (situado fiscal) and the sales tax transfer (cesion de ventas or IVA). Together, their share in central government RDEs and in central government current revenues grow from 14 to 56% and 2% to 15% between 1970 and 1987. The tax allowance is roughly a third larger than the sales tax transfer, but the latter has been growing more rapidly in recent years.

1. The Tax Allowance (Situado Fiscal)

24. The tax allowance was implemented through Law 46 of 1971 which followed from Article 182 of the Colombia Constitution of 1968 which provided that a portion of annual ordinary revenues¹³ be allocated among departments, national territories, and the Special District of Bogota with 30% to be shared equally among 33 jurisdictions and 70% to be divided on the basis of population shares as they appeared in the 1964 census. Law 46 called for the share to be 13%, 14%, and 15% in 1973, 1974 and 1975, thereafter increasing by 2% per annum to a maximum of 25% provided that ordinary revenues were rising by at least 15% per year. These 2% increases were never formally implemented and so the sharing formula remains at 15%; as will be shown below, the amounts actually shared have fluctuated around that limit.

25. Law 46 also stipulates that 74% of the amount transferred each year shall be used to fund the operating costs of primary education and 26% to finance those of the health sector. These funds are a major source of finance for primary education and make a significant contribution to the financing of health. The national government retains the right to alter

^{13/} Ordinary revenues are defined as current revenues not earmarked by legislation for any specific purpose or use.

the split between education and health, but has not done so specifically. The departmental and territorial government have a legal obligation to provide, in addition to the tax allowance, the same share of their ordinary income to finance primary education and health operating costs as they provided in 1972. According to the law, the funds provided through the tax allowance are to be administered through the Regional Education Funds (Fondos Educativos Regionales or "FERs") and Section Health Services (Servicios Seccionales de Salud or "SSSs"). Despite the seeming tightness of the legal provisions for implementing the tax allowance, there has been considerable room for flexibility in how they have been interpreted. There are a number of reasons for this: first the requirements of individual FERs and SSSs are considered and the amounts are totalled to make sure that they do not exceed the amount available to be distributed. Second, where the sum of the tax allowance and local resources in any jurisdiction is not sufficient to meet requirements, supplements can be added. Similarly where there are excesses, the excess may be diverted to the finance of investment with the approval of the Ministry of Finance. Third, the process of additions to the initial budget distorts the process still further since the additions do not follow the sharing formula precisely.

26. As a result, there is considerable variation in the proportion shared, the share going to each jurisdiction, and the split between education and health by jurisdiction or in total. These results show up clearly in statistical Appendix Tables A3 through A5. Table A3 shows that the share of the tax allowance in ordinary revenues (current revenues minus earmarked taxes) has mostly been above the 15% level in the last decade. Starting from about 12% in 1975 it rose to a peak of 24% by 1984 before falling back sharply. While according to a strict interpretation of the sharing formula, each jurisdiction would obtain a constant share of the

total tax allowance each year (since the number of jurisdictions is fixed and each jurisdiction's share in the 1964 population is fixed), Table A4 shows that jurisdictional shares exhibit considerable year to year fluctuations. Moreover, there appear to be a number of patterns in the data:

- o Departments consistently receiving more than implied by the sharing formula: Antioquia, Bogota, Choco, Cordoba, Cundinamarca, Norte Santander, Santander.
- o Departments consistently receiving less than implied by the sharing formula: Atlantico, Bolivar, Boyaca, Caldas, Cauca, Magdalena, Narino, Quindio, Risaralda, Sucre, Valle de Cauca.
- o The territories' share in the tax allowance is always greater than their share in population but they consistently (approximately 85% of cases) obtain less than implied by the sharing formula.

The remaining departments have had a more mixed experience of positive and negative differences from amounts implied by the sharing formula. Lastly, Table A5 shows that the shares devoted to education and health in the tax allowance have deviated--quite often substantially--from the formula. For the total, education shares have varied from a low of 71% (1986) to a high of 80% (1980) with health shares, of course, varying conversely. For individual jurisdictions, the variations have been even wider.

27. While the flexibility with which the situado fiscal sharing formula has been applied is welcome, the formula contains a number of flaws --regarding its treatment of small versus large population areas and its failure to provide incentives for departmental resource mobilization--which should be corrected. First, the sharing formula for the tax allowance favors less populated jurisdictions at the expense of more populated areas as compared with a formula based on population alone. The full dimensions

of the bias toward areas with smaller populations may not be appreciated, however. Given the shares to be allocated on population and non-population bases, the formula says that all jurisdictions whose population is greater than 3.03% of Colombia's population will share in the tax allowance in a lower proportion than their share in total population while all those with populations less than 3.03% will obtain shares in the tax allowance that are higher than their share in total population.¹⁴ Thus Antioquia with 14.2% of the population gets 10.85% of the tax allowance and Boyaca with 6.1% gets 5.18% while Sucre with 1.8% gets 2.17% and San Andres with 0.1% gets 0.98%. Put another way, according to the sharing formula, the per capita transfer that a jurisdiction receives varies inversely with its share in the total population. The potential variance will be larger, the larger is the non-population based factor in the sharing formula. Thus, the per capita amount received can be ranked with the highly populated areas (e.g. Antioquia, Bogota) at the bottom and the small territories at the top. As compared with Antioquia (14.2% of the 1964 population) residents of Norte de Santander (3.1% of the population) would receive 30% more; Sucre (1.8% of population) 58% more; Caqueta (0.6% of population) 190% more; and San Andres 1180% more. However desirable it might be to

^{14/} Given that 30% of the tax allowance formula is shared equally by jurisdictions and 70% is allocated on the basis of population and that there are 33 jurisdictions, the difference between a formula based on

$$\text{population and the present tax allowance formula is } \frac{P_i}{\text{Pop}} - \left[\frac{.3}{33} + .7 \frac{P_i}{\text{Pop}} \right]$$
$$= \frac{.3 P_i}{\text{Pop}} - \frac{.3}{33}, \text{ when } P_i \text{ is the population of the } i\text{th}$$

jurisdiction and Pop is total population. This expression is zero when the population share of the *i*th district is 3.03%, positive for greater population shares, and negative for smaller. Note that the point at which the expression is zero depends solely on the number of jurisdictions and is independent of the shares allocated on a population and non-population basis.

make some additional resources available for smaller areas (say to create and maintain a critical minimum level of public education and health services or to compensate for the dispersion of population), it would be better to do so on the basis of estimated costs of compensating for smallness. The differential gains and losses for various jurisdictions cited above is not related to wealth or poverty in any systematic way and cannot be justified on any rational basis.¹⁵

28. A second flaw in the application of the formula is the continued use of the 1964 census for the population-based part of the formula. This would favor those jurisdictions whose populations have grown relatively slowly at the expense of rapidly growing areas. It would be desirable to use the 1985 census when applying the formula.

29. The third flaw in the sharing formula is that it fails to encourage greater resource mobilization efforts at the local level. The formula needs to be altered such that the amount of transfer received by any jurisdiction depends in some degree on the amount of resource it contributes. As it stands, the tax allowance is a conditional, close-ended, non-matching grant.¹⁶ Conditional because the funds must be used for education and health. Close-ended because the total amount to be

^{15/} Some additional notion of the arbitrariness of the formula may be obtained from recognition of the fact that the cutoff population share--separating jurisdictions receiving above- and below-average per capita transfers--depends solely on the number of jurisdictions. The number presently stands at 3.03% because there are 33 jurisdictions, but if--for whatever reason--Colombia should decide to consolidate to (say) 16 jurisdictions, the cutoff population would become 6.25% and areas would begin receiving higher or lower per capita amounts for no reason other than a change in the number of departments/territories.

^{16/} See R.M. Bird, Intergovernmental Finance in Colombia--Final Report of the Mission on Intergovernment Finance (International Tax Program, Law School of Harvard University, Cambridge, Massachusetts, 1984), pp. 148-153 and N.E. Slack and R.M. Bird "Local Response to Intergovernmental Fiscal Transfers--The Case of Colombia" Public Finance (No. 3, 1983), pp. 429-437.

shared is fixed even though the shares of individual jurisdictions may vary. Non-matching because the amount received by any jurisdiction is set independently, unrelated to its revenues or expenditures. That is, the requirement that jurisdictions spend the same proportion of their income on education and health as in 1972 has never really been enforced and while jurisdictions are expected to contribute to education and health expenditures there is no formula relating these to the size of the transfer received from the national government. As constituted, the sharing formula does not further resource allocation or income distribution objectives in any systematic fashion. If the objective were to encourage increased resources in education and health, the appropriate formula would be conditional, open-ended and matching. On the other hand, if the objective were to reallocate resources to poorer jurisdictions or jurisdictions with lower tax bases, the formula should be unconditional not conditional. Moreover, as was shown above, the formula favors jurisdictions with smaller populations in a rather capricious fashion unrelated in any systematic way to needs or to poverty. Lastly, it is clear that the formula does not encourage greater tax effort on the part of departments and available evidence suggests that tax effort has been reduced. For example, a 1978 study by the Foundation for Higher Education and Development (FEDESARROLLO) found that the non-matching nature of the formula would in general tend to discourage local effort and that the tax allowance has had no effect on the level of department expenditures in education and health.¹⁷ A study done by Slack and Bird, as part of their background work for the 1981 Mission on

^{17/} Fundación Para la Educación Superior y el Desarrollo "El Efecto del Situado Fiscal y la Césion del Imponentas Sobre los Ingresos y la Estructura del Gasto Departmental y Municipal" (unpublished, Bogotá, October 1978).

Intergovernmental Finance, shows that a one peso increase in the tax allowance leads to an increase in expenditures less than one third of 1% as large, suggesting that the tax allowance substitutes for local resources.¹⁸

2. Sales Tax Transfer (Cesion a las ventas)

30. The sales tax transfer was created by Law 33 of 1968 which provided that the departments and Special District of Bogota would share in the revenues from the national sales tax starting at 10% in 1969 and rising to 20% in 1970 and 30% in 1971 and thereafter. Through a series of laws during the 1970s, the uses to which the monies could be put and the proportions devoted to each were altered but basically these resources were devoted to social security pensions (departmental), secondary education, and most importantly, the municipalities.¹⁹ As it stood before the change introduced by Law 12 of 1986, the transfer had a number of points of similarity and difference with the tax allowance. Both were based on a 30-70% sharing formula, that is partly by department and partly by population, but in the latter case the national territories were excluded. Neither tax provided any incentive for increased fiscal effort by lower levels of government. The main differences were that under the sales tax allowance municipal and not departmental activities were the main beneficiaries and that the population basis for the allocation was

^{18/} N.E. Slack and R.M. Bird, *op. cit.*

^{19/} In 1983, the sales tax was expanded to a value-added tax (IVA). Via Decree 232 in that same year, 30% of IVA revenues were allocated as follows: 25% to departmental municipalities via the 30-70% sharing formula, 1.5% for the national territories to be invested in local government, and 3.5% for the social security funds of departmental governments. In addition part of the revenues that were to have gone to municipalities were diverted to departmental FERs in the following proportions: 30% for municipalities of 100,000-500,000 population and 50% for those over 500,000.

Table 8 The Distribution of Sales Tax Revenues, 1985-92
(As % of IVA collection)

Recipient	1985 ^a	1986 ^b	1987	1988	1989	1990	1991	1992
All municipalities ^c	25.0	25.8	25.9	26.4	27.0	27.5	28.0	28.5
Small municipalities ^d		0.4	1.8	3.8	6.0	9.0	12.5	16.8
National territories ^e	1.5	0.7	0.6	0.6	0.5	0.5	0.5	0.5
Social Security ^f	3.5	3.5	3.5	3.5	3.8	3.8	3.8	4.0
IGACB		0.1	0.1	0.1	0.1	0.1	0.1	0.1
ESAP ^h			0.1	0.1	0.1	0.1	0.1	0.1
Total:	30.0	30.5	32.0	34.5	37.5	41.0	45.0	50.0

Notes:

- a. As set out in Decree 232 of 1983 (with the distribution in part based on 1973 population).
- b. Thus allocation actually only takes effect only as of July 1, for the first six months, 1985 formula applies.
- c. Includes Bogota, and after mid-1986, municipalities in national territories. Note however, that 30% of allocation to cities between 100,000 and 500,000 population and 50% of allocation to cities over 500,000 in fact goes directly to FERs.
- d. To be allocated in accordance with fiscal effort formula among municipalities of less than 100,000 inhabitants.
- e. After mid-1986, this amount goes directly to national territories for their own use, without restriction.
- f. This share goes to the sectional social security funds (including those in the territories) and is intended mainly to cover social security payments for teachers.
- g. Instituto Geografica Agustin Coddazi. To be used for revaluation in smaller municipalities.
- h. Escuela Superior de Administracion Publica. To commence as of 1987.

Source: "IBRD Colombia - A Review of Recent Decentralization Measures", Washington, D.C.; April 6, 1987, p. 36.

quickly adjusted from the census of 1964 to those of 1973 and then 1985. Because of the size and elasticity of the sales tax, the transfer became an important source of municipal finance. It was the most important transfer to Colombian municipalities and, most particularly, to those cities other than Bogota and the departmental capitals for whom it was the equivalent of twice the level of municipal tax collections in the late 1970s. Because there were no incentives to raise local resources, there is some evidence that the sales tax transfer mainly substituted for local resources.

31. Law 12 of 1986 is designed to bring about improvements in the finances of smaller cities and brought major changes in the sales tax transfer.²⁰ Law 12 has three important objectives:

- o To strengthen the smaller municipalities, both by giving them more resources and by encouraging their own fiscal efforts.
- o To transfer to municipalities certain national responsibilities equal in amount to the amount of additional revenues transferred.
- o To increase the efficiency of the local sector; by reducing the number of agencies working at the level and by increasing the capacity of local institutions.

32. The major changes introduced by Law 12 were: (a) the increase in the proportion shared of the value-added tax from 30% to 50% by 1992 and especially the share going to small cities (see Table 8);²¹ (b) the introduction of a "tax effort" formula for small municipalities; (c) the use of population as reflected in the 1985 census as the sole basis for sharing (modified by "effort" in small municipalities)--i.e. the elimination of the 30% share that formerly was divided equally among departments; (d) the additional funds for municipalities in excess of 25.8% (1986 share) to be spent on investments (including maintenance, debt service and investment in FFDU bonds); (e) new shares for the Public

^{20/} The discussion of Law 12 (1986)--its content and effects and the issues it raises--closely follows IBRD Colombia - A Review of Recent Decentralization Measures (Washington, D.C.; April 6, 1987), pp. 33-46.

^{21/} Note that Law 12 maintains the retention feature of the previous allocation system in that for cities with population of 100,000-500,000, 30% of their potential transfers will be redirected to department FERs while for cities over 500,000, the amount would be 50%.

Administration Institute (ESAP) and National Cadastre Agency (IGAC), agencies which provide training for local level officials and revised estimates of property values respectively; (f) and a timetable for the national government to reorganize and transfer functions toward the 1992 deadline.

33. The full implementation of Law 12 will have a major impact on the finances of municipalities. By 1992, municipalities in the aggregate will receive 85% more resources than they would have under the old sharing formula.²² For small municipalities, the increase is due to an increase in their share and to an assumed greater fiscal effort since, due to relatively slow growth, they would have lost revenues on a population basis alone. For larger cities, the increase is due mainly to their increase in population share and to a lesser extent to the rising proportion of the IVA (impuesto al valor agregado or VAT) being shared. These changes will have a major impact on the finances of municipalities. The dependence of municipalities on transfers will rise dramatically--for all municipalities from 38% to 58% of current revenues and especially for small municipalities from 67 to 83% of current revenues.²³ Without these transfers it is estimated that municipalities in general--and small municipalities in particular--would not be able to finance their current expenditures out of their own revenues.

34. Law 12 represents a welcome attempt to transfer greater resources to municipalities, give them incentives to raise their own resources (at least for smaller municipalities), and initiate some measures to increase

^{22/} See IBRD (1987), *op. cit.*, p. 39

^{23/} *Ibid*, p. 40.

municipal absorptive capacity. As such, however, the Law raises a number of issues about:

- (a) the form of the sharing formula for small municipalities;
- (b) the restriction of tax effort just to those municipalities; and
- (c) the speed with which municipal absorptive capacity can be increased.

35. First, the elimination of the 30% portion of IVA shared equally by departments and the introduction of a "fiscal effort" factor for small municipalities are both improvements. However, the formulas that have been used raise questions. The formulas suggested by the Government and by the World Bank account for fiscal effort adding a factor to the population share which reflects a community's efforts relative to average efforts. The Government's formula is:²⁴

$$CAM_i = \frac{P_i}{Pop} \cdot CAT - AC_i \left[\frac{\sum R_i}{\sum AC_i} - \frac{R_i}{AC_i} \right]$$

and the World Bank's recommended reformulation is:²⁵

$$CAM_i' = CAT \left[\frac{P_i}{Pop} - \left[\frac{P_i}{Pop} \right] \left[\frac{\bar{t} AC_i}{\sum AC_i} \right] + \left[\frac{P_i}{Pop} \right] \left[\frac{t_i AC_i}{\sum AC_i} \right] \right]$$

where CAT is total transfer to be divided among *i* municipalities; CAM_{*i*} is the transfer received by the *i*th municipality; P_{*i*} is its population and Pop is the total population of small municipalities; AC_{*i*} is the total cadastral value (less tax exempt properties) in the *i*th municipality and

^{24/} See DNP Proyeccion de la Participacion de los Municipios en la Cesion del Impuesto al Valor Agregado (Bogota; Septiembre 1988), p. 6

^{25/} See IBRD (1987), op. cit., p. 42.

R_i is property taxes (plus surcharges) collected and t_i is the effective tax rate in the i th municipality or its property tax revenues divided by its cadastral values and \bar{t} is the average tax rate across all small municipalities. As originally conceived the formula was to be applied separately to each department, and so the relevant comparator group would be all small municipalities in the same department. The formulas intend to say that the amount that any municipality receives will be larger, the higher are its tax rates and the greater are its cadastral values.²⁶ However, both formulas are also flawed; in that municipalities are encouraged to increase the cadastral assessments only if their tax rates exceed the department average; otherwise such an increase would reduce the amount of transfer received. This flaw can be corrected by redefining the formula to eliminate the direct connection between cadastral assessments and the transfer received, thus:

$$CAM_i = CAT \frac{P_i}{Pop} \left[1 - \bar{t}^* + t_i^* \right]$$

where t_i^* is actual property tax receipts in the i th district divided by the cadastral values of the i th municipality that would be obtained if assessment practices in all small municipalities were the same (\bar{t}^* being equivalently defined as the average for all relevant small municipalities). Thus defined, this cadastral value is outside the control of the i th municipality but it can always increase the transfer received by raising

^{26/} Both the formula contained in Law 12 (1986) and the Bank's proposed revision leave open the question of what to do with municipalities whose reduction in share because of poor fiscal effort exceeds their population share. The intention appears to be that such jurisdictions would get zero and the amount to be shared would be divided up among the remaining qualifying jurisdictions.

its tax rates or raising its cadastral assessment since either would increase its revenues relative to the equivalently assessed cadastral base.^{27 28}

36. Secondly, the "fiscal effect" formula is too narrowly focussed both as to the taxes covered and the types of municipalities. By focusing on property taxes, it not only fails to encourage the development of other tax bases but may actually encourage the substitution of property taxes for other types of taxes with little overall gain in local resource mobilization. To forestall this problem, consideration should be given to including all municipal revenue sources in the formula, even while continuing to use cadastral values as the (actual or potential) tax base. Moreover the application of "fiscal effort" to small municipalities alone is undoubtedly undesirable. Large municipalities (above 100,000 inhabitants) bulk large in total local government finance and the lack of an incentive for effort invites them to substitute national resources for local resources.

^{27/} By using uniform assessments (or uniform relations between assessed values and market values) across different (small) municipalities, no municipality would stand to gain from undervaluing its property or lose from increasing assessed values. In fact, communities would only stand to gain from increasing assessments both because their own revenues would rise as would the transfer received. The recommended sharing formula would necessitate some agency--such as the Instituto Geografico Agustin Codazzi (IGAC)--provide information so that the uniform or equivalent assessed value of property in each municipality could be calculated.

^{28/} Note that as they stand all three formulas take into account factors of "need" (as represented by population share) and "fiscal effort" (each community's tax performance relative to some average performance) but all ignore the question of "taxable capacity" (i.e. differential per capita tax bases) and hence make no attempt to compensate for differences in capacity. In addition, regardless of which of these sharing formulas were used, the problem would remain that each municipality was to be compared with other municipalities in the same department, thus raising the possibility of unequal treatment of municipalities across departments. This potential anomaly in the application of the formula was corrected in 1987 and now small municipalities are being compared nationwide.

37. Thirdly, Law 12 and its follow-up Decree 77 (1987) which identified those public services to be transferred to local government,²⁹ reassigned responsibilities among various levels of government and presented timetables for the alteration/liquidation of a number of government agencies, have mandated a major shift in responsibilities and in available resources among levels of government. At this stage it is not yet clear whether local governments are well prepared to handle the additional responsibilities, especially within the short timeframe available. To date, there has been no thorough analysis of the capacity of local government to deliver the additional services. Nor have many jurisdictions complied with the requirement of Law 12 that annual reports be submitted on the use of IVA resources. Nor has there been a serious attempt to match the cost of the activities transferred with the additional resources being made available by Law 12. There is considerable skepticism at the local level about the sufficiency of resources. A number of steps appear desirable to assure that the added resources are put to good use. Municipalities should be required to submit annual investment plans as a precondition for receiving IVA transfers. While such plans are likely to be crude at first until local planning capacity can be improved and better coordination between planning units at all levels of government can be achieved, it would encourage better planning and at least rudimentary justification for projects being undertaken. In addition, to assure local

^{29/} Among the public services to be transferred to the local level are: provision of drinking water, sanitation, garbage disposal; management of markets and slaughter houses; construction, operation and maintenance of health posts and centers and regional hospitals; construction and maintenance of schools and athletic facilities; provision of agricultural extension and technical assistance; construction and maintenance of feeder roads, bridges, and river ports; extension of electricity services; construction and up grading of low income shelters; and cofinancing (with central agencies) for rural development projects.

resources are put to good use, cofinancing or matching local counterpart funds for projects with largely localized benefits undertaken by national agencies should be required. The required matching rate could vary according to sector (according to the priority the national government might wish to assign to the activity) and according to the fiscal capacity of the local government. Such matching programs would help to compensate for weak local institutional capacity in some areas, give the national government a means by which to encourage investment in priority areas, and provide local finance for national activities.

B. National Government Level Earmarking

1. Coffee Fund

38. The Fondo Nacional del Cafe (FNC) was created in 1940 in response to the new "Quotas Agreement" of the International Coffee Organization which called upon signatories to establish mechanisms for withholding surpluses above quota limits. Management of the Fund is by the National Federation of Coffee Growers, a private non-profit association representing almost all coffee producers. The Federation is responsible for the domestic and external marketing of Colombia's coffee. Its activities include technical assistance to the industry, enforcement of quality control, provision of storage, promotion of external coffee sales, representation of Colombia in the International Coffee Organization, and management of the FNC.³⁰ The Coffee Fund intervenes in markets, promotes

^{30/} For useful discussions of FNC activities, see Contraloria General de la Republica El Fondo Nacional del Café - Evaluación Institucional y Financiera (Bogota, Colombia; December, 1988); R.M. Bird, Taxation and Development - Lessons from the Colombian Experience (Harvard University Press, Cambridge; 1970) Appendix B on Coffee Tax Policy; and V. Thomas, Linking Macroeconomic and Agricultural Policies for Adjustment with Growth - The Colombian Experience (Johns Hopkins University Press; 1985), Chapter 6 and Appendix F.

stabilization objectives, and engages in activities to assist the growers and promote economic and social welfare in the coffee growing areas. The nature of its activities and its relationship with government are spelled out in ten-year contracts with government, the latest of which covering 1989-99, was just signed in December 1988.

39. A major objective of coffee policy is the stabilization of growers' real incomes at levels consistent with long-run equilibrium international prices. The major stabilization instruments--the ad valorem export tax and the retention quota--also generate important sources of income for the Fund.^{31 32} Of the 6.5% tax on the value of coffee exports, 2.5% goes to the central government general budget and 4% to the Coffee Fund, the latter thus representing an earmarked tax.³³ In line with government policy, the ad valorem tax share going to the central government has been falling--from 22% at the inception of the tax in 1967 to 8% in 1980 to 2.5% in 1983. The 4% tax rate, 0.8% (or 20%) of which is reallocated to Department Growers Committees to be used for economic and social projects in the growing areas, has been constant since 1967. The retention quota is a fixed

31/ The major source of the FNC's current income is its own sales of coffee in foreign and domestic markets. It also obtains income from the ad valorem and retention taxes and from sales of intermediate inputs (e.g. fertilizer at subsidized prices) and from financial and equity investments.

32/ Two other instruments of stabilization policy do not have such obvious fiscal implications--the domestic support price and the minimum exchange surrender requirement. The minimum guarantee price is set by the government, in consultation with the Federation, taking into account such factors as production cost, inflation, the exchange rate, trends in production and stock holdings, and international prices. The Federation stands ready to buy unlimited amounts of coffee at the minimum price. The minimum exchange surrender requirement is the minimum amount of foreign exchange to be surrendered by exporters to the Banco de la Republica for each bag of coffee exported and forms the basis for the ad valorem tax.

33/ There is an additional min. tax--the "pasilla"--of 6% of the volume of exports of inferior grades of coffee.

proportional amount of coffee--in volume or equivalent value--which exporters must give to the Coffee Fund for every 100 bags of coffee exported. The proportion is set taking into account the present and expected volume and value of coffee exports, exchange rates, and export taxes. To finance an accumulation of stocks and to improve the Coffee Fund's finances, the retention quota was raised from 15% in 1981 to a peak of 68% 1985-87 before being reduced to 35% in December 1987. The retention tax acts like a tax on exports and because its proceeds are directed to the coffee fund it should be viewed as an earmarked tax.

40. Table 9 shows the amount of revenues the Coffee Fund obtained from its 4% share of the ad valorem export tax and the retention quota.³⁴ The former is usually listed in any accounting of central government earmarked taxes, but the latter is not. Because of discounts and bonuses the Fund gives on private exports and because a significant share of exports in any year comes from the Coffee Fund itself, the retention figures in the table are likely to exaggerate the net income accruing to the Fund. Bearing in mind, therefore, that these are upper bound figures,³⁵ they would represent

Table 9 Earmarked Taxes for the Coffee Sector, 1980-1987

	1980	1981	1982	1983	1984	1985	1986	1987
Ad Valorem								
Export Tax	3,005.0	2,823.0	3,112.6	3,377.0	4,698.5	7,298.7	14,905.2	11,671.1
Retention Quotas	31,116.2	9,596.9	23,531.2	29,262.1	61,742.0	81,607.4	174,143.8	194,199.4
In Kind	31,098.2	9,588.8	23,510.5	29,146.5	61,539.9	80,821.1	172,567.8	n.a.
In Value	18.0	8.1	20.7	115.6	202.1	786.3	1576.0	n.a.
Total	34,121.2	12,419.9	26,643.8	32,639.1	66,440.5	88,906.1	189,049.0	205,870.5

Source: Statistical Appendix Table A7.

^{34/} For a more complete picture of the Coffee Funds' revenues and expenditures, see Statistical Appendix, Table A7.

^{35/} They are also an exaggeration of retention's contribution to earmarking because at times the Coffee Fund has loaned substantial sums of money to the central government.

an amount equivalent on average to over 45% of total national government earmarked revenues 1980-87.

41. The Fund engages in a number of activities beyond its stabilization function. Through the Departmental Growers Committees, it channels resources to health, education, rural electrification, and infrastructure in the coffee growing areas. Investments are decided upon in consultation with the national government. Whatever assets are created in this process are owned by the government and operated and maintained, using the government's resources, as part of the normal public system. Through loans and equity investment, the Fund has interests in a wider variety of activities beyond the coffee sector:³⁶ e.g. transportation (Flota Mercante GranColombiana--the largest maritime fleet), sugar, steel, meat processing and banks, insurance companies, savings/mortgage corporations. In addition, it carries out activities directed at promoting the production and consumption of coffee- two of which are direct subsidies to the domestic consumption of coffee and the provision of subsidized inputs (mainly fertilizers) to coffee growers.

42. It is clear that the Fund's activities have taken it far beyond the stabilization objectives envisaged some 50 years ago. Movement back toward stabilization and other coffee-sector related activities would be desirable. The recently signed contract with government (covering 1989-1999) is an important attempt to refocus the Fund's activities and to increase the government's influence on its operations. The outstanding features of that agreement are: (a) the Fund's budget is to be approved by the National Coffee Committee (which has as many government representatives as industry representatives) and the Minister of Finance; (b) the Fund's different activities will be accounted for more explicitly

^{36/} For a useful summary of FNC's holdings see Contraloria General de la Republica, op.cit., pp. 114-117.

by the objectives they serve; (c) its investments will be restricted to those which directly benefit the coffee areas and a list of non-related holdings and a schedule for their sale by a target date (end-1993) will be prepared; and (d) the Minister of Finance will exercise veto power over commercial policies related to coffee. These are important steps to returning the use of public money toward legitimate public sector activities such as stabilization and economic and social welfare projects together with trade association type functions (e.g. quality control, export promotion). One might still wish to question the use of export taxes to finance public investment in coffee areas. While there is a general feeling in Colombia that the monies for such investments have been utilized effectively, there is no reason to suppose that coffee taxes will generate the right amount of economic and social infrastructure in these areas. It will be important to monitor such investments to see that they don't result in overbuilding or a maldistribution of infrastructure between regions. Lastly, subsidies for the domestic consumption of coffee remain a questionable use of public money and the provision of subsidized fertilizer has been shown in many other countries to lead to wasteful use. Continued progress toward the elimination of both these subsidies would be desirable.

2. National Highways Fund (Gasoline Tax)

43. The Fondo Vial Nacional (FVN) was created by Law 64 of 1967 in response to a sharp decline in road infrastructure investment due to a fragmented public works budget and lack of continuity in budget resources. Its mandate was to provide funding for the planning, construction, and maintenance of the national highways and inland waterways networks. Its expenditures are mainly on construction/rehabilitation/maintenance and

debt servicing (see Tables A7 and A8 in the statistical appendix). Operational expenditures, such as payroll and other general expenses, are financed by the Ministry of Public Works and Transport which is responsible for implementing the investment and maintenance program. FVN's major sources of funds are earmarked taxes on gasoline (about 70% of revenues) tolls and sales of services (10%), budget transfers (about 6%) and (mainly foreign) borrowing (about 9%). Under Law 64 of 1967, as modified by Law 30 of 1982, FVN receives 75% of the earmarked tax on petroleum automotive fuel while 10% goes to the National Fund for Neighborhood Roads (Fondo Nacional de Caminos Vecinales or FNCV), 10% for the national railways (Ferrocarriles Nacionales de Colombia or FNC), and 5% for the Corporacion Financiera de Transporte (CFT) to fund urban transport operations.

44. During the 1980s, expenditures on the construction and maintenance of national highways have not expanded in real terms and hence have not kept pace with the expansion of general economic activity (see Table 10). The failure of gasoline taxes to raise sufficient revenues and the diversion of increasing amounts of FVN resources to debt service appear to be the major reasons. Article 2 of Law 30 (1982) modified the gasoline tax from a 5% rate based on the retail price to a specific amount equivalent to Colombian \$13.50 per gallon of regular motor gasoline and diesel fuel (gasoline for aircraft and marine diesel were exempted). The amount of the tax is to be adjusted each time the gasoline price changes by an amount which takes into account the percentage change in the prices of gasoline and diesel and the percentage change in the heavy construction price index. Prices and taxes have in fact been adjusted annually but not enough to keep up with inflation generally and revenues from the gasoline tax have been falling in real terms (see Table 10). The rise of debt

Table 10 Real Outlays in the Highway Sector - Fondo Vial
(millions of Colombia \$ in 1975 prices)

	1980	1981	1982	1983	1984	1985	1986	1987
Total Expenditure	5267.4	6093.9	5868.6	5317.0	5214.6	5286.3	4862.6	6335.3
Construction, Rehabilitation and Maintenance Expenditures	3624.4	3975.1	2853.4	2415.6	2338.3	2657.8	2403.1	3179.2
Memorandum Item								
Real Gasoline Tax Revenue	4239.1	4386.5	4044.4	3260.7	3197.7	3156.1	3021.7	3243.3
Gasoline Tax in current prices) (Col. \$/gal.)	8.71	12.50	13.50	16.45	19.64	22.06	26.49	32.58
Gasoline Tax Adjusted for Inflation (Col. \$/gal. @ 1975 prices)	2.90	3.29	2.93	2.97	2.94	2.61	2.44	2.41

Source: Data from statistical appendix Tables A8 and A9 deflated by the GDP deflator.

service (mainly on external debt) has been a recent phenomenon. From merely 0.7% of FVN's expenditures in 1980 it rose to 10.4% in 1986 and 17.40% in 1987 (see Table A8 in statistical appendix). While transfers from the central government budget have been rising, they have not been sufficient to offset the squeeze from falling gasoline revenues and rising debt service and FVN expenditures on construction and maintenance were lower than in 1980 in all years but one (1981); even a major expansion in 1987--financed mainly by external borrowing--left expenditures some 12% lower than in 1980.³⁷

^{37/} See Table 10 where data in current prices have been converted to constant (1975) prices by use of the GDP deflator. Similar results would be obtained if the deflator for heavy construction activities were used instead.

45. The general impression is that the resources of FVN are fairly well managed. Projects are subject to feasibility studies and, while there is room for improvement, there is no reason to suspect that a significant proportion of projects fail to meet economic criteria. The investment program of FVN--and any significant changes during the year--are subject to approval by National Planning Department and by Congress. The amounts of expenditures devoted to road maintenance and rehabilitation appear to have been appropriate. The Ministry of Public Works and Transport has been guilty in the past of starting up too many projects and spreading its resources too thinly. As a consequence, completions have been delayed and cost overruns and commitments fees on external loans have consumed more resources than expected. These problems are being corrected in the past couple of years by conscious efforts to speed the completion of ongoing projects and to delay the start up of major programs. Moreover, highway officials are convinced that the existence of earmarked funds protects them from the complexities of the budget process and allows them to engage in long-term contracts with the private sector that would not otherwise be possible. However, FVN (and FNCV) have fallen victim to the same problems highway funds in many LDCs have faced--the failure of the automatic tax arrangements to generate the appropriate level of revenues to carry out the long-term construction and maintenance program. In the late 1970s, it appeared that the gasoline tax was generating too much resources;³⁸ in the 1980s, falling real gas taxes--and rising debt service--appear to be leading to a shortage of resources.

46. In principle, gasoline taxes are a legitimate application of the benefit principle of taxation. There is normally a strong link between

^{38/} See Bird-Wiesner Report, op. cit., p. 113.

the tax base and service received from the highway system because road users must buy gasoline and the costs they impose can be captured in the higher price of gasoline stemming from taxation. Gasoline taxes, therefore, could be used in lieu of direct user charges. While it is difficult to calibrate taxes paid to the exact amount of damage done by different types of uses (trucks causing much greater damage than private passenger vehicles), reasonable approximations can be established and a significant proportion of the cost of constructing and operating the system recovered from the users. In Colombia, however, the link between the consumers of road services and road expenditures has been broken. Since the price paid by consumers is roughly equivalent to the c.i.f. import price, road users are not being taxed. Instead, it is evident that Ecopetrol (the domestic gasoline producer) is being taxed since the price it receives is lower than the c.i.f. prices by an amount approximating the gasoline tax. If earmarking of gasoline taxes for highway expenditures is to be retained in Colombia, it is the consumer who should be taxed--i.e., retail prices should exceed c.i.f. prices. Moreover, it would be desirable to set gasoline taxes (and other road user taxes such as tolls, licenses and registration fees), such that the required highway construction and maintenance program can be carried out.

3. PROEXPO

47. PROEXPO is one of a three part set of export incentives which has been in existence for more than twenty years and which includes Plan Vallejo, which provides registered exporters with access to duty free imports; the CERT system which provides rebates for domestic indirect taxes (and tariffs as well for unregistered exporters); and PROEXPO itself which provides subsidized credit for exports. PROEXPO is a financial institution

with clear links to the central bank (Banco de la Republica).³⁹ It offers 33 distinct lines of credit for: pre- and post-shipment financing; long-term investment, working capital, promotion of exports, and technical assistance for quality control. A relatively minor share of PROEXPO's portfolio is in equity investments (about 20%) and for the past two years policy has been to discourage such investments. PROEXPO does not raise money in capital markets to any extent but instead relies on rollover of existing loans (60-70%), interest earnings (7-10%) and earmarked taxes (15-20%) to provide funding for its loans (see Table All in statistical appendix). The earmarked tax is its share of a general 18% tax on c.i.f. imports which is divided in the following way: National Treasury - 10.4%; PROEXPO - 6%; IFI - 0.8%; and Caja Agraria - 0.8%.

48. Overtime, PROEXPO has reduced the extent of the subsidy in its credit lines, but the subsidies still remain sizable. Most of its credit carried a 19% rate 1980-83 and 22% 1984-86, compared to commercial bank rates which averaged 44%.⁴⁰ During the past two years, PROEXPO has sought to increase its financing of fixed investment by offering rates of 18% for terms up to 8 years while raising the rates on pre and post-shipment finance to about 35%. During the 1980s, PROEXPO credit has averaged the equivalent of 5.6% of domestic credit outstanding and the loans made each

^{39/} The General Manager of the Banco de la Republica is the Director of PROEXPO, which has two executive directors in charge of Export Promotion and Financial Operations. PROEXPO's employees are central bank officials but the fund has a separate salary structure. PROEXPO's Board of Directors consists of: Minister of Economic Development (President); Minister of Foreign Relations; Director of INCOMEX; Manager of Banco de la Republica; and three private sector representatives appointed by the President of Colombia.

^{40/} See I.B.R.D. Colombia - Trade Policy Survey (1988), pp. 42-43.

year relative to total minor exports (i.e. non-coffee) have been a sharply declining trend from 39% in 1981 to 10% in 1986.

49. PROEXPO is one of the earmarked funds covered by Law 55 (1985), but part of the intended reallocation appears to have been offset through increases in resources that it has been able to obtain. According to Law 55, 20% of PROEXPO's earmarked tax proceeds are to be reallocated to the financing of the CERT (or other financial incentives for exports) in 1985 and 1986 rising by 10% per year to a ceiling of 50% in 1989. And transfers have indeed taken place in line with this schedule. At the same time, however, PROEXPO has received a major increase in resources through a rise in its share of the tax on imports c.i.f., an expansion in the proportion of imports covered by tariffs, and a surge in imports. As a consequence, the amount of earmarked resources--even after subtracting out transfers under Law 55 was no lower in real terms in 1986 than in 1985 and was only 15% lower in 1987 than in 1985.

50. The logic of financing PROEXPO with an earmarked tax on imports is highly questionable. There is no connection between those who must bear the cost (consumers and producers using imported products) and those who are obtaining the benefits (domestic producers obtaining higher profits and/or foreign consumers receiving cheaper goods). Hence, shielded from the budget process where these allocations would be evaluated against other priorities and from capital markets where the ability of PROEXPO's loans to cover its cost of raising funds and its administration costs would be considered, there is no reason to suppose that the amount of subsidized loans is in any sense efficient or desirable from Colombia's point of view. The realization that resources depend on total imports and infrequent changes on the duty on imports c.i.f. rate allocated to PROEXPO (1.5% 1968-75, 5% 1975-86; 6%, 1986) only enhances our suspicion that it is

unlikely that the appropriate level of resources is being provided for this activity. Moreover, while at first glance PROEXPO appears to be an attempt to offset the bias against exports inherent in the protection given to import substituting activities, it is not evident that this is so. The subsidies to exports in PROEXPO loans are made possible by taxes on imports which in themselves would discourage exports.⁴¹ At best then, PROEXPO loans and their financing would encourage the production of traded goods at the expense of non-traded goods. But, since not all of PROEXPO's loans are directly related to exports and since the subsidies to export vary sharply across sectors,⁴² the offset to greater protection is incomplete and introduces distortions into economic activities. The financing of PROEXPO with earmarked taxes should, therefore, be ended and the question of subsidizing credit for exports--regardless of source of finance--should be re-examined.

C. Departmental Earmarking

51. The principal sources of departmental income are from earmarked revenues. Three of the major revenue earners are earmarked for health: beer for the Sectional Health Services, SSS (with a minor part for the

^{41/} There are two arguments why the financing of PROEXPO may not be biased against exports. The first is that quantitative restrictions, not tariffs, are the binding constraint and hence raising tariffs enables the government to share in rents without raising the level of protection. This argument's validity is dissipating, however, as Colombia dismantles its QR system, relying more heavily on tariffs for protection. The second argument is that the tariff rate has been set independently of PROEXPO's requirements and the government is merely allowing PROEXPO to share in this revenue. This reasoning is questionable since it strengthens the suspicion that the funding of PROEXPO is arbitrary and unrelated to legitimate needs for export financing and since the government always has the option of lowering the tariff if it did not want these funds to go to PROEXPO.

^{42/} See IBRD, Colombia - Trade Policy Survey, op. cit., p. 44.

National Fund for Neighborhood Roads); liquor for the SSS; and profits and taxes from lotteries (and race course betting) which go mainly to the SSS with a minor portion going to schools for the blind and the National Federation for the Blind. A fourth major source of departmental revenue --cigarette taxes--is also earmarked for Sectional Sports Commission, of which 30% must be passed on to the Colombian Institute of Youth and Sports (COLDESPORTES) which in turn is required to pass on 10% to Colombia Institute of Culture (COLCULTURA). The remaining sources of departmental current revenues--mainly a small specific tax on gasoline, taxes on animal slaughter, and taxes and fees on the ownership of automobiles--and a number of non-tax revenues are quite small but because they have proven to be somewhat more elastic (or less unelastic) than the earmarked sources, their share in departmental revenues actually rose from 11% to 24% 1980-86.

52. The type of tax (and lottery earnings) earmarking found at the departmental level has no rational basis whatever. There is virtually no link between taxpayers and the beneficiaries of government services provided. Hence, there is no reason to believe that tax revenues are generating an appropriate amount of resources for the activities in question. Moreover, there is no reason to believe that the tying of revenues to expenditures enables the government to raise more revenues because taxpayers see the proceeds going for a worthy cause. Taxes on alcohol and tobacco raise considerable sums in most countries regardless of how the proceeds are used. This leaves us with a final argument that the bulk of the earmarking is for worthy decentralized agencies (such as SSS) which are growing rapidly and are in need of transfers from both central and departmental governments. However much such transfers may be needed, the question is still open as to the appropriate level of resources for

such activities and the division of responsibilities of the central and departmental governments. The answer is not in the arbitrary earmarking of such taxes which apparently has not been sufficient to prevent the virtually complete substitution of national for departmental resources, but in the reform of the sharing formula for the tax allowance to take account of departmental needs and to induce greater local fiscal efforts.⁴³

D. Municipal Level Earmarking

53. The major sources of revenue for Colombia's municipalities are the property tax, the industry and commerce tax, and transfers from higher levels of government (esp. the central government). Other taxes (e.g. on billboards, vehicles, gambling, and public spectacles) generate relatively minor amounts of revenues. Of these sources, the major contribution to municipal level earmarking is the valorization tax, a betterment tax levied on real property that has benefitted from the construction of local public works.⁴⁴

54. Valorization represents one of the purest forms of earmarking.

This purity results from several characteristics:

- o the fact that taxpayers and beneficiaries overlap to a substantial degree;
- o the use of benefit-cost type considerations in making investment decisions ("appraisal" or "analysis" might be too

^{43/} See our discussion of the "tax allowance" in para. 29.

^{44/} For an evaluation of the practice of valorization in Colombia see W.G. Rhoads and R.M. Bird. "Financing Urbanization by Benefit Taxation" Land Economics 43 (November 1967), pp. 403-12; IBRD Valorization Charges as a Method for Financing Urban Public Works: The Example of Bogota, Colombia Staff Working Paper No. 254 (March 1977); and International Tax Program, Intergovernmental Finance in Colombia: Final Report of the Mission on Intergovernmental Finance (The Law School of Harvard University; Cambridge, 1984), pp. 280-282.

strong a word) and the conscious and conscientious attempt to allocate tax assessments proportionally according to how people benefit from the project; and

- o the strong link between valorization revenues and expenditures (i.e. no supplements from or diversions to general fund financing, at least in principle).

In addition, valorization appears to reverse the usual sequence of earmarking whereby available revenues drive expenditure levels: instead, the identification of desirable projects, often within the scope of prepared investment programs, appears to call forth efforts to raise financing from prospective beneficiaries.

55. Valorization--as practiced in Colombia--is a system by which the costs of public investments are apportioned and recovered according to the distribution of the benefits received. While practice has evolved over time, Colombian municipalities, as well as some specialized agencies, have been given the right to recover costs and considerable flexibility in determining how to measure and allocate benefits. Over time the scope of valorization has been extended to include street construction, local paving, parking facilities, urban development, and what are called "green spaces" and "zones of historical interest".

56. Upon a project's selection, a "zone of influence" is demarcated, the area over which benefits are expected to be felt. Benefits are estimated--as the total resulting rise of site values--and allocated across the properties within the zone according to formulas which take into account a number of characteristics such as size, shape, topography, frontage, distance from project, and a number of economic factors. This allocation then determines how the project costs are allocated across properties. Costs eligible for inclusion are: (a) cost of land; (b) cost

of construction; (c) cost of administration, estimated at 20% of (a); (d) contingencies, estimated at 5-10% of (a) plus (b); (e) interest on the value of (a) and (b) during the construction period; and (f) honoraria for representatives.

57. In principle, there is nothing to stop authorities from attempting to recapture some or all of the project (net) benefits, but in practice only full recovery of the costs listed above is sought. Care in selection is exercised to make sure that projects yield benefits in excess of costs; in practice the rapid development of most cities plus inflation has left a sizable margin for error. In addition, consideration is given to problems that the poor or persons with few liquid assets might have in paying the tax. Low income persons can be exempted altogether and others are allowed to stretch out the valorization tax payments over several years if otherwise it would absorb a significant fraction of their annual income.

58. The valorization tax as practiced obviously has a number of desirable features--the benefit connection; the efforts to select economically desirable projects, and the flexibility with which it has been adopted in differing circumstances. As a tax on the unimproved value of land, the tax would have no adverse incentive effects, and in fact the combination of the tax and the improvement serve to raise income and increase the potential profitability of investments which should have a desirable incentive effect.

59. On the other hand, valorization does have some drawbacks, primarily centered around collections problems.⁴⁵ First, quite aside from

^{45/} See World Bank, World Development Report 1988 (Oxford University Press; June 1988), p. 160.

the fact that authorities attempt to recover only project costs, collections fall far short of 100%.⁴⁶ The reasons appear to be cost overruns, generous exemptions (e.g. the Catholic Church, charitable institutions, and public enterprises), and generous exceptions/payment schedules given to the poor and those with liquidity problems. Problems have particularly arisen when projects have been designed to improve conditions in low income areas. Second, the concept of the "zone of influence" has its limitations: in a number of cases, a sizable fraction of beneficiaries fall outside the zone, and this has led to collection problems because persons within the zone were reluctant to pick up the added burden. It is also hard to implement with a number of projects simultaneously affecting a number of overlapping zones. Lastly, valorization revenues have proven to be quite unstable in part because of collection problems and in part due to administrative deficiencies in planning and implementing projects; thus revenue growth seems to be characterized by periods of stagnation followed by sizable increases.

60. Despite its imperfections, valorization deserves a favorable rating. Its popularity and its ability to raise revenues would justify its continuation and extension into cities which have not taken full advantage of it. Its weaknesses could be reduced by cutting back on exemptions and the introduction of interest payments and penalties on arrears (the former was introduced in 1981). Further, where subsidization of low income groups is a key project objective, the need for transfers should be made explicit and financed from general budget revenues.

^{46/} Apparently this has been the experience with betterment taxes around the world.

E. Payroll Taxes

61. Payroll taxes in Colombia are earmarked to provide financing for two broad sets of activities--social welfare type activities and traditional social security. Included in the former are programs of technical skills and labor training (Servicio Nacional Aprendizaje or SENA), programs of preschool education and nutrition for children and family protection (Instituto Colombiano Bienestar Familiar or ICBF) and family allowances and various private sector activities (Cajas de Compensacion Familiar). Included in the latter are a variety of programs for pensions, health-maternity care, and occupational risk covering employees in the private and public sectors. These are financed through payroll taxes and transfers from the government budget (the latter are especially needed to cover the deficits of the various public sector social security programs). Table 11 shows the contribution of employees and employers (as % of wages) for the various programs. Several features of the contribution system stand out. The range of contribution is large, being quite high in the private sector and lower in the public sector, especially in the programs for the military and police. The combined employer/employee contribution of 15-20% for social security is already quite high--seventh highest in Latin America in 1986--and when the 9% tax is added to cover Cajas de Compensacion (4%), SENA (2%) and ICBF (3%), total payroll taxes are adding 24-29% to the cost of Colombian labor.

1. Funds for Social Welfare Objectives

62. ICBF is a public agency responsible for matters pertaining to nutrition and family welfare. Its program covers such activities as foodprograms for children, assistance to families and children with legal problems, aid for orphans and children with behavioral problems, and

Table 11 Legal Contributions to Social Security by Program,
Source and Fund in Colombia: 1988
 (as a percentage of wages)

Fund/ Program	Active Insured (a)	Employer	State	Total
ISS (private sector)				
Pensions	2.17	4.33	d	6.5
Health-Maternity	2.33/4.0 (b)	4.67/8.0 (b)		7.0/12.0 (b)
Occupational Risks	0	1.5 (c)		1.5
TOTAL	4.5/6.17	10.5/13.83		15.0/20.0
CAJANAL (public sector)				
Pensions (e)	0	3.0	f	3.0
Health-Maternity	5.0	5.0		10.0
TOTAL	5.0	8.0		13.0
CAPRESUB/CAPRECOM (public sector)				
Pensions (e)	0	g	g	
Health-Maternity	5.0	g	g	5.0
TOTAL	5.0			5.0
MILITARY				
Pensions (e)	8.0	h	h	8.0
Health-Maternity	0	i	i	0
TOTAL	8.0			8.0
POLICE				
Pensions	5.0	h	h	5.0
Health-Maternity	0	i	i	0
TOTAL	5.0			5.0
OTHER PAYROLL TAXES	0	9.0 (j)	0	9.0

- (a) In ISS, the voluntarily insured self-employed pays a percentage over income equivalent to the combined percentage paid by the salaried insured and his employer.
 (b) Among those covered by family health program.
 (c) Average premium; the premium should vary from 0.28 to 7% according to risk but the classification of risks is not yet in effect.
 (d) Initially the state had to contribute but never actually did and such obligation was abolished in 1971.
 (e) There is no distinction between treatment of common and occupational risks and the contribution to pension and health cover such risks. In any case the employer is considered directly responsible.
 (f) The state is responsible for absorbing most of the resulting deficit.
 (g) The employer (state) pays the rest.
 (h) The state pays all the resulting deficit.
 (i) The employer (state) pays all costs.
 (j) 4% goes for Family Allowances (Cajas de Compensacion), 2% for SENA, and 3% for ICBF.

Source: Current Legislation.

special projects for Indian minorities.⁴⁷ In particular, its traditional program (CAIP) of daycare and supplemental feeding for children under 6 years involved supervised programs in well-equipped day centers with trained personnel. The program suffered from high administrative costs, lack of targeting for the poorest, and lack of access. To increase replicability, IBCF launched a new "programa de hogares de bienestar familiar" (HBI) which involves nutritional support, daycare facilities run in the homes of volunteer mothers who are provided training and loans for home upgrading, and the targeting of the poor through the location of the facilities.⁴⁸ The "hogares" program is supposed to expand from 45% to 85% of ICBF's budget by 1990 and its coverage from 400,000 to 1.5 million children by 1992. The increased resources to pay for this expansion is to come from an increase in the payroll tax for ICBF from 2% and 3% and from foreign borrowing. Law 89/1989, approving that increase, was recently passed. Quite apart from unfavorable employment effect (see below), this is a questionable use of earmarked resources. There is no connection between the beneficiaries and the payors of the payroll tax. There is therefore no assurance that the amount of taxes generated are appropriate for the activities involved. If the "hogares program" is justified--and it appears to have many attractive features--its redistributive intentions should be financed from general revenues where the matching of needs and resources can be more continually assessed.

^{47/} See statistical appendix Table A14.

^{48/} ICBF was one of the agencies called upon to reallocate earmarked services to other activities in the health sector under Law 55 (1985) and actually reallocated about 8% of its 1986 and 1987 budgets to children's hospitals, vaccinations, and malaria control. From 1988, the reallocations that would have been required under Law 55 will be directed to the "hogares" program.

63. SENA is a public sector agency responsible for the training of various labor skills. It has a decentralized structure to better enable it to tailor its programs to local labor market conditions. Financed from a payroll tax (2% per annum on the payroll of public, private, and mixed enterprises and 0.5% per annum on all government departments at the national, department and municipal levels) which has provided about 80% of its resources in the 1980s, it at first confined the bulk of its training activities to the needs of the entities paying the payroll tax.⁴⁹ However, it has gradually expanded into construction, agriculture, and self-employment areas, areas which are only thinly covered by the payroll tax. This process has been accelerated by Law 55 which has moved SENA into broader areas of education--agricultural research and extension, artisans and handicrafts, rural development and rehabilitation projects in guerilla infested areas. At first, SENA would appear to have a benefit rationale in that employers obtain trained workers, but at best the link is not strong since employers have no options about whether or not to pay the payroll tax or how much to pay and hence there is no reason to suppose that the payroll tax generates the right amount of resources for training. The likelihood grows less with SENA expanding into activities that are more remote from those that pay payroll taxes. There are a number of indications that the amount of resources going to SENA has been excessive: its training facilities are operating substantially below capacity; its agriculture

49/ The use of payroll taxes to finance training is popular among Latin American and Caribbean countries, particularly in the lower-middle per capita income bracket (US\$401-1635 GNP per capita). These countries charge payroll tax rates of 0.05-3.0% per year; among them only Jamaica and Venezuela have rates as high or higher than Colombia. See J. Whalley and A. Ziderman "Payroll Taxes for Financing Training in Developing Countries" (World Bank, Policy, Planning, and Research Working Paper No. 141; January 1989).

centers have been overbuilt; and it has been unable to utilize its budget in most years in the 1980s.⁵⁰ Thus, it would be desirable to cut SENA off from automatic sources of financing and force it to compete for budgetary resources with other governmental departments and agencies.

64. The Family Compensation Funds (Cajas de Compensacion Familiar) are private non-profit institutions, relying heavily on a 4% payroll tax for financing. The bulk of the monies are supposed to be paid out as "family subsidies" to workers in participating firms and the remainder is to be used for various social programs directed at assisting the same group of workers. There are several questionable aspects of Caja activities. Their coverage is very narrow, reaching only about one-fifth of the employed population. While cash and in-kind allowances have been paid out, a large proportion of resources have gone into investment--e.g. supermarkets, theaters, and recreational facilities--which are luxurious and beyond the reach of ordinary workers. The use of public monies for luxury investments is quite simply undesirable and the use of an earmarked tax for this purpose is again questionable. The Cajas should be cut off from earmarked taxes and forced to rely on their own resources.

2. Social Security

65. The social security system in Colombia consists of the Institute of Social Insurance (ISS) covering the private sector and almost two

^{50/} This is not to argue that SENA's investments generally have not had positive payoffs, but rather that at the margin there may have excessive investments and that some of the movement away from modern sector activities may have been of questionable value. A recent study by Jimenez and Kugler found that the rate of return to SENA's investments was 14% and that the payoffs were higher the greater were worker's formal schooling or previous work experience. See E. Jimenez and B. Kugler, An Economic Evaluation of a National Job Training System: Colombia's Servicio Nacional de Aprendizaje (SENA); IBRD Education and Training Series Report No. EDT 24 (April 1986).

hundred funds covering civil servants at all levels and employees of public decentralized agencies. Although not commonly thought of in this fashion, the payroll taxes that fund these various private and public funds represent earmarked taxes in that they are the result of a contractual obligation to pay pension, death and medical benefits and there is no alternative use to which these monies may be put (except financial investments toward the future payment of these obligations). To the extent that the funds are being run on an actuarially sound basis--i.e. that premiums charged (payroll taxes) plus interest accumulations are sufficient to cover the expected payments to beneficiaries based on age distribution, mortality, and morbidity characteristics of population, payroll taxes would be a good indication of the trend in obligations of these funds.

Differentials between payments and premiums (payroll taxes) in any year could be regarded as temporary deviations. However, there are a number of reasons that this is not the case in Colombia. Firstly, a number of funds rely explicitly on the government budget for funding (the tax on the employee is small and there is no tax on the employer forcing continued reliance on general budget financing). Second a number of public funds--most notably CAJANAL which covers the majority of civil servants, at least at the national level--have been running continuous deficits. The public programs--most importantly CAJANAL--have no actuarial base and no financing program other than an ad hoc and open ended reliance on the budget. Thirdly, even in ISS, which has run surpluses in all years but one in the 1980s, premiums have not been increased in line with actuarial needs and pension funds have been depleted by transfers to cover the costs of medical programs. For these reasons, payroll taxes are an understatement of present as well as potential future obligations the Government of

Colombia may face. Nonetheless payroll tax revenues for social security are the appropriate indicator of their contribution to total earmarking. They represented 18% of total earmarking at all levels of government in 1980 and 19% in 1985 (see Table 7).

3. Employment Effects of Payroll Taxes

66. Questions of employment and poverty in Colombia appear to be intimately related to formal sector wage determination. According to two recent reports--by the Employment Mission (Chenery Report) and the World Bank, the Colombian labor market has a number of prominent characteristics:

- o Employment is sensitive to changes in real wages both in the short and long-runs (i.e. higher wages induce substitution of capital for labor and also undermine the profitability of investment).
- o Employment is provided by formal and informal sectors, with the latter accounting for about 70% of urban employment.
- o Wage differentials between the formal and informal sector can partly be explained by skill mix differences but are greater than can be explained by this factor alone, and
- o Poverty appears to be associated with employment at low wages in the informal sector rather than unemployment (i.e. the payoffs to job search for formal sector employment are high and many of the unemployed appear to be financed by their families or from savings).
- o Real wage growth for formal sector workers--and especially the non-wage component of compensation--appears to be quite independent of supply/demand factors.⁵¹

^{51/} See El Problema Laboral Colombiano: Diagnostico, Perspectivas y Politicas -Informe Final de la Mision de Empleo (Economia Colombiano - Revista de la Contraloria General de la Republica: Agosto - Septiembre de 1986) and IBRD Colombia - Country Economic Memorandum (October 15, 1987), Ch. III.

67. Since the mid-1970s, total labor compensation in Colombia has risen by more than 50% in real terms--a large increase both absolutely and relative to the cost of capital which has scarcely changed. Non-wage compensation (e.g., leave arrangements, dismissal payments, and payroll taxes) has been rising faster than wage components. As a consequence mainly of rising real wages and slower real growth in the 1980s, the open unemployment rate has risen to 12-14% (as compared with the 1958-79 average rate of 9.5%) and the gap between formal and informal sector wages has widened from 67% to 73%. Urban poverty, which has been shown to be more a question of employment in low productivity jobs in the informal sector rather than open employment, is likely to have increased in the process.

68. The adverse effects of payroll taxes on employment are an important consideration. Both because of the relatively high unemployment rate and because future increases in payroll taxes may become necessary to put the social security system on a sound financial and/or actuarial basis, some present reduction in the number of activities financed by payroll taxes would appear to be desirable. Payroll taxes have unfavorable effects on employment by raising the cost of labor, penalizing labor intensive sectors and making it economic to substitute machinery for labor. The effects on employment will be greater the higher is the tax, the greater is labor's share in the cost of factors of production, and the greater is the elasticity of substitution. Two recent studies enable us to get some idea of the amount of employment that would be generated by reducing payroll taxes. In a study prepared for the Chenery employment mission, Gómez Buendía and Cifuentes projected that eliminating the payroll taxes supporting SENA, ICBF and the Cajas de Compensación would add about 33,000 or the equivalent of about 0.5% of the urban labor force to total urban

employment. Using estimates from the World Bank's later study of the demand and supply of labor in Colombia's formal and informal sectors suggests that the addition could be in the order of 70-75,000 jobs. The reduction of 0.5-1.1 percentage points on a 13% unemployment rate implied by these studies is not trivial and suggests that finding different ways of financing these activities merits serious consideration.⁵²

V. SUMMARY AND RECOMMENDATIONS

69. Over the past two decades, earmarking in Colombia has trended upward and the sources of earmarking have become more varied. The rise in overall earmarking (in the "traditional" sense) from 21% to about 35% of revenues at all levels of government is the product of a substantial rise in national government revenues earmarked from 11% to 28% and falling proportions of revenues earmarked at the departmental and municipal levels from 94% to 77% and 30% to about 20% respectively. During this period the share of the national government in earmarking at all levels rose from under one half to over three quarters. In 1970, departmental taxes on alcohol/tobacco/gambling were the largest source of earmarking followed by the coffee export tax and gasoline tax at the national level and the valorization tax at the municipal level. During the past two decades, revenue sharing (the tax allowance and sales tax transfer), import duties for PROEXPO (et. al.), and, to a lesser extent, a number of new minor funds have increased the variety of earmarking.

^{52/} See H. Gómez Buendía and A. Cifuentes Noyes "Seguridad Social Y Empleo" in El Problema Laboral Colombiano, Tomo 2, J. Antonio Ocampo y M. Ramirez (eds.), (Servicio Nacional de Aprendizaje, Departamento Nacional de Planeación, Contraloría General de la República; Bogotá, 1987), pp. 115-139; and IBRD op. cit., Annex 3.

70. Concentration on traditional sources of earmarking, however, understates the extent to which government monies are tied up.

"Non-traditional" sources--public enterprises net operating profits and payroll taxes for social security and SENA/ICBF also represent earmarking in that they are public incomes which cannot be used flexibly for whatever purposes the government might deem necessary. Including non-traditional sources raises the share of earmarking in total public incomes to about 55% today. About 97% of earmarking comes from just eight sources: public enterprise profits (27%); payroll taxes for social security and SENA/ICBF (24%); revenue sharing (20%); departmental alcohol/tobacco/ gambling taxes (11%); the gasoline tax (7%); import duties for PROEXPO et. al. (4%); and the ad valorem coffee export tax and municipal valorization tax (2% each). The remainder comes from about 20 relatively minor sources (e.g. tourism, cinema, coal), no one of which contributes as much as one percent to the total.

71. The key measures taken by the government in the 1980s to reduce the extent of earmarking are Law 55 of 1986 and the recently passed Organic Law of the Budget of 1988. The former is an attempt to reallocate specified proportions of earmarked money to different activities in the same field. Because of this limitation, a significant increase in flexibility in the use of earmarked monies was not to be expected and in practice Law 55 activities have mostly been carried out by the original earmarking recipient agencies themselves because they were best qualified to carry out the activity or because changing government priorities meant that reallocations should not take place (as for example with ICBF's "hogares program"). Thus, Law 55 has increased the variety of activities that can be financed with earmarked money, but has not significantly

increased the flexibility of the budget. The new Organic Law is likely to impact on earmarking both directly and indirectly. It prohibits the creation of new earmarked funds from existing sources of revenue and it also states that the operating profits of public enterprises belong to the central budget until (or unless) the enterprise justifies their use with an appropriate investment program. The latter should help to foster better medium-term enterprise planning and introduce some flexibility into the major source of earmarking. In addition, by greatly restricting the number of mini budgets within one year, the new Organic Law would sharply reduce variance between original and final budgets, greatly reducing uncertainty about allocations each year. If cumbersome budget procedures were also reduced, these reforms of the budgetary process could substantially reduce the pressure for earmarking. Thus despite the New Organic Law, further measures are likely to be necessary to improve budgetary processes.

72. Earmarking in Colombia is too complex to allow blanket recommendations for reform. Instead we content ourselves with piecemeal suggestions based on assessments of whether the automatic funding arrangements involved in each case are likely in principle to bring about desirable results and whether they are working in practice. Our assessment in each case involves considerations of whether there is a substantial overlap between beneficiaries and tax/price payers, whether the tax/price mechanism appears to generating an appropriate level of resources, and whether these resources are being utilized effectively for the purposes intended. With these considerations in mind, there are five broad recommendations some of which will be elaborated upon in subsequent paragraphs. If recommendations (a)-(c) below were to be implemented in full, approximately one quarter of earmarking would be eliminated and

greater flexibility in use of resources imparted to an additional one quarter. The recommendations are:

- a. There are a number of earmarking arrangements which have no strong benefit rationale and which are prime candidates for elimination; i.e. those for PROEXPO (plus IFI and Caja Agraria); SENA/ICBF/Cajas de Compensacion; and the departmental taxes on alcohol/tobacco/gambling for health, welfare, and sports.
- b. Further potential candidates for elimination should be sought in the large number of very small funds which make up about 3% of total earmarking (see Statistics Appendix Table A2, esp., the categories "Special Funds", "Contributions and Participations", and "Other" at the national level). While this Report has not had the time to review these cases, only a small number (e.g. the taxes on tourism, cinema tickets, coal) appear to be benefit related and, in all cases, questions should be raised about whether appropriate levels of funds are being raised and whether the activities being financed are indeed a desirable use of public funds.
- c. Those parts of the new Organic Law of the Budget pertaining to earmarking--namely, the limitations on mini-budgets, the prohibition of new earmarking from existing revenue sources, and the claim of the central budget on public enterprises' operating surpluses--should be implemented expeditiously.
- d. Existing revenue sharing arrangements between the central government and the department or municipalities need to be strengthened since they are an important part of the decentralization effort.

e. There are a number of earmarking cases which follow the benefit principle quite closely (e.g. coffee fund, gasoline tax, and the municipal valorization tax) and which--with some adjustments--could suitably be continued.

73. Earmarking arrangements for PROEXPO are a prime candidate for elimination. There is little connection between those who pay the import duties and those who benefit (exporters or foreign consumers); the arbitrary level of the duty makes it problematic whether an appropriate amount of export financing is being provided; and the differential credit subsidies across sectors has introduced an additional distortion into the allocation of resources. Payroll taxes for SENA/ICBF/Cajas de Compensacion Familiar are also questionable.⁵³ The benefit connection is virtually absent in the case of ICBF and is not strong in the cases of the Cajas or SENA which have ventured into activities which have little impact on the payors of payroll taxes. The result is that any rate of payroll tax would end up being arbitrary and there is no assurance that the automatic funding arrangements that earmarking entails are generating an appropriate level of resources. In addition, Colombia's payroll taxes (including those for social security) are at the upper end of the spectrum among Latin American countries and add 24-29% to the cost of labor. Eliminating the payroll taxes for non-social security purposes would lower labor costs and would likely take 0.5-1.0 percentage points off the unemployment rate. Lastly, on the same grounds as above, the earmarking of departmental taxes on beer/alcohol/tobacco/gambling for welfare, health and sports has no

^{53/} The recommendation on the payroll tax is consistent with that of the Chenery employment mission. See op. cit., p. 123.

rational basis; such arrangements should be terminated and these activities made to rely on general budget resources.

74. The tax allowance and sales tax transfer--neither of which existed 20 years ago--have played important roles in the government's effort to decentralize, the former for the departments and the latter (mainly) for municipalities. The government is committed to continue in this direction and our recommendations here are intended to assist in this process.

First, certain anomalies in the sharing formulas ought to be corrected, in particular the undue favoritism to small jurisdictions offered by the non-population part of the tax allowance and disincentive to increase cadastral values contained in the present sales tax transfer. Second, all revenue sharing formulas ought to contain incentives for greater local resource mobilization (as the formula for small municipalities presently does) to prevent national resources from substituting for local resources and encourage greater efforts in priority areas. And lastly, it is essential that efforts be intensified to ensure that municipalities--especially small ones--have the capacity to utilize additional resources effectively.

75. Even for those earmarking cases where the benefit principle seems to fit and where price tax arrangements offer the possibility of generating an appropriate level of resources for the sector; a number of improvements are necessary. The coffee fund, which has strayed into a number of activities beyond its mandate of income stabilization and assistance to coffee growing areas, needs increased government surveillance. The new coffee contract 1989-1999 makes this possible, but very determined government efforts will be needed to ensure that activities are refocussed back toward the original mandate. As for earmarking in highways, it

appears that it is the producer of gasoline (Ecopetrol) and not consumer who is paying the gasoline tax. Earmarking is only justified where the benefit principle applies and consumers face a retail price that is above the import c.i.f. price. In addition, while gasoline prices and taxes have been adjusted annually, they still have not kept pace with inflation and the amount of resources devoted to maintenance and construction has been falling in real terms. If earmarking for highways is to continue, gasoline prices/taxes (and tolls, license, and registration fees) should be set that they can cover an appropriate expenditure program and debt service for the sector. Lastly, municipal level valorization taxes represent a quite pure form of earmarking with considerable reliance on benefit-cost considerations in investment decisions. Valorization appears to be popular and--in some instances--offers a way round resistance to property tax increases. Its extension to cities which have yet to make substantial use of it (i.e., beyond the major cities) merits consideration.

76. The recommendations made above would substantially reduce the number of earmarked funds and the extent of government monies earmarked, thus imparting greater flexibility to the government budget at all levels. Earmarking would be limited to revenue sharing, payroll taxes for social security, and those few cases where benefit connections are clear and pricing arrangements appear to generate appropriate levels of resources. Even in these cases (especially the first and third), the commitment to earmarking ought not to be open-ended. In each case, a date should be set when the automatic financing arrangement would be reviewed, or better, when the arrangement would be terminated unless expressly renewed. This would permit adjustments to changing circumstances and force a review of the pricing arrangements, the quality of investments financed, and the past and future growth of infrastructure in the sector relative to needs.

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STATISTICAL APPENDIX

Earmarking in Colombia

- A1. Total Public Revenue and Incomes: National, Departmental, Municipal Levels, 1970-87.
- A2. Earmarking of Revenue: National, Departmental, and Municipal, 1970-87.
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- A15. Instituto Colombiano de Bienestar Familiar (ICBF): Total Revenues, 1980-87.
- A16. Cajas de Compensacion Familiar: Revenues and Expenditures, 1980-87.

Table A1 Total Public Revenue and Income: National, Departmental and Municipal Level, 1970-87
(Millions of Colombian Current Pesos)

	1970	1975	1980	1981	1982	1983	1984	1985	1986	1987
National Level Revenues										
A. Central Government (= 1+3)	20,381	66,009	208,205	279,827	358,592	396,367	426,550	631,888	911,553	1,234,950
1. Current Revenue	12,389	41,819	168,247	221,792	279,955	296,960	300,884	464,676	690,435	964,176
a. Tax Revenues	11,624	39,745	163,332	212,568	266,811	273,560	280,636	421,895	606,803	913,768
b. Non-Tax Revenues	765	2,074	4,915	9,224	13,144	23,400	17,248	42,781	83,632	150,408
2. Transfers National										
Decentralized Agencies	3,238	9,058	55,846	70,564	86,856	99,823	114,241	134,046	185,056	255,585
3. Other Income National										
Public Agencies	7,992	24,190	39,958	58,035	78,637	99,407	125,666	167,212	221,118	270,774
a. Tax Revenues	414	1,899	1,467	2,180	2,136	3,627	5,111	7,448	8,568	8,638
b. Other Transfers	443	608	3,998	7,436	4,744	8,093	7,162	7,686	13,294	13,057
c. Gross Operating Income <u>1/</u>	7,135	21,683	34,493	48,419	67,757	87,687	113,393	152,078	199,256	249,079
B. Operating Surplus Non-Financial										
Decentralized Agencies	3,372	7,850	8,525	12,428	31,956	36,669	65,416	61,633	50,081	139,944
C. Social Security Contributions <u>2/</u>	2,289	7,822	29,799	41,857	56,213	77,161	99,215	123,435	168,824	210,604
1. Retirement and Severance Contributions	n.a.	n.a.	22,277	31,694	41,675	59,439	76,102	95,002	131,658	162,921
2. Payroll Taxes Earmarked for Decentralized Agencies	n.a.	n.a.	7,522	10,163	14,538	17,722	23,113	28,433	37,166	47,683
a. For the SEMA	n.a.	n.a.	3,816	5,193	7,936	9,088	12,167	14,423	18,255	23,195
b. For the ICBF	n.a.	n.a.	3,584	4,872	6,464	8,531	10,788	13,867	17,831	23,534
c. CAJANAL	n.a.	n.a.	122	98	138	103	158	143	1,079	954
D. Total Current Revenues - National	26,042	81,681	246,529	334,112	446,761	510,197	591,181	816,956	1,130,458	1,585,498
I. Departmental Level Revenues <u>3/</u>										
A. Department Central Level	2,697	6,589	21,601	28,436	33,354	43,935	61,185	79,682	102,605	n.a.
1. Tax Revenues	2,535	5,638	20,166	25,827	30,444	39,690	54,018	68,564	87,471	n.a.
a. Liquor <u>4/</u>	1,086	2,583	10,174	12,150	14,866	18,612	23,766	30,123	38,939	n.a.
b. Tobacco	607	1,537	4,606	6,069	6,356	9,218	12,293	15,880	20,284	n.a.
c. Beer	562	1,269	4,353	6,171	7,656	9,731	11,856	15,013	19,238	n.a.
d. Other	280	249	1,033	1,437	1,566	2,129	6,103	7,548	9,010	n.a.
2. Non-Tax Revenues	162	951	1,435	2,609 <u>11/</u>	2,910	4,245	7,167	11,118	15,134	n.a.
B. Social Security	n.a.	n.a.	1,475	2,233	2,721	3,468	2,960 <u>5/</u>	6,218	n.a.	n.a.
C. Operating Surplus Non-Financial Departmental Enterprises <u>2/</u>	n.a.	2,600 <u>10/</u>	4,043	4,529	5,750	7,492	9,469 <u>2/</u>	11,067 <u>2/</u>	10,224 <u>14/</u>	n.a.
D. Total Current Revenues - Departmental	n.a.	n.a.	27,119	35,198	41,825	54,895	73,614	96,907	112,829	

(Continued)

Table A1 Total Public Revenue and Income: National, Departmental and Municipal Level, 1970-87
(Millions of Colombian Current Pesos)

	1970	1975	1980	1981	1982	1983	1984	1985	1986	1987
III. Capital Cities Municipal Income ^{8/}										
A. Central Administration Municipal Level	1,550	3,238	11,589	15,506	19,828	25,096	34,895	44,402	42,623	n.a.
1. Tax Revenues	1,179	2,458	8,750	11,644	15,211	20,100	29,063	37,062	42,623	n.a.
a. Industry and Commerce	193	624	2,968	4,105	5,551	7,026	12,533	16,618	18,281	n.a.
b. Land Tax	369	860	2,567	3,426	4,502	5,772	7,310	10,011	12,399	n.a.
c. Valorisation Tax ^{9/}	261	461	2,067	2,583	3,291	5,309	5,937 ^{14/}	6,083 ^{14/}	6,967 ^{14/}	n.a.
d. Other	356	513	1,148	1,530	1,867	1,993	3,283	4,350	4,976	n.a.
2. Non-Tax Revenues	371	780	2,839	3,862	4,617	4,996	5,832	7,340	n.a.	n.a.
a. Total except Bogota	166	264	1,276	1,717	2,095	1,807	2,348	3,254	n.a.	n.a.
b. Bogota ^{10/}	205	516	1,563	2,145	2,522	3,189	3,484	4,086	n.a.	n.a.
B. Social Security	n.a.	n.a.	679	988	1,289	2,098	2,618	3,716	n.a.	n.a.
C. Operating Surplus Departmental Enterprises ^{11/}	n.a.	2,220	8,370	14,374	20,012	24,539	32,064	56,517 ^{12/}	77,700 ^{13/}	
D. Total Current Revenues Municipal	n.a.	n.a.	20,638	30,868	41,129	51,733	69,577	104,635	n.a.	n.a.
IV. Total Government Revenues All Levels	n.a.	n.a.	294,286	400,178	529,715	616,825	734,372	1,018,558	n.a.	n.a.

Notes:

1. Gross operating income of national decentralized agencies such as ICEL (electricity), TELECOM (telecommunications), and ICT (housing) and the social security agencies.
2. ISS, CAJANAL, Fondo Nacional del Ahorro (National Savings Fund), CAPRECOM, Military Forces Retirement Fund, National Police Retirement Fund.
3. Excludes transfers from central government and interdepartmental transfers. Includes oil royalties.
4. Includes transfers from the distilleries.
5. Social welfare agencies, lotteries, distilleries net operating income.
6. Some departmental information missing.
7. Some transfers to other departmental agencies included.
8. Transfers from higher levels of government excluded.
9. Taxes collected directly by the agencies.
10. Beer and tobacco taxes in Bogota.
11. Public utilities and Bogota lottery.
12. Bogota, Medellin, and Cali.
13. Bogota and Medellin.
14. Estimate.

Table A2: earmarking of Revenue: National, Departmental, Municipal, 1970-87
(Millions of Colombian Current Pesos)

	1970	1975	1980	1981	1982	1983	1984	1985	1986	1987
I. Earmarked Funds, National Level										
A. Tax on C.I.F. Value of Imports	72	756	6,661	7,904	11,595	10,657	17,395	22,825	35,337	54,847
1. 2% Tax for:	0	0	0	0	0	0	4,645	6,065	8,299	11,647
a. Caja Agraria (40%)	0	0	0	0	0	0	2,340	3,018	4,147	5,672
b. Industrial (IFI) (40%)	0	0	0	0	0	0	2,305	3,047	4,152	5,975
c. 2% for Procepo	72	756	6,661	7,904	11,595	10,657	12,749	16,760	27,038	43,200
B. Payroll taxes	146	147	29,799	41,857	56,213	77,161	99,215	123,435	168,824	210,604
1. SEMA	0	0	3,816	5,193	7,936	9,088	12,167	14,423	18,256	23,195
2. I.C.B.F.	140	132	3,584	4,872	6,464	8,531	10,788	13,867	17,831	23,534
3. Cajanal	6	15	122	98	138	103	158	143	1,079	954
4. Retirement and Severance Payments	n.a.	n.a.	22,277	31,694	41,675	59,439	76,102	95,002	131,658	162,921
C. Gasoline Tax	771	1,637	16,973	22,234	24,808	24,081	27,499	39,840	46,493	59,600
1. Highways Fund (75%)	579	1,228	12,730	16,676	18,604	18,061	21,354	26,676	32,792	43,765
2. Small Roads Fund (10%)	77	164	1,697	2,223	2,481	2,408	2,458	5,266	5,480	6,334
3. National Railways (10%)	77	164	1,697	2,223	2,481	2,408	2,458	5,266	5,480	6,334
4. Transport Fund (5%)	39	82	849	1,112	1,240	1,304	1,229	2,632	2,741	3,167
D. Tax on International Travel	40	n.a.	897	1,531	2,665	2,626	3,117	3,808	3,425	4,428
E. 4% Coffee exports tax	1,034	2,369	3,606	3,387	3,735	4,052	5,638	8,758	17,884	14,005
1. Coffee Fund (80%)	n.a.	n.a.	601	364	622	673	939	1,459	2,981	2,334
2. Coffee Private Federation, Rural Zones (20%)	n.a.	n.a.	3,005	2,823	3,113	3,377	4,699	7,299	14,903	11,671
F. 5% Tourism Tax	0	132	345	512	738	823	241	213	327	542
G. Movie Tax	0	0	0	0	0	0	0	0	221	505
H. Participations and Contributions	151	405	1,225	1,018	2,185	3,036	3,843	8,101	9,064	11,063
1. Banks Regulatory Commission	61	164	550	129	974	1,242	1,564	2,461	3,471	2,940
2. Private firms Regulatory Commission	35	84	290	394	552	743	963	1,410	1,572	2,736
3. Contribution Contraloria General	55	151	330	463	639	775	1,089	1,690	2,312	3,098
4. Family Funds Regulatory Commission	0	0	0	0	0	0	217	172	190	348
5. Industry and Commerce Regulatory Commission	0	0	6	15	11	0	0	0	98	140
6. Revenue Sharing Aeronautics Fund	0	0	49	17	9	275	10	105	106	51
7. Superintendencia de Notariado y Registro	0	0	0	0	0	0	0	2,264	1,315	1,750
I. Special Funds	3	90	66	90	74	573	1,127	3,208	4,958	6,212
1. National Defense Fund	3	72	18	0	1	438	876	933	1,165	1,327
2. Communications Fund	0	0	1	49	25	89	196	227	387	404
3. Educational Services Fund	0	0	0	0	0	0	0	0	0	0
4. Tax Education Fund	0	18	46	41	49	46	55	88	71	85
5. Coal Fund	0	0	0	0	0	0	0	832	1,986	2,995
6. Agricultural Promotion Fund	0	0	0	0	0	0	0	350	274	87
7. Rice Fund	0	0	0	0	0	0	0	171	251	240
8. Cocoa Fund	0	0	1	0	0	0	0	300	418	557
9. Cereal Fund	0	0	0	0	0	0	0	187	211	354
10. Stockmarkets Regulatory Commission	0	0	0	0	0	0	0	50	35	23
11. Fondo Rotatorio de Avances	0	0	0	0	0	0	0	70	160	140
J. Transfers and Revenue Sharing	349	6,608	29,206	39,744	56,871	65,794	87,941	110,785	131,428	190,294
1. Tax Allowance (Education, Health)	0	4,303	19,438	28,912	38,886	47,219	58,628	69,600	75,838	109,862
2. Sales Tax	349	2,305	9,768	10,832	17,985	18,575	29,313	41,185	55,590	80,432

Table A3 Share of Tax Allowance in National Government's Revenues
(millions of pesos; percentages)

	1975	1980	1981	1982	1983	1984	1985	1986	1987
Current Revenues	41,819	168,247	221,792	279,955	296,960	330,884	464,676	690,435	964,176
Less: Earmarked Revenues ^a	5,325	35,935	44,120	60,051	60,371	88,174	127,761	173,302	231,634
Equals: Ordinary Revenues	36,494	132,312	177,672	219,904	236,589	242,710	336,738	517,133	732,542
Tax Allowance	4,303	19,438	28,912	38,886	47,219	58,628	69,600	75,838	109,862
Tax Allowance + Ordinary Revenues X100	11.8	14.7	16.3	17.7	20.0	24.2	20.7	14.7	15.0

a. Included in earmarked revenues are the taxes on imports C.I.F., gasoline, international travel, tourism, cinema tickets, and after 1984 the ad valorem tax on coffee exports; also included are contributions and participations, the special funds, and the sales tax (or IVA) transfer.

Source: Information supplied by Contraloria General de la Republica.

Table A4 Jurisdictional Shares in the Tax Allowance, 1980-87
(percentages)

Division/ Territory	1964 Population Share	Formula Share in Tax Allowance ^a	1980	1981	1982	1983	1984	1985	1986	1987
Antioquia	14.2	10.85	11.61	10.92	11.33	11.08	11.08	11.20	11.06	11.10
Atlantico	4.1	3.78	3.13	3.70	3.45	3.74	3.76	3.41	3.45	3.36
Bogota	9.7	7.70	8.51	10.32	9.47	8.36	9.37	9.04	8.83	9.32
Bolivar	4.0	3.71	3.26	3.47	3.30	3.59	3.31	3.25	3.41	3.44
Boyaca	6.1	5.18	4.77	4.44	4.96	4.84	4.99	5.17	5.11	5.28
Caldas	4.1	3.78	3.66	3.77	3.89	3.76	3.60	3.56	3.77	3.41
Cauca	3.5	3.36	3.16	2.99	2.98	3.08	2.87	2.73	2.85	2.88
Cesar	1.5	1.96	1.89	1.78	1.95	2.17	1.99	1.92	1.96	1.85
Choco	1.0	1.61	1.67	1.73	1.72	1.90	1.92	1.82	1.79	1.88
Cordoba	3.4	3.29	3.58	3.65	3.62	3.68	3.18	3.53	3.61	3.43
Cundinamarca	6.4	5.39	7.12	6.67	6.67	6.37	6.57	6.84	6.85	6.91
Guajira	0.8	1.47	1.23	2.21	1.42	1.44	1.34	1.34	2.51	2.58
Huila	2.4	2.59	2.85	1.55	2.76	2.73	2.94	2.76	1.48	1.44
Magdalena	3.0	3.01	2.82	2.97	3.05	2.98	2.75	2.97	2.86	2.98
Meta	1.0	1.61	1.48	1.49	1.34	1.64	1.61	1.46	1.61	1.56
Narino	4.0	3.71	3.91	3.39	3.68	3.77	3.95	3.70	3.61	3.70
Norte de Santander	3.1	3.08	3.42	3.14	3.53	3.04	3.36	3.74	3.59	3.55
Quindio	1.8	2.17	2.15	1.91	1.89	2.04	1.83	1.75	1.69	1.74
Risaralda	2.5	2.66	2.45	2.40	2.38	2.70	2.46	2.50	2.46	2.54
Santander	5.8	4.97	5.19	6.06	5.47	4.96	5.22	5.98	5.84	6.04
Sucre	1.8	2.17	1.97	2.02	1.94	2.27	2.00	2.01	1.97	1.94
Tolima	4.9	4.34	4.59	4.18	4.44	4.34	4.88	4.09	4.29	4.18
Valle del Cauca	10.0	7.91	7.31	6.97	6.71	7.62	6.79	6.95	6.78	6.82
Arauca	0.1	0.98	0.79	0.79	0.79	0.82	0.82	0.81	0.91	0.81
Caqueta	0.6	1.33	1.15	1.16	1.06	1.36	1.07	1.33	1.38	1.43
Casanare	n.a.	0.91 ²	0.93	0.92	0.92	0.80	0.98	1.12	1.29	1.17
Putumayo	0.3	1.12	0.95	0.98	0.88	1.06	0.95	0.99	1.16	0.98
San Andres	0.1	0.98	0.77	0.76	0.75	0.73	0.75	0.71	0.82	0.69
Amazonas	0.1	0.98	0.74	0.74	0.74	0.73	0.74	0.65	0.57	0.53
Guainia	0.0	0.91 ^b	0.73	0.73	0.71	0.69	0.71	0.63	0.66	0.61
Guaviare	n.a.	0.91 ^b	0.70	0.72	0.71	0.69	0.72	0.63	0.64	0.76
Vaupes	0.1	0.98	0.75	0.74	0.73	0.71	0.75	0.68	0.49	0.47
Vichada	0.1	0.98	0.75	0.74	0.73	0.62	0.72	0.69	0.71	0.63
TOTAL	100.0		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

a/ According to the sharing formula, the ⁱth jurisdictions share in "situado fiscal" is equal to $.3/33 + .7 P_i/Pop$ where P_i/Pop is a constant since it is based on the 1964 census.

b/ Jurisdictions with virtually no population in 1964 or which did not exist in 1964 are entered as sharing in the non-population component--i.e. 1/33 of 30%.

Source: Data supplied by Contraloria General de la Republica and mission estimates.

Table A3 Share of Education and Health in Divisional/Territorial Tax Allowances, 1980-87
(percentages)

Division/ Territory	1980		1981		1982		1983		1984		1985		1986		1987	
	E	H	E	H	E	H	E	H	E	H	E	H	E	H	E	H
Antioquia	80.96	19.04	78.30	21.70	77.59	22.41	78.49	11.51	78.27	21.13	75.80	24.20	71.85	28.15	78.34	21.66
Atlántico	75.41	24.59	73.36	26.64	77.03	22.97	75.17	24.83	75.48	24.52	70.01	29.99	66.13	31.87	72.55	27.45
Bogotá	81.50	18.50	78.94	21.06	81.91	18.09	77.81	22.19	78.47	21.53	71.88	28.12	72.53	27.47	75.76	24.24
Bolívar	76.97	23.03	72.13	27.87	72.45	27.55	74.01	25.99	72.22	27.78	68.37	31.63	67.23	32.77	69.39	30.61
Boyacá	79.20	20.80	77.18	22.82	80.03	19.97	78.60	21.40	79.17	20.83	76.74	23.26	73.93	26.07	77.21	22.79
Caldas	79.07	20.93	78.97	21.03	78.78	21.22	78.55	21.45	78.78	21.22	76.38	23.62	71.80	28.20	75.49	24.51
Cauca	78.50	21.50	75.20	24.80	73.64	26.36	77.62	22.38	70.72	29.28	67.88	32.12	63.75	26.25	69.08	30.92
Cesar	78.85	21.15	73.93	26.07	74.64	25.36	71.73	28.17	76.42	23.58	69.36	30.64	69.52	30.48	72.36	27.64
Chocó	79.94	20.06	76.25	23.75	69.61	30.39	77.49	22.51	77.39	22.61	71.74	28.26	72.27	27.73	78.50	21.50
Córdoba	81.47	18.53	73.73	26.27	78.48	21.52	77.14	22.86	78.41	21.59	73.93	26.07	72.26	27.74	74.00	26.00
Cundinamarca	84.54	15.46	81.73	18.27	81.88	18.12	87.83	12.17	81.45	18.55	79.82	20.18	77.32	22.68	81.45	18.55
Guajira	75.42	24.58	84.84	15.16	66.24	33.76	66.86	33.14	63.64	34.36	60.43	39.57	82.31	17.69	85.34	14.66
Huila	81.59	18.41	63.25	36.75	79.20	20.80	72.77	27.23	78.16	21.84	76.64	23.36	53.93	46.07	56.50	43.47
Magdalena	78.14	21.86	66.08	33.92	67.99	32.01	73.31	26.69	69.98	30.02	70.22	29.78	70.18	29.82	70.94	29.06
Meta	78.40	21.60	74.25	25.75	73.51	26.49	73.84	26.16	71.88	28.12	67.55	32.45	70.03	29.97	75.95	24.05
Nariño	80.53	19.47	76.02	23.98	73.39	26.61	73.43	26.57	73.72	26.28	67.93	32.07	68.77	31.23	70.71	29.29
Norte de Santander	81.83	18.17	75.14	24.86	81.20	18.80	77.55	22.45	77.46	22.54	71.87	28.13	72.03	27.97	75.06	24.94
Quindío	79.67	20.33	75.77	24.23	75.37	24.63	75.78	24.22	72.93	27.07	65.11	34.89	65.29	34.71	71.31	28.69
Risaralda	77.73	22.27	76.77	23.23	76.30	23.70	75.80	24.20	73.70	26.30	69.50	30.50	68.78	31.22	71.61	28.39
Santander	80.65	19.35	80.66	19.34	78.53	21.47	76.56	23.44	77.17	22.83	73.13	26.87	74.46	25.54	74.78	25.22
Sucre	77.52	22.48	71.53	28.47	72.75	27.25	73.35	26.65	73.93	26.07	67.12	32.88	67.78	32.22	73.06	26.94
Tolima	80.96	19.04	78.15	21.85	74.62	25.38	78.67	21.33	79.92	20.08	74.03	25.97	69.16	30.84	75.37	24.63
Valle del Cauca	78.10	21.90	76.14	23.86	75.17	24.83	76.83	23.17	72.47	27.53	66.65	33.35	65.38	34.62	70.19	29.81
Arauca	74.51	25.49	73.57	26.43	73.14	26.86	75.82	24.18	71.61	28.39	73.49	26.51	72.94	27.06	71.83	28.17
Caquetá	76.79	23.21	76.12	23.88	75.18	24.82	70.65	29.35	72.16	27.84	74.30	25.70	72.93	27.07	79.47	20.53
Casare	74.03	25.97	73.68	26.32	73.54	26.46	84.13	15.87	75.22	24.78	79.92	20.08	77.18	22.82	78.08	21.92
Putumayo	75.54	24.46	74.65	25.35	72.97	27.03	69.50	30.50	73.17	26.83	70.74	29.26	76.17	23.83	73.17	26.83
San Andrés	74.00	26.00	73.30	26.70	74.06	25.94	71.18	28.82	72.44	27.56	72.23	27.77	65.76	34.24	68.68	21.32
Amazonas	73.43	26.57	73.83	26.17	73.96	26.04	70.14	29.86	73.32	26.68	70.64	29.36	57.97	42.03	59.86	40.14
Guainía	73.76	26.24	72.86	27.14	74.01	25.99	71.69	28.31	73.25	26.75	71.30	28.70	65.59	34.41	66.17	33.83
Guaviare	70.80	29.20	73.91	26.09	74.01	25.99	71.04	28.96	71.53	28.47	70.34	29.66	64.32	35.68	73.18	26.82
Vaupés	73.79	26.21	73.71	26.29	74.04	25.96	71.64	28.36	70.84	29.16	72.21	27.79	51.35	48.65	54.86	45.14
Vichada	73.79	26.21	73.71	26.29	73.94	26.06	82.19	17.81	73.18	26.82	72.56	27.44	67.22	32.78	66.57	33.43
TOTAL	79.58	20.42	76.51	23.49	76.79	23.21	76.45	23.55	76.16	23.84	72.37	27.63	70.80	29.20	74.52	25.48

Sources: From data supplied by Contraloría General de la República.

Table A6 Distribution of Situado Fiscal, 1980-87
(Millions of pesos)

Division/ Territory	1980		1981		1982		1983		1984		1985		1986		1987									
	Health	Education Total	Health	Education Total	Health	Education Total	Health	Education Total	Health	Education Total	Health	Education Total	Health	Education Total	Health	Education Total								
Antioquia	430	1828	2238	685	2472	3157	987	3417	4404	1175	4104	5231	1412	5087	6499	1864	3907	7793	2360	6025	8385	2641	9554	12195
Atlantico	130	460	610	285	785	1070	509	1036	1345	438	1354	1764	540	1642	2202	711	1440	2371	836	1783	2617	1013	2678	3691
Bogota	306	1348	1634	628	2354	2982	666	3015	3581	816	3072	3948	1183	4311	5494	1749	4621	6280	1839	4824	6496	2482	7759	10241
Bolivar	146	488	634	282	722	1004	534	931	1275	441	1234	1697	539	1401	1840	716	1548	2264	648	1740	2588	1137	2823	3780
Boraca	183	735	928	283	991	1284	385	1543	1928	488	1796	2285	610	2318	2728	837	2761	3598	1010	2884	3874	1321	4474	5797
Caldas	149	563	712	229	860	1089	321	1182	1513	381	1395	1776	448	1643	2111	585	1892	2477	807	2055	2862	918	2887	3745
Cauca	132	482	614	214	649	863	305	852	1157	325	1127	1452	483	1881	1684	610	1288	1889	784	1379	2143	977	2183	3160
Cesar	77	287	364	134	380	514	192	565	737	280	716	1026	275	891	1166	410	928	1338	453	1033	1486	543	1474	2037
Choco	45	259	324	119	382	501	203	445	648	230	606	*36	335	873	1128	346	928	1285	376	980	1356	443	1617	2060
Cordoba	139	567	686	279	775	1054	303	1105	1408	397	1340	1737	403	1444	1867	640	1817	2457	740	1880	2740	981	2782	3773
Cundinamarca	214	1170	1384	332	575	1927	470	2124	2594	546	2462	3008	714	3136	3850	961	3801	4762	1178	4017	5185	1408	4182	5590
Guajira	59	181	240	97	343	440	86	365	551	226	456	682	249	514	783	368	562	930	337	1548	1905	409	2421	2830
Magda	102	452	554	165	284	449	223	849	1077	301	938	1239	316	1349	1725	448	1470	1918	516	604	1120	682	900	1392
Medellan	120	428	549	291	567	858	380	807	1187	375	1430	1405	484	1128	1612	615	1450	2045	647	1533	2170	950	2319	3349
Nariño	62	225	287	111	320	431	138	383	521	203	573	776	266	680	945	330	687	1017	343	833	1218	412	1201	1713
Nordeste	148	612	760	235	745	980	381	1051	1432	473	1107	1780	609	1708	2317	826	1750	2576	855	1883	2738	1192	2817	4064
Norte de Santander	121	545	666	226	613	908	258	1114	1372	322	1112	1434	444	1526	1970	733	1873	2604	742	1882	2724	972	2924	3898
Quindio	85	333	418	134	419	553	181	534	735	231	729	962	281	784	1075	*25	793	1218	446	839	1285	550	1367	1917
Risarald	106	370	476	161	532	693	219	705	924	309	968	1277	379	1062	1441	531	1210	1741	581	1280	1661	793	2000	2793
Santander	195	813	1008	339	1414	1753	457	1672	2128	549	1793	2342	649	2343	3062	1119	3046	4165	1120	3286	4426	1673	4941	6434
Sucre	86	297	383	166	417	583	206	530	756	286	787	1073	305	895	1170	462	943	1405	481	1012	1493	575	1559	2134
Tolima	170	723	893	284	944	1208	438	1288	1726	437	1612	2049	575	2288	2883	740	2110	2830	997	2238	3255	1121	3461	4582
Valle del Cauca	311	1109	1420	487	1535	2016	648	1962	2610	834	2765	3599	1094	3981	4812	1612	3222	4834	1780	3361	5141	2234	5280	7494
Arauca	39	114	153	60	167	227	83	226	309	109	279	386	136	343	479	149	413	562	187	504	691	231	640	991
Cequeza	52	172	224	80	235	335	103	312	415	189	455	644	174	451	625	237	688	935	284	745	1049	333	1230	1513
Caquetá	47	134	181	70	186	266	95	264	359	60	318	378	143	434	577	156	421	777	223	734	977	281	1001	1282
Putumayo	45	139	184	72	212	284	93	231	344	140	319	439	150	409	539	201	486	687	209	688	817	289	788	1077
San Andrés	39	111	150	59	162	221	75	217	293	100	247	347	121	316	439	138	359	497	214	411	625	238	572	760
Amazonas	38	105	143	56	158	214	76	213	288	103	242	345	115	316	431	133	370	453	182	251	433	234	349	583
Guainía	37	104	141	57	153	210	72	205	277	92	233	335	111	304	415	126	313	439	172	335	497	225	440	645
Guaviare	40	97	137	54	133	207	72	205	277	95	233	328	121	304	423	129	306	435	172	310	482	225	314	839
Vaupés	38	107	145	56	157	213	74	211	285	95	240	335	126	311	439	132	343	475	180	310	482	232	282	514
Vichada	38	107	145	56	157	213	74	210	284	52	240	292	114	311	423	132	348	481	177	343	540	232	462	694
Total	3969	13466	19435	6780	22118	28908	9027	29859	38886	11121	36096	47219	13978	44450	58628	19233	50367	69600	22146	53692	75838	27987	81845	109862
(Share)(%)	20.4	79.6	100.0	23.5	76.5	100.0	23.2	76.8	100.0	23.6	76.4	100.0	23.8	76.2	100.0	27.6	72.4	100.0	28.2	70.8	100.0	25.5	74.5	100.0

Table A7 Fondo Nacional del Cafe: Income and Expenditures, 1978-87

	1978	1980	1981	1982	1983	1984	1985	1986	1987 ^{1/}
I. Revenues	109,863.2	155,837.3	67,941.4	93,777.4	106,967.4	190,281.3	264,049.9	627,881.4	512,246.8
A. Operational	74,609.5	116,792.4	49,571.2	57,094.0	67,618.4	116,230.5	155,190.1	409,159.4	220,032.0
Coffee Sales	74,609.5	116,792.4	49,571.2	57,094.0	67,618.4	116,230.5	155,190.1	409,159.4	n.a.
1. Coffee for exports	72,246.1	114,052.2	47,000.4	54,547.9	59,599.7	102,549.3	123,517.4	326,806.9	n.a.
2. Coffee for exports	838.8	818.7	919.2	762.3	1,365.4	2,139.3	3,305.6	6,996.6	n.a.
3. Coffee for Retention	0	0	0	0	0	0	0	0	n.a.
4. Coffee for Domestic Consumption	1,524.6	2,121.5	1,651.6	1,783.8	2,095.6	2,453.3	3,157.8	5,402.9	n.a.
B. Other operating rev.	1,430.7	2,393.3	3,536.8	3,138.2	3,939.5	4,230.9	6,527.3	10,389.8	10,295.2
1. Other goods sales	1,210.6	4,082.9	3,102.9	2,602.9	3,302.1	3,470.4	5,492.7	8,956.4	10,295.2
2. Fees reimbursements (Freights)	220.1	310.4	433.9	535.4	637.4	760.5	1,034.6	1,433.4	n.a.
C. Transfers	32,314.4	34,121.2	12,419.9	26,443.8	32,639.1	66,440.5	88,906.1	189,049.0	205,870.5
1. From the Central Government	2,468.4	3,005.0	2,823.0	3,112.6	3,377.0	4,698.5	7,298.7	14,905.2	11,671.1
Ad valorem Tax	2,468.4	3,005.0	2,823.0	3,112.6	3,377.0	4,698.5	7,298.7	14,905.2	11,671.1
2. From the Private Sector	29,846.2	31,116.2	9,596.9	23,531.2	29,262.1	61,742.0	81,607.4	174,143.8	194,199.4
a. Retention-in-kind	29,453.7	31,098.2	9,588.8	23,510.5	29,146.5	61,539.9	80,821.1	172,567.8	n.a.
b. Retention-in-value	392.5	18.0	8.1	20.7	115.6	202.1	786.3	1,576.0	n.a.
D. Financial Revenues	1,453.8	2,447.2	2,354.8	2,321.9	2,738.9	2,840.9	12,420.0	17,608.0	51,108.4
E. Other Revenues	54.6	83.2	58.7	4,579.5	31.5	538.5	1,006.4	1,475.2	24,940.7
II. Expenditures	97,221.1	150,340.2	74,556.6	92,237.0	100,857.5	158,902.3	175,400.8	407,250.7	465,414.0
A. Operational expenditures	39,757.3	65,304.2	38,911.2	45,190.2	45,364.7	73,887.9	64,214.4	142,214.4	246,700.8
1. Coffee Purchases	39,757.3	65,304.2	38,911.2	45,190.2	45,364.7	73,887.9	64,214.4	142,214.4	246,700.8
B. Other expenditures	4,935.6	5,998.1	6,600.2	8,157.0	9,842.2	13,582.9	17,125.2	25,369.5	208,130.0
1. Commercial expenditures	3,414.6	4,279.7	4,152.9	4,810.5	5,904.3	8,344.0	11,157.8	17,725.1	138,089.0
a. Commission	497.6	598.0	919.9	1,169.5	1,290.5	1,393.9	3,336.3	2,656.9	n.a.
b. Freight changes	2,304.7	2,753.3	1,952.5	2,178.7	2,637.4	2,861.3	3,386.6	4,731.5	n.a.
c. Advertising	142.7	123.4	723.4	953.7	1,094.3	2,061.5	3,042.5	5,984.1	n.a.
d. Foreign promotion	0	0	0	0	727.4	968.0	245.0	1,764.0	n.a.
e. Packaging	505.9	705.0	557.1	508.4	836.1	1,054.6	1,147.4	1,786.5	n.a.
f. Quality changes	(36.3)	0	0	0.2	(681.4)	4.7	0	782.3	n.a.
2. Coffee Handling	1,521.0	1,718.4	2,447.3	3,346.5	3,937.9	5,238.9	5,967.4	7,644.4	54,733.5
a. Trashing expenditures	562.6	499.0	463.0	692.6	794.3	870.4	1,288.7	1,565.7	n.a.
b. Storage	828.9	1,053.8	1,530.0	2,247.2	2,878.8	3,745.1	4,401.8	5,901.7	n.a.
c. Ports expenditures	128.7	163.4	117.6	134.9	131.1	145.5	152.7	170.5	n.a.
d. Interest payments	0	0	746.7	271.8	133.7	477.9	124.2	6.5	n.a.
e. Insurance	0.8	2.2	0	0	0	0	0	0	0
3. Other Goods	1,380.9	2,427.8	3,460.6	3,077.1	3,917.4	4,298.0	6,646.5	12,571.1	15,307.4
a. Other Goods Purchases	1,019.9	1,776.6	2,946.6	2,501.1	3,224.3	3,463.0	5,225.7	10,088.0	11,694.1
b. Other Goods Expenditures	361.0	651.2	514.0	576.0	693.1	835.0	1,420.8	2,563.1	3,613.3
C. Price differentials Adjustments	6,316.1	15,773.2	5,860.4	3,574.1	4,900.1	3,002.6	4,963.1	49,614.6	n.a.
D. Transfers	37,003.5	43,647.2	13,359.8	22,103.5	21,333.1	40,959.0	55,046.1	146,283.9	n.a.
E. Administration	4,617.8	6,620.5	3,011.9	3,989.9	4,911.7	7,761.2	10,933.5	13,823.0	17,424.7
1. Federal Administration	1,583.8	2,470.7	2,810.1	3,919.4	4,903.3	7,671.5	10,926.7	13,597.2	17,163.8
2. Contraloria	5.6	51.4	56.7	70.5	8.2	89.7	6.8	225.8	280.9
3. Exchange rate losses (certificates)	3,028.4	4,098.4	145.1	0	0	0	0	0	0
F. Interest payments	2,746.7	2,259.0	2,894.0	5,482.9	9,972.1	14,042.9	11,039.5	7,019.7	17,785.4
G. Other expenditures	463.2	8,310.2	458.5	662.3	616.4	1,367.8	5,432.5	10,354.5	5,373.1
III. Results									
A. Inflows minus outflows total (I - II)	12,642.1	5,497.1	(6,615.2)	1,540.4	6,109.9	31,379.0	88,649.1	220,630.7	16,832.8
Minus: Exchange Losses	0	0	0	904.1	4,424.1	5,517.7	11,740.5	9,047.2	0
B. Surplus or Deficit Minus: Reserves	12,642.1	5,497.1	(6,615.2)	636.3	1,685.8	25,861.3	76,908.6	229,677.9	16,832.8
Minus: Reserves	0	205.4	0	0	0	0	0	0	3,954.9
C. Surplus or Deficit	12,642.1	5,291.7	(6,615.2)	636.3	1,685.8	25,861.3	76,908.6	229,677.9	16,832.8
D. Internal cash flow	31,347.3	47,883.4	7,596.6	6,885.0	16,351.0	32,990.6	80,377.8	251,965.3	(224,503)

^{1/} 1987: Some of the data are not available. The source is FNC but differs from 1980-86.

Source: Fondo Nacional del Cafe. Actual data.

Table A8 Fondo Vial Nacional (F.V.N.): Total Expenditures, 1979-87
(Millions of Colombian \$)

Programs and Projects	1979	(%)	1981	(%)	1982	(%)	1983	(%)	1984	(%)	1985	(%)	1986	(%)	1987	(%)
I. Highway construction, repairing and maintenance	10,840.0	68.8	15,112.0	65.2	13,127.0	48.6	13,380.0	45.4	15,615.0	44.8	22,463.5	50.3	26,078.0	49.4	42,900.9	50.2
II. Technical Services and Special Studies	200.0	1.8	524.0	2.3	581.0	2.2	362.0	1.2	892.0	2.6	2,022.9	4.5	2,467.5	4.7	3,631.2	4.2
III. Equipment Investment	32.0	1.9	509.0	2.2	2,957.0	11.0	1,682.0	5.7	842.0	2.4	1,517.8	3.4	909.7	1.7	634.3	0.7
IV. Highways Safety Control	15.0	0.3	49.0	0.2	60.0	0.2	94.0	0.3	483.0	1.4	945.4	2.1	341.2	0.6	602.4	0.7
V. Other Roads Maintenance and District Administration	3,000.0	23.2	5,552.0	24.0	8,185.0	30.3	10,734.0	36.4	11,363.0	32.6	11,895.4	26.6	13,598.9	25.8	18,933.1	22.1
VI. Maritime and Riverways Transportation	16.0	3.3	1,342.0	5.8	2,019.0	7.5	2,194.0	7.4	4,271.0	12.3	3,143.7	7.0	3,871.2	7.3	3,918.0	4.6
VII. Debt Servicing	100.0	0.7	79.0	0.3	69.0	0.3	1,005.0	3.4	1,357.0	3.9	2,691.1	6.0	5,502.2	10.4	14,868.1	17.4
1. External	0.0	0.0	0.0	0.0	17.0	0.1	767.0	2.6	1,146.0	3.3	2,200.1	5.1	4,727.1	9.0	10,807.4	12.6
2. Internal	100.0	0.7	79.0	0.3	52.0	0.2	238.0	0.8	211.0	0.6	491.0	0.9	775.1	1.5	4,060.8	4.8
Total Gastos	15,818.0	100.0	23,167.0	100.0	26,998.0	100.0	29,451.0	100.0	34,823.0	100.0	44,679.7	100.0	52,768.8	100.0	85,488.0	100.0

Source: MOPT - Oficina de Planeación y Dirección Comercial y Financiera (Estados Financieros).
Informes Financieros de Contraloría General de la República.

Table A9 Fondo Vial Nacional (F.V.N.) Total Revenues, 1980-87 1/
(Millions of Colombian \$)

Description	1980	(%)	1981	(%)	1982	(%)	1983	(%)	1984	(%)	1985	(%)	1986	(%)	1987
I. Current Revenues	14,296.5	88.7	18,758.6	91.7	22,281.9	99.2	24,411.2	83.6	26,295.5	82.7	32,648.5	87.7	40,393.3	92.5	62,701.9
A. Operational Income	563.1	3.5	826.0	4.1	1,377.1	6.1	1,885.3	6.5	3,044.0	9.6	4,986.0	13.4	6,571.4	15.0	12,362.1
1. Sale of Services	2.1	0.0	2.7	0.0	3.8	0.0	17.2	0.1	84.1	0.3	27.2	0.1	38.6	0.1	70.5
2. Other 2/	560.9	3.5	833.3	4.1	1,373.3	6.1	1,868.1	6.4	2,959.9	9.3	4,958.8	13.3	6,532.8	15.0	12,291.6
B. Transfers, Revenue Sharing, Taxes	13,733.4	85.2	17,922.6	87.6	20,904.8	93.1	22,525.9	77.2	23,251.5	73.2	27,662.5	74	33,821.9	77.4	50,339.8
1. R.D.E. 3/	12,730.3	79.0	16,676.0	81.5	18,606.0	82.8	18,061.0	61.9	21,354.0	67.2	26,675.7	71.7	32,791.6	75.1	43,765.1
2. Budget transfers 4/	1,003.1	6.2	1,246.6	5.1	2,298.8	10.2	4,464.9	15.3	1,897.3	6.0	986.8	2.7	1,030.4	2.4	6,574.7
II. Capital Income	1,826.6	11.3	1,707.7	8.3	179.3	0.8	4,773.6	16.4	5,484.8	17.3	4,569.8	12.3	3,293.2	7.5	18,190.4
Total Revenues	16,123.2	100.0	20,466.3	100.0	22,461.2	100.0	29,184.8	100.0	31,780.1	100.0	37,218.3	100.0	43,686.5	100.0	80,892.3
% R.D.E./Current Income		89.0		89.0		83.5		74.0		81.2		81.7		81.2	

1/ Actual Figures.

2/ It includes toll revenues and revenues from agreements with other agencies

3/ Gasoline and ACPH tax. Proceeds are used for debt servicing and investment.

4/ Other budget transfers for investment.

Source: Contraloria General de la Republica, Informes Financieros. FVN financial reports.

Table A10 Fondo de Promocion de Exportaciones (PROEXPO): Total Expenditures, 1980-87
(Millions of Colombian \$)

Description	1980	(%)	1981	(%)	1982	(%)	1983	(%)	1984	(%)	1985	(%)	1986	(%)	1987	(%)
Operational Expenditures																
I. Personal Services	231.5	0.7	244.4	0.6	299.6	0.5	463.8	0.6	665.8	0.7	839.8	0.8	1,192.2	1.1	1,438.2	0.8
II. General Expenditures	139.5	0.4	135.5	0.3	168.0	0.3	269.7	0.4	373.9	0.4	492.9	0.5	869.7	0.8	844.0	0.5
III. Transfers	259.2	0.8	117.7	0.3	127.5	0.2	1,574.8	2.1	700.0	0.8	4,641.9	4.6	7,809.3	7.3	379.7	0.2
Subtotal	530.2	2.0	497.6	1.2	595.1	1.0	2,308.3	3.0	1,739.7	1.9	5,974.6	6.0	9,871.2	8.9	2,661.9	1.5
IV. Debt Servicing	1,313.9	4.5	1,569.8	3.8	2,243.1	3.7	1,770.9	2.3	1,916.6	2.1	1,971.2	2.0	2,527.5	2.3	3,172.9	1.8
Total Operational Expenditures	1,931.1	6.5	2,067.4	5.0	2,838.2	4.7	4,079.2	5.3	3,656.3	3.6	7,945.8	7.9	12,398.7	11.1	5,834.8	3.3
Investment Expenditures																
I. Trade Fairs Participation	44.9	0.2	68.4	0.2	40.0	0.1	105.7	0.1	131.3	0.1	123.9	0.1	270.2	0.2	304.0	0.2
II. Projects	331.4	1.2	1,511.9	3.6	3,881.0	6.5	2,805.1	3.7	4,106.3	4.4	13,037.9	13.0	6,743.9	6.1	324.5	0.2
III. Export Credit Loans	25,711.1	87.8	36,811.7	88.6	51,774.7	86.2	68,916.8	89.9	82,121.1	88.5	75,603.2	75.4	86,140.7	77.4	129,375.0	72.3
IV. Buildings and Other Assets	1,295.0	4.4	1,068.5	2.6	1,530.2	2.5	726.7	0.9	2,806.4	3.0	627.2	0.6	385.4	0.3	22,243.2	12.4
V. Law 55/1985 1/		0.0		0.0		0.0		0.0		0.0	2,996.3	3.0	5,408.0	4.9	20,744.2	11.6
Total Investment Expenditures	27,495.4	93.5	39,460.5	95.0	57,255.9	95.3	72,554.3	94.7	89,165.1	96.1	92,388.4	92.1	98,948.3	88.9	172,990.9	96.7
Total Expenditures	29,496.5	100.0	41,527.9	100.0	60,064.1	100.0	76,633.5	100.0	92,821.4	100.0	100,334.2	100.0	111,347.0	100.0	178,825.7	100.0
Investment	93.4		93.3		90.5		95.0		92.1		81.8		87.1		74.8	

1/ In 1987 CERT payments include: (The CERT are export promotion tax exemption notes). Law 55 reallocations will be exclusively for CERT and other export incentives redemption.

Source: Contraloria General de la Republica, Informes Financieros.

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Table A11 Fondo de Promoción de Exportaciones (PROEXPO): Total Revenues, 1980-87
(Millions of Colombian \$)

Description	1980	(%)	1981	(%)	1982	(%)	1983	(%)	1984	(%)	1985	(%)	1986	(%)	1987	(%)
I. Current Revenues	29,452.1	96	59,664.4	75.5	56,831.8	94.6	73,080.0	95.4	92,821.4	100.0	97,338.0	100.0	117,604.2	100.0	150,921.0	100.0
A. Operational Income	22,791.3	77	31,760.0	76.5	45,237.3	75.3	62,423.3	81.5	80,072.3	86.3	80,577.7	82.8	90,566.5	77.0	107,721.0	71.4
I. Loan Repayments																
a. Principal	20,193.4	67	27,801.0	66.9	40,900.0	68.1	56,928.7	74.3	73,078.8	78.7	70,972.0	72.9	74,846.5	63.6	92,859.0	61.5
b. Interest	2,498.5	8	2,581.0	8.6	4,280.9	7.1	5,290.9	6.9	6,636.9	7.2	7,997.4	8.2	11,027.0	9.4	13,875.0	9.2
c. Other	99.4	0	378.0	0.9	56.4	0.1	203.7	0.3	356.6	0.4	1,608.3	1.7	4,693.0	4.0	987.0	0.7
B. Earmarked Revenues	6,660.8	2	7,904.4	19.0	11,594.5	19.3	10,656.7	13.9	12,749.1	13.7	16,760.3	17.2	27,037.7	23.0	43,200.0	28.6
II. Capital Income	1,143.0	3	1,863.5	4.5	3,232.5	5.4	3,554.2	4.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Revenues	30,595.1	100.0	49,527.9	100.0	60,064.3	100.0	76,634.2	100.0	92,821.4	100.0	97,338.0	100.0	117,604.2	100.0	150,921.0	100.0
% R.D.E./Current Income		22.6		19.9		20.4		14.6		13.7		17.2		23.0		28.6

Source: Contraloría General de la República, Informes Financieros.

Table A12 Servicio Nacional de Aprendizaje (SENA): Total Expenditures, 1980-87
(Millions of Colombian \$)

Description	1980	(%)	1981	(%)	1982	(%)	1983	(%)	1984	(%)	1985	(%)	1986	(%)	1987	(%)
Operational Expenses and Debt Servicing																
I. Personal Services	2,164.8	11.5	2,623.3	43.5	3,278.9	44.6	3,910.1	37.7	1,617.1	10.5	1,870.9	9.8	2,167.4	11.1	2,756.6	10.1
II. General Expenses	969.9	11.3	1,094.8	18.2	1,634.1	22.2	2,031.9	19.6	999.2	6.5	1,185.3	6.2	1,223.8	6.3	1,657.5	6.0
III. Transfers	394.3	1.7	959.0	15.9	1,484.2	20.2	1,896.3	18.3	2,207.7	14.3	1,053.7	5.5	1,379.3	7.1	1,871.3	6.8
Subtotal	3,529.0	12.4	4,677.1	77.6	6,397.2	87.1	7,838.3	75.6	4,824.0	31.3	4,109.9	21.5	4,770.5	24.4	6,285.4	22.9
IV. Debt Servicing	19.5	0.4	17.8	0.3	16.6	0.2	15.8	0.2	14.5	0.1	7.8	0.0	6.9	0.0	8.0	0.0
Total Operational Expenses and Debt Servicing	3,548.5	12.9	4,694.9	77.9	6,413.8	87.3	7,854.1	75.7	4,838.5	31.4	4,117.7	21.6	4,777.4	24.5	6,293.4	23.0
Investment/Programs																
I. Educational Buildings Construction and Maintenance	412.9	3.4	950.6	15.8	612.2	8.3	2,025.5	19.5	3,492.4	22.6	2,160.6	11.3	697.5	3.6	1,837.2	6.7
II. Rural Development Program	187.5	4.1	205.7	3.4	204.5	2.8	351.6	3.4	567.0	3.7	407.3	2.1	647.2	3.3	787.0	2.9
III. Community Participation Program	84.8	1.9	70.3	1.2	86.4	1.2	125.9	1.2	135.3	0.9	0.0	0.0	0.0	0.0	13.5	0.0
IV. Food Programs	10.0	0.2	108.2	1.8	24.2	0.3	12.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
V. Human Resources Infrastructure and Research	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,242.1	8.1	2,316.1	12.1	2,135.6	10.9	2,970.5	10.8
VI. Scientific and Technology Research and Promotion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4,782.1	31.0	6,246.3	32.7	7,474.5	38.3	10,668.9	38.9
VII. Educational Material and Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	85.5	0.6	1,026.1	5.4	857.4	4.4	1,032.7	3.8
VIII. Employees Social Welfare	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,209.9	6.3	642.7	3.3	1,228.0	4.5
IX. Industrial Sector Promotion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	216.4 ^a	1.1	268.8 ^a	1.4	200.0 ^a	0.7
X. Financial Investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	505.3	1.8
XI. Technical Assistance and Planning	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	500.0 ^b	2.6	460.0	2.4	200.3 ^b	0.7
XII. Law 55/1985	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	884.0 ^c	4.6	1,565.0 ^c	8.0	1,581.6 ^d	5.8
XIII. Others	113.4	2.5	0.0	0.0	4.4	0.1	0.0	0.0	283.0	1.8	0.0	0.0	0.0	0.0	80.1	0.3
Total Investment Expenditures	1,008.6	2.1	1,334.8	22.1	931.7	12.7	2,515.0	24.3	10,587.4	68.6	14,966.6	78.4	14,748.7	75.5	21,104.9	77.0
Total Expenditures	4,557.1	100.0	6,029.7	100.0	7,345.5	100.0	10,369.1	100.0	15,425.9	100.0	19,084.3	100.0	19,526.1	100.0	27,398.3	100.0

- a. It included in 1985 \$130 millions; Law 55/85, agreement Sena-Artesanias de Colombia; 1986: \$161 millions; 1987: \$200 millions.
b. Law 55: \$55 millions and 1987: \$220 millions were reallocated Sena-Centro Latinoamericano de Informatica agreement.
c. Law 55 reallocated funds are placed through agreements with different agencies.
d. Law 55 agreements: Pacific Coast development plan; \$1,001.6 millions for Sena-Fondo MEN (Ley 55/85).
e. In 1987 it belongs to Community Development Programs. (Training and community organization)

Source: Contraloria General de la Republica, Informes Financieros.

Table A13 Servicio Nacional de Aprendizaje (SENA): Total Revenues, 1980-87 1/
(Millions of Colombian \$)

Description	1980	(%)	1981	(%)	1982	(%)	1983	(%)	1984	(%)	1985	(%)	1986	(%)	1987	(%)
I. Current Revenues	4,422.9	96.9	6,606.5	100.0	8,679.5	97.4	11,056.8	87.4	14,319.7	83.0	16,662.7	87.1	20,353.9	99.8	26,435.3	93.4
A. Operational	3,800.7	7.9	428.9	6.5	376.9	4.2	1,040.6	8.2	1,771.9	10.3	2,094.5	10.9	1,561.5	7.7	2,709.7	9.6
1. Sale of Services	28.1	1.7	98.6	1.5	108.1	1.2	119.3	0.9	149.9	0.9	172.5	0.9	197.8	1.0	4.7	0.0
2. Agreements	1.0	0.2	4.6	0.1	2.0	0.0	15.8	0.1	14.2	0.1	157.9	0.8	182.1	0.9	239.6	0.8
3. Financial Revenues	103.4	2.3	290.0	4.4	235.8	2.6	865.0	6.8	1,538.4	8.9	1,617.8	8.5	990.6	4.9	1,429.6	5.1
4. Other	171.4	3.8	35.7	0.5	31.0	0.3	40.5	0.3	69.4	0.4	146.3	0.8	191.0	0.9	1,035.8	3.7
B. Transfers and Taxes	4,126.2	89.0	6,177.6	93.5	8,302.6	93.1	10,016.2	79.2	12,547.8	72.8	14,568.2	76.1	18,792.4	92.1	23,725.6	83.8
1. Budget transfers 2/	22.4	6.7	285.9	4.3	125.6	1.4	325.8	2.6	380.8	2.2	145.6	0.8	253.5	1.4	316.2	1.1
2. (FIC) Industry Construction Fund	0.0	0.0	498.3	7.6	241.5	2.7	602.7	4.8	845.9	4.9	484.6	2.5	283.5	1.4	316.2	1.1
3. R.D.E. 3/ (RDE taxes)	3,114.0	82.3	5,193.4	78.6	7,935.5	89.0	9,087.7	71.9	11,321.1	65.6	13,938.0	72.8	18,255.8	89.5	23,194.8	82.0
II. Capital Income	289.1	3.1	0.0	0.0	234.9	2.6	1,587.1	12.6	2,928.1	17.0	2,474.5	12.9	40.0	0.2	1,866.8	6.6
A. Balance Surplus Revenues 4/	289.1	3.1	0.0	0.0	234.9	2.6	1,587.1	12.6	2,920.9	16.9	2,469.4	12.9	20.9	0.1	1,866.8	6.6
B. Other Capital Revenues 5/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.2	0.0	5.1	0.0	19.1	0.1	0.0	0.0
Total Revenues	4,712.0	100.0	6,606.5	100.0	8,914.4	100.0	12,643.9	100.0	17,247.8	100.0	19,137.2	100.0	20,393.9	100.0	28,302.1	100.0
X RDE/Current Income	0.0	85.0	0.0	78.6	0.0	91.4	0.0	82.2	0.0	79.1	0.0	83.6	0.0	89.7	0.0	87.7

1. Actual Figures

2. Government special programs: CEN, PAN, IPC. (Rural Development, foods programs, Community Programs)

3. It includes Law 55/85 reallocation revenues.

4. The 1980 surplus for \$173.4 millions is not included in 1981.

5. Fixed assets sales proceeds and some Funds surpluses (Employee Funds).

Source: Contraloria General de la Republica, Informes Financieros.

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Table A14 Instituto Colombiano de Bienestar Familiar (ICBF): Total Expenditures, 1980-87
(Millions of Colombian \$)

Description	1980	(%)	1981	(%)	1982	(%)	1983	(%)	1984	(%)	1985	(%)	1986	(%)	1987	(%)
Operational																
Personal Services	271.1	5.0	376.7	5.7	529.6	7.1	190.0	2.1	327.9	2.9	376.0	2.7	440.8	2.1	536.5	2.1
General Expenses	133.6	2.9	179.0	2.7	229.2	3.1	87.1	1.0	112.6	1.0	146.6	1.2	233.4	1.1	243.6	1.0
Transfers	100.7	1.8	107.6	1.6	152.6	2.0	829.7	9.1	2,739.9	24.2	3,027.6	21.6	3,839.0	18.3	4,776.1	19.0
Total General Expenditures	505.4	9.6	663.3	10.0	911.4	12.2	1,106.8	12.1	3,108.4	28.0	3,570.2	25.5	4,513.2	21.5	5,556.2	22.1
Investment Expenditures																
Children Assistance Programs	3,650.0	67.8	4,756.6	72.3	4,995.6	66.9	5,992.3	65.5	n.a.	0.0	10,123.0	72.2	13,593.6	64.8	18,071.0	71.8
Adults Assistance Programs	761.9	14.3	821.7	12.4	1,180.1	15.8	1,493.0	16.3	n.a.	0.0	0.0	0.0	1,460.0	7.0	221.0	0.9
Physical Infrastructure - Health	93.0	1.8	109.1	1.6	85.3	1.1	116.7	1.3	n.a.	0.0	89.2	0.6	1,273.7	6.1	1,196.0	4.8
Human Resources Training and Research	0.0	0.0	27.2	0.4	15.8	0.2	31.8	0.3	n.a.	0.0	222.9	1.6	118.7	0.6	104.5	0.4
Global Planning, Social Development	4.3	0.1	14.0	0.2	0.0	0.0	0.1	0.0	n.a.	0.0	0.0	0.0	11.6	0.1	10.0	0.0
Food and Rural Development Programs	343.0	6.4	0.0	0.0	283.9	3.8	403.0	4.4	n.a.	0.0	17.0	0.1	0.0	0.0	7.3	0.0
Total Investment Expenditures	4,871.2	90.4	5,758.6	90.0	6,560.7	87.8	8,036.9	87.9	8,158.9	72.0	10,452.1	74.5	16,457.6	78.5	19,610.1	77.9
Total Gastos	5,389.6	100.0	6,431.9	100.0	7,472.1	100.0	9,143.7	100.0	11,339.3	100.0	14,022.3	100.0	20,970.8	100.0	25,166.3	100.0

1. Budget estimates. Actual data not found.

Source: Contraloría General de la República, Informes Financieros.

Table A15 Instituto Colombiano de Bienestar Familiar (ICBF): Total Revenues, 1980-87
(Millions of Colombian \$)

Description	1980	(%)	1981	(%)	1982	(%)	1983	(%)	1984	(%)	1985	(%)	1986	(%)	1987	(%)
I. Current Revenues	4,740.4	57.5	5,831.9	71.4	6,763.4	83.8	8,737.6	89.0	11,164.0	89.3	14,210.6	89.7	18,524.0	82.5	24,095.1	87.4
A. Operational	35.2	0.4	75.7	1.0	32.6	0.4	39.0	0.4	31.7	0.3	186.2	1.2	380.9	1.7	111.3	0.4
B. Budget Transfers, Taxes	4,705.2	57.1	5,761.2	75.4	6,730.8	83.4	8,698.6	88.6	11,132.3	89.0	14,024.4	88.5	18,143.1	80.8	23,983.8	87.0
1. Transfers	1,121.2	13.6	890.2	11.1	266.5	3.3	167.9	1.7	344.8	2.8	17.0	0.1	28.5	0.1	160.0	0.6
2. R.D.E.	3,584.0	43.5	4,871.0	63.8	6,464.3	80.1	8,530.7	86.9	10,787.5	86.3	14,007.4	88.4	18,114.6	80.7	23,823.8	86.4
II. Capital Income	3,500.1	42.5	1,799.8	23.6	1,305.2	16.2	1,078.1	11.0	1,341.3	10.7	1,638.6	10.3	3,918.6	17.5	3,484.3	12.6
Total Revenues	8,240.5	100.0	7,631.7	100.0	8,068.6	100.0	9,815.7	100.0	12,505.3	100.0	15,849.2	100.0	22,442.6	100.0	27,579.4	100.0
X R.D.E./Current Income		75.6		81.5		95.6		97.6		96.6		98.6		97.8		98.9

Source: Contraloría General de la República, Informes Financieros.

Table A16 Cajas de Compensacion Familiar: Revenues and Expenditures, 1980-87

Revenues	1980	1981	1982	1983	1984	1985	1986	1987
<u>Revenues</u>								
Total	..	..	47,680	61,445	75,586	..		171,770
Taxes	6,979	9,348	12,457	17,048	21,866	29,080	n.a.	51,258 ^{1/}
Commercial Operation	n.a.	n.a.	35,223	44,397	53,720	n.a.	93,073 ^{2/}	120,512 ^{2/}
<u>Expenditures</u>								
Total	6,979	9,348	12,457	17,048	21,866	n.a.	n.a.	n.a.
Subsidy in Cash	3,278	4,664	6,204	8,828	11,196	..	..	..
Subsidy in Kind	n.a.	..	152	246	358	n.a.	n.a.	n.a.
Subsidy in Services	n.a.	1,702	2,439	3,270	4,021	n.a.	n.a.	n.a.
Other ^{3/}	n.a.	2,981	3,662	4,704	6,290	n.a.	n.a.	n.a.

Notes:

1. Sixty-nine Family Funds.
2. Forty-Five Funds.
3. Administrative expenses.

Source: Manrique and Associates, Years 1980-84.
Magazine "Negocios" (Business), No. 59, 1988.

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