Legal Framework for Bank Planning and Budgeting

Last modified Friday the 7th of June, 2024 1. Legal Framework
Under its administrative and patrimonial autonomy, *Banco de la República* (the Central Bank of Colombia) has its own independent patrimony and is subject to its legal framework, contemplated in Articles 371 to 373 of the Political Constitution, Act 31 of 1992 and its Bylaws, issued by Decree 2520 of 1993.

Similarly, its budget is independent, so it is not part of the Government Budget (PGN in Spanish). Consequently, the procedures for its preparation, approval, and execution are developed per its own arrangements and not by the Organic Statute of the Government Budget or by the annual budget laws applicable to all public entities.

In this sense, the Bank's budget is destined for its own operations as a Central Bank and not for the realization of public investments.

In accordance with the above, the Bank's planning is governed by its own processes since it is not subject to the regulations aimed at the public planning process involving Act 152 of 1994--Organic Law of the Development Plan--nor to the rules that develop it, such as Decree 2844 of 2010, compiled in Decree 1082 of 2015, which regulates the National Bank of Programs and Projects (BPIN in Spanish) and the Unified Public Finances and Investments System (SUIFP in Spanish).

It is important to note that in accordance with the Decree 1739 of 25 October 2017, by which the Bylaws of *Banco de la República* were amended, the Board of Directors must annually approve a medium-term expenditure framework (operating and investment) effective for the next five (5) years, and must approve every four (4) years a strategic plan for the following four (4) years, which will be reviewed annually. It also defined that the strategic plan approved in 2017 will be valid only once for five (5) years.

2. Budgetary System
The general rules of the Bank's budgetary policy are considered in its Budget System (only in Spanish).

According to this Budget System, the Annual Budget of *Banco de la República* is designed and executed under the accrual method and is classified and disaggregated as follows:

- **Monetary budget:** Includes the income and expenses recorded in the Income Statement as a result of the Bank's constitutional functions as monetary, foreign exchange, and credit authority, bank of issue, and the foreign reserves manager.
- **Corporate Budget:** Includes the Bank's income and expenses related to its existence as a legal entity, except for those reflected in the monetary budget.
- **Investment budget and inventories:** Includes the estimate of resources necessary for the acquisition and replacement of fixed assets required by the Bank for the performance of its functions, concepts that, by their nature, are part of the non-monetary assets in the financial statements.

The annual budget of *Banco de la República* is the financial instrument used by the Administrative Council to guide the Bank's plans, programs, and activity according to technical and efficiency criteria.

3. 3. Planning Process
Among the functions of the Administrative Council are to study and adopt the general policies for the management and operation of the Bank, as well as to study, approve, and implement special projects related to

its operation for the exercise of the functions, as established in its legal framework.

To carry out this function, *Banco de la República* prepares the Strategic Plan for four (4) years, which is approved by the Board of Directors. It also incorporates the general strategic framework, which sets up the mission, vision, and values that support the development of the functions. Additionally, it presents the strategic framework, which incorporates challenges, objectives, and initiatives.

Likewise, the Board of Directors approves the medium-term expenditure framework, which includes allocating resources for the programs and projects to be developed by *Banco de la República*.

In addition, the Bank annually prepares an Action Plan, to monitor the initiatives contained in the Strategic Plan and the projects to be developed during the year. This Action Plan includes a chapter with aggregate information about the projects in the following categories: A. Upgrading and modernization of IT solutions; B. Updating and modernization of the physical infrastructure; C. Updating and modernization of the industrial plants and currency distribution processes; D. Cultural investment; and E. Other investments.

Within the framework of the planning instruments mentioned above, management, and performance indicators are constructed to measure the goals, objectives, and development of the most relevant projects.

In turn, the Bank's budget process reflects the planning process, and one of its specific objectives is to become a tool for administrative control and a basis for management evaluation.

Fuente: https://d1b4gd4m8561gs.cloudfront.net/en/transparency/legal-framework-bank-planning-budgeting