Colombia

World Bank Group: *Local Government Borrowing Database*

Colombia Country Profile: 2025 Update

Type of state	Unitary
State / regional government level (number)	Departments (32)
Local general government levels (number)	Capital District Bogota (1) Municipalities (1,103)
Total subnational liabilities, 2019 (state/regional + local)	COP 30.8 trillion, (USD 7.1 billion eq.)
Local government outstanding liabilities to GDP*, 2023*	1.5%
Total subnational liabilities growth, CPI adjusted[1],	67%
Total local government liabilities growth, CPI adjusted, 2016 to 2019	98%

Legal & regulatory environment

- All municipal governments in Colombia are allowed to borrow, subject to fiscal rules.
- Borrowing capacity is determined by fiscal health indicators, and Ministry of Finance approval is required for governments with higher debt ratios or those seeking external credit.[2]
- Municipalities governments can issue bonds and have already done so.

Borrowing readiness

- Municipalities with sound fiscal indicators (low debt interest to operational savings and low debt balance to current income ratios) can borrow autonomously.
- Intergovernmental transfers and OSRs provide a predictable revenue stream, but fiscal management capacity varies, with some governments needing performance plans or external support to improve borrowing readiness.

Macro credit conditions

- Colombia's external public debt for department and capital cities has remained stable at 0.2% to 0.3% of GDP in recent years, with limited exposure to foreign currency risk for most department and capital cities.[3]
- Exchange rate risks have been mitigated for municipal entities like Bogotá, which have issued domestic currency-denominated bonds to avoid foreign currency exposure.

Highlights

- Municipal governments in Colombia have limited autonomy over revenue generation, with significant dependence on central government transfers through the *Sistema General de Participaciones* (SGP) and limited ability to set tax rates.[4]
- Municipal governments are allowed to borrow from both domestic and external lenders, in both domestic and foreign currency, but borrowing is subject to strict fiscal rules and oversight by the Ministry of Finance, particularly for high-debt entities or external borrowing.
- Municipal government debt in Colombia remains relatively low, but it has grown rapidly, increasing by 98% since 2016 (CPI-adjusted), driven by a rise in local borrowing and new debt mechanisms like Findeter loans.
- While local bond issuances and domestic borrowing have increased in recent years, particularly in large cities like Bogotá, overall municipal government debt levels remain moderate, and external debt is minimal, around 0.2-0.3% of GDP.

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Borrowing legal & regulatory environment

Overview: Colombia is a unitary state with a two-tier subnational government structure, consisting of 32 departments and 1,103 municipalities. Each department is governed by an elected governor and departmental assembly, while municipalities are managed by elected mayors and municipal councils. Bogotá, as the capital, has a unique status, functioning both as a department and a municipality. Local governments in Colombia play a critical role in managing regional and local services such as education, health, transportation, and infrastructure. However, they rely heavily on transfers from the central government through the *Sistema General de Participaciones* (SGP) and have limited autonomy in revenue generation.

Departments are responsible for regional matters like managing public services, infrastructure, education, and health, with a significant share of SGP funds directed to these areas. Municipalities focus more on local services and development, such as water and sanitation, waste management, and local road maintenance. While municipalities have more financial autonomy to levy taxes, including property and industry taxes, both levels of government still rely substantially on central transfers. While departments have a role in planning, oversight, and support, their direct involvement in municipal finances and decision-making is limited. Municipalities, especially those with stronger fiscal capacity, operate with significant autonomy under Colombia's decentralized system. Departments play a complementary, often coordination-focused role rather than a central one. The decentralization process in Colombia began in the 1980s, but it gained significant momentum with the 1991 Constitution, which aimed to enhance local autonomy and create a more equitable distribution of resources. This Constitution transferred several functions, including education, health, and infrastructure, to municipal governments and allowed them to manage their own tax revenues while receiving central government transfers. Despite these advancements, local governments continue to face fiscal challenges, with many heavily dependent on central transfers and limited in their ability to generate own-source revenues.

The legal framework for borrowing by municipal governments in Colombia has evolved significantly since the 1990s. Initially, local governments were not permitted to borrow externally. However, following the decentralization reforms, they gained the authority to borrow under strict regulations. Laws such as Law 358 of 1997 (Traffic Light Law) and Law 617 of 2000 introduced fiscal responsibility rules that limit the borrowing capacity of municipal entities based on their fiscal health. Borrowing is closely monitored by the Ministry of Finance, with more stringent oversight for entities with high debt levels or seeking external credit.

***Borrowing framework & process*:** Municipal governments in Colombia are allowed to borrow under a strict framework of fiscal rules and regulations, established between 1997 and 2003, to ensure fiscal sustainability. These regulations were introduced in response to the rapid fiscal deterioration following the decentralization process initiated by the 1991 Constitution, which led to increased spending, debt, and deficits at the municipal level. Key regulations governing municipal borrowing include Law 358 of 1997 (Traffic Light Law), Law 617 of 2000 (Spending Rationalization Law), and Law 819 of 2003 (Fiscal Responsibility Law), each setting limits on debt levels and conditions for borrowing based on a government entity's fiscal health.

Law 358 of 1997, known as the Traffic Light Law, was the first significant intervention to regulate municipal borrowing. It introduced two key indicators: a payment capacity indicator (debt interest to operational savings) for short-term obligations and a sustainability indicator (debt balance to current income) for long-term fiscal stability. Depending on these ratios, municipal governments with favorable ratios could borrow without Ministry of Finance authorization, while those with higher ratios faced restrictions or required direct approval from the central government.

Law 617 of 2000 set limits on operating expenses relative to current revenues, aiming to align expenditures with revenue-generating capacity. This law imposed quantitative restrictions on spending for different categories of municipal governments, ensuring that their operational expenses did not surpass defined thresholds. Additionally, Law 819 of 2003 introduced the Medium-Term Fiscal Framework (MFMP), requiring municipal entities to submit annual fiscal plans and primary surplus targets. It also strengthened controls on borrowing by imposing stricter requirements for risk assessments and prudent management of temporary surpluses.

The COVID-19 pandemic significantly impacted municipal finances, leading to revenue shortfalls and a temporary suspension of fiscal discipline measures. Under the State of Economic, Social, and Ecological Emergency, the central government passed Decree 678 of 2020 and Law 2155 of 2021, allowing municipal entities to contract treasury credits without adhering to the usual fiscal rules of Law 358 of 1997 or the spending limits imposed by Law 617 of 2000. These exceptional measures gave municipal governments flexibility to borrow in response to cash shortages caused by the crisis, without requiring Ministry of Finance approval.

Additionally, Law 2155 of 2021 made some permanent changes to borrowing limits. It raised the sustainability indicator (debt balance to current income) from 80% to 100% for investment projects and increased the payment capacity indicator (debt interest to operational savings) to 60%. These changes expanded the borrowing capacity of municipal governments to support economic recovery and ongoing projects. However, the government maintained stricter oversight for entities with weak fiscal health to prevent unsustainable debt accumulation.

Law 2155 of 2021 introduced new borrowing rules for Colombian municipal entities, distinguishing between autonomous and critical borrowing instances. In an autonomous instance, a municipality can borrow freely if its debt interest remains below 60% of operational savings and total debt is under 100% of current income, without needing additional approvals. In a critical instance, when these thresholds are exceeded, stricter conditions apply; higher-category entities must maintain high credit ratings, while lower-category entities require approval from the Ministry of Finance and must follow performance plans. This framework ensures borrowing aligns with fiscal sustainability, imposing tighter controls on entities in financial distress to avoid unsustainable debt levels.

Borrowing restrictions: General restrictions:

- Golden rule: municipal governments are allowed to take on debt only if it is used to finance capital expenditures (such as infrastructure projects), rather than to cover operational costs.

Debt limits:

- Solvency (Debt Interest to Operational Savings): Debt interest payments must not exceed 60% of a municipal government's operational savings. Operational savings refer to the portion of revenues remaining after covering operating expenses, and this ratio reflects the government's ability to meet its debt service obligations in the short term.
- Sustainability (Total Debt to Current Income): Total debt must not exceed 100% of a municipal government's current income, which includes revenue from taxes, fees, and transfers. This ratio measures the long-term sustainability of a government's debt, indicating its ability to manage its debt load relative to its income.
- Entities that exceed either of these thresholds are classified as being in a critical borrowing situation and are subject to more stringent oversight. In such cases, municipal governments must obtain approval from the Ministry of Finance before contracting new loans, and additional requirements such as performance plans and risk assessments may be imposed.

Borrowing incentives/credit enhancements:
Municipal governments with sound fiscal health can access autonomous borrowing without requiring further authorizations. Performance plans are generally not needed for higher-tier entities (e.g., special category municipalities) if they demonstrate strong creditworthiness. Additionally, programs like Findeter (national development bank) provide access

to infrastructure financing, supporting economic development and investment at the local level.

Insolvency regime: Colombia's municipal government insolvency regime is shaped by Law 550 of 1999 and Law 1116 of 2006:

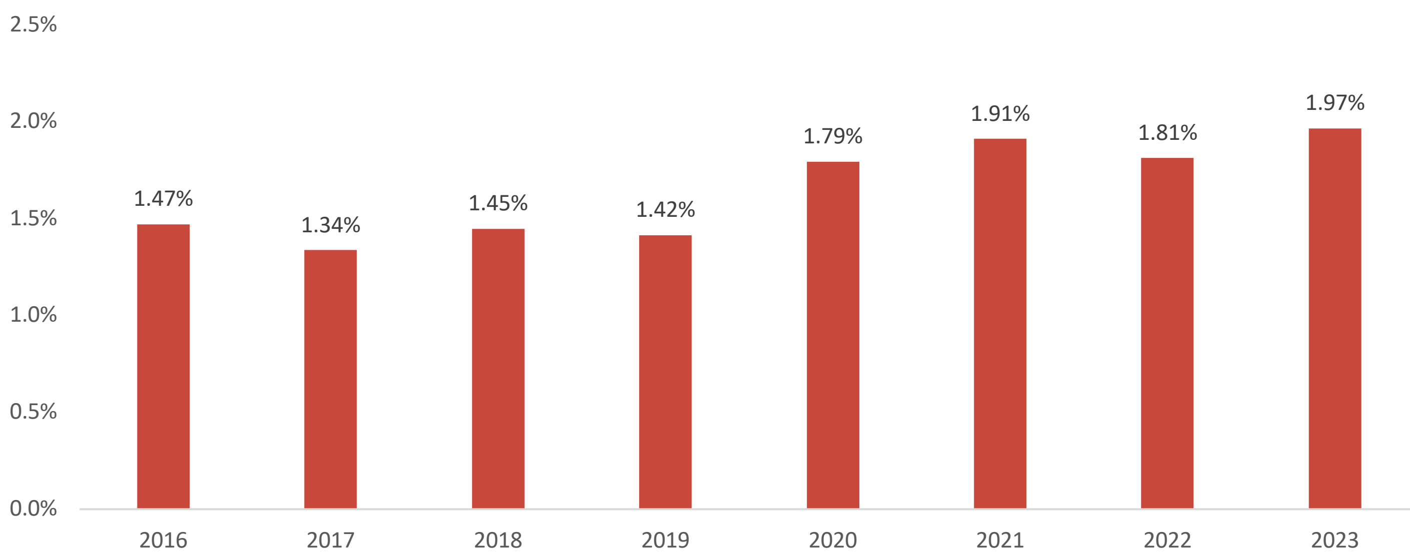
- Law 550 provides an expedited process for restructuring the debt of public entities, including municipal governments. This law allows these entities to renegotiate their debt with creditors to maintain financial stability and continue providing public services.
- Law 1116 focuses on insolvency at a broader level, primarily for businesses, but it includes principles that protect creditors while keeping the entity operational. Though aimed at corporate insolvency, its focus on maintaining the viability of insolvent entities as contributors to economic development and employment can be applied to municipal governments as well.

Debt management

Aggregate debt levels: Municipal government debt in Colombia remains relatively low, but it has grown rapidly, increasing by 68% since 2016 (CPI-adjusted). It accounted for 1.5% of GDP and 2.7% of public debt in 2023. Municipal government debt accounted for 76% of total subnational debt in 2023.

Some debt data is only available for departments and capital cities. In 2023, domestic debt (from internal creditor and domestic currency) for departments and capital cities accounted for 86% and external debt (from foreign creditors and/or in foreign currency) for the remaining 14%.

Figure 1: Department and capital cities debt/GDP (2016 – 2023)



Source: City Creditworthiness Initiative – Local Government Borrowing Database

Internal Debt of Departments and Capital Cities: As of the end of 2023, the internal debt of Colombia's departments and capital cities totaled COP 26.41 trillion (1.7% of GDP and USD 6 billion), representing 4.4% of the total public internal debt. This debt is distributed among departments (COP 7.66 trillion), capital municipalities (COP12.98 trillion), and other municipalities (COP 5.77 trillion). The majority (89.1%) of this debt is contracted in Colombian pesos, with the remainder in UVR (a local inflation-linked unit).

Departmental governments increased their internal debt by COP 1.54 trillion between 2022 and 2023, with four departments concentrating 66.8% of this internal debt, the most indebted being Antioquia (COP 2.03 trillion) and Cundinamarca (COP 1.35 trillion).

At the end of 2023, Bogotá, Barranquilla, Medellín, and Cundinamarca had ongoing bond issues, with Bogotá leading with a balance of COP 3.7 trillion. The internal debt of capital cities increased by COP 1.80 trillion between 2022 and 2023, with Bogotá (COP 6.70 trillion), Barranquilla (COP 1.61 trillion), Medellín (COP 1.48 trillion), and Santiago de Cali (COP 1.10 trillion) accounting for 83.8% of the total internal debt. Meanwhile, departments like Antioquia and Cundinamarca saw significant increases in their internal debt, with new loans from Findeter and commercial banks. For non-capital municipalities, 36.3% of debt is held by category 1 municipalities, 34.3% by category 6, and 13.7% by category 2. Notably, Soacha, Itagüí, and Funza saw significant debt increases in 2023.[5]

The large metropolitan municipalities have availed themselves of bond financing since 2003, although outstanding bond debt has declined to 17% of outstanding borrowing in 2023.[6] This is another indication of the extent to which the large metropolitan municipalities dominate municipal borrowing; to date there have been only 4 issuers of municipal bonds (Cape Town, Ekurhuleni, Johannesburg and Tshwane). There have been over 25 issuances; most bonds have tenors between 10-15 years and are amortized on a bullet payment or level principal basis. Cape Town and Johannesburg have also issued certified green bonds, in 2014 and 2018 respectively. However, the secondary market for municipal bonds remains limited, with bond issuances serving in the main as an avenue for static lending by banks, pension funds and other institutional investors.

External Debt of Departments and Capital Cities: External debt in Colombia is defined as any debt entered into by public entities with non-residents of Colombia and/or those that are agreed upon in foreign currency. At the end of fiscal year 2023, the external debt of Colombia's departments and capital cities reached COP 4.45 trillion pesos (0.28% of GDP). When measured in U.S. dollars, this external debt amounted to USD 1.164 billion, representing an increase of USD 228.84 million compared to the balance in 2022. Of this, USD 116.06 million was guaranteed by the central government, while USD 1.048 billion was not.

Regarding currency distribution, 61.2% of this external debt was denominated in U.S. dollars, 33.9% in Colombian pesos, and 4.9% in euros. The external debt in Colombian pesos was primarily linked to bonds issued in international markets, along with loans contracted by Bogotá with commercial banks and Barranquilla with the French Development Agency, which were converted into pesos. In terms of interest rates, 73.3% of the external debt was contracted at a fixed rate, and the remaining 26.7% at a variable rate.

The external debt of departments and capital cities represented 1.05% of Colombia's total public external debt. Only one department, Antioquia, and three capital cities—Bogotá, Barranquilla, and Medellín—had outstanding external debt. Antioquia held a balance of USD 60.41 million, while the capital cities were indebted as follows: Bogotá (USD 611.13 million), Barranquilla (USD 367.51 million), and Medellín (USD 125.00 million).

Regarding creditors, 39.7% of this external debt was contracted with commercial banks, 36.0% with external government agencies, 13.0% through bond issuances, and the remaining 11.4% with multilateral agencies and development banks. The principal creditors were the French government (USD 416.45 million), BBVA Spain (USD 218.03 million), the International Finance Corporation (USD 143.56 million), and bondholders (USD 151.38 million).

During 2023, Bogotá and Barranquilla both secured new external loans from the French Development Agency. Barranquilla contracted two loans totaling EUR 50 million over 12 years to finance projects under the "Soy Barranquilla" Development Plan. Similarly, Bogotá secured a loan of EUR 150 million over 12 years, with funds earmarked for projects related to gender equality and climate change under the District Development Plan.[7]

Lenders and types of instruments: Municipal governments rely on several internal financing sources, including the national bond market, bank loans, and public financial institutions (INFIS)[8]. Findeter, Colombia's development bank, began directly lending to municipalities and departments in 2019. In 2023, 67.7% of departments and capital cities debt came from financial institutions, 16.9% from bond issuances, and 11.5% from direct loans from Findeter.

At the close of 2023, Bogotá, Barranquilla, Medellín, and Cundinamarca had ongoing bond issues, with Bogotá leading with a balance of COP 3.7 trillion.

As mentioned, Findeter became a key lender for municipal governments: while in 2019, the balance of loans granted by this entity amounted to COP 42.63 million, by 2023, it had reached COP 3.04 trillion. The provision of direct loans by Findeter emerged as one of the mechanisms implemented to address the crisis caused by the pandemic, establishing several credit lines such as the *Compromiso Reactivación Colombia* line. These credit lines were strengthened in 2022 and 2023, allowing 13 departments, 11 capital cities, and 40 non-capital municipalities to access these resources.

Of the loans received from public entities, COP 961.93 billion corresponded to credits granted by INFIS, of which COP 670.10 billion were allocated to non-capital municipalities. Among these lenders, the Institute for the Development of Antioquia (IDEA) handled 80.9% of the operations, the Financial Institute of Valle (Infivalle) accounted for 9.4%, the Financial Institute of Caldas (Inficaldas) for 3.3%, the Development Institute of Santander (Idesan) for 2.1%, and the remaining INFIS contributed 4.3%.

Domestic bond issuances: In recent years, municipal governments have issued bonds in the local capital market, accounting for more than 10% of total local bond issues in 2019 and 2021. The use of UVR-denominated bonds has broadened the investor base. Additionally, Bogotá issued social bonds to fund education.

Use of Special Purpose Entities and Public-Private Partnerships: In Colombia, Public-Private Partnerships (APPs or PPPs) play a crucial role in the financing and management of infrastructure projects, particularly at the municipal level. These partnerships are governed by Law 1508 of 2012, which provides a framework to encourage private sector participation in infrastructure projects. The law is aimed at mobilizing private capital to bridge the public financing gap, especially for large-scale projects in sectors such as transportation, health, and education. Local governments (departments and municipalities) can participate in PPPs to promote development in their regions, but the scale of their involvement varies widely. Both national or municipal governments require authorization from national authorities. Specifically, the National Planning Department conducts a value-for-money analysis (using a public-private comparator), while the Ministry of Finance and Public Credit must review and approve the assessment of contingent liabilities, which are evaluated by state entities as part of the PPP development process. This procedure follows the guidelines set by Law No. 448 of 1998.

Some notable projects include infrastructure ventures in road maintenance, healthcare, and education. However, despite these efforts, the overall level of private sector investment in Colombian infrastructure remains low compared to regional neighbors like Chile and Brazil. The share of private investment in Colombian infrastructure is around 0.03% of GDP, whereas Brazil and Chile see significantly higher percentages, at 0.15% and 0.14%, respectively.[9]

The Colombian national government has financial exposure through direct ownership of 14 institutions, as well as indirect involvement at the municipal level via various funds. Many of these entities, classified as Special Official Institutions (Instituciones Oficiales Especiales), are designed to serve specific policy goals, such as second-tier public development banks or special funds. Supervision of these public financial institutions adheres to the same regulatory standards applied to the private sector, subjecting them to similar constraints. However, certain institutions, like Fiduprevisora, which manages public sector funds such as FOMAG, the National Disaster Risk Management Fund (FNGDR), and contingency funds, carry heightened risks and are closely tied to public finances. These entities may require more detailed scrutiny during fiscal risk assessments.[10]

Box 1: Using Findeter credit lines

Findeter (Financiera de Desarrollo Territorial S.A.) has traditionally functioned as a second-tier financial institution, offering subsidized loans to domestic commercial banks. These banks then extend credit to local entities for infrastructure development. This model has allowed Findeter to efficiently distribute funds while delegating the management of municipal borrower credit risk to commercial banks.

Through Article 1 of Decree 468 of 2020, Findeter was authorized to provide direct loans to municipal entities at subsidized rates. These loans were designed to support sectors affected by the pandemic and aid economic recovery, with its "Compromiso Colombia" loan line granting direct loans to municipalities and departments. By 2021, the balance of loans from departments and municipalities to Findeter had risen significantly, from COP 128,136 million in 2020 to COP 975,679 million. In response to COVID-19, Findeter introduced 12 special credit lines with long maturities (up to 7 years) and grace periods (up to 2 years for working capital loans). These lines primarily focused on working capital but also allowed for debt substitution and infrastructure investments. About 56% of the funds were allocated to utility and transport companies and municipalities for infrastructure projects at highly favorable conditions, such as zero-interest loans to utility companies. However, some lines, particularly for utilities and transport companies, were underutilized due to continued bill payments and limited borrowing capacity. In contrast, direct credit lines to municipalities were quickly disbursed and required increases. Overall, only 5 out of the 12 lines disbursed more than 50% of their allocated funds, highlighting the variation in demand and capacity to utilize these loans effectively.

Despite this expansion into direct lending, Findeter continues to support commercial banks by providing discounted loans, maintaining its role as a second-tier lender.

Transparency & open data: In 2003, Colombia enacted the Fiscal Transparency and Responsibility Law (Law 819), which significantly enhanced the coordination and presentation of fiscal data across different levels of government. This law requires both the national and municipal governments to submit an annual Medium-Term Fiscal Framework (MFMP), a critical tool for macro-fiscal planning. The MFMP outlines a consistent 10-year macroeconomic strategy, including multi-year primary balance targets designed to ensure fiscal sustainability. During this period, the government also introduced stricter controls on the spending and borrowing of municipal governments. In 2011, the concept of “fiscal sustainability” was formally integrated into the Constitution, further emphasizing long-term financial responsibility at all government levels.

Since the financial crisis, Colombia has significantly improved the monitoring and oversight of municipal governments. The national government now submits an annual report to Congress on municipal governments financial viability, which is also published online, including indicators and budget execution data. Additionally, the Ministry of Finance monitors the fiscal performance of approximately 80% of municipal governments on a quarterly basis, though this data is not yet publicly available. The implementation of stricter fiscal controls, including the "Traffic Light Law" (Law 358 of 1997), has helped regulate borrowing by municipal governments based on their debt-to-payment capacity. Municipal governments in the "red-light" category are prohibited from borrowing, while those in the "green-light" category can borrow within set limits. Law 795 of 2003 later simplified the rating process, and larger municipalities are now required to obtain satisfactory credit ratings before borrowing.[11]

Official, publicly available statistics on liabilities and borrowing				
Item	***Total liabilities***	***Total liabilities breakdown by level of government***	***Sources of borrowing breakdown***	***Borrowing instruments breakdown***
Official source(s)	Statistics SA; National Treasury	National Treasury	Statistics SA; National Treasury	Statistics SA; National Treasury
Latest update (periodicity)	2024, (annual)	2024, (annual)	2024, (annual)	2024, (annual)

Financial and debt management: Municipal governments in Colombia have seen a modest increase in revenue relative to GDP, with municipal tax revenues growing by only one percentage point between 2000 and 2023. In 2019, tax revenues stood at 3.4% of GDP, but by 2023, this had slightly decreased to 3.3%, largely due to the impact of the pandemic. Due to their limited ability to generate tax revenue, municipal governments in Colombia rely heavily on national resource-sharing systems, particularly the *Sistema General de Participación* (SGP) and *Sistema General de Regalías* (SGR). These systems together transfer around 10% of the country's GDP to subnational governments. The SGR draws its funding from revenues derived from oil and other natural resources.[12] The heavy reliance on transfers persists, with 45.8% of municipal current revenues coming from central government transfers, compared to 36.9% of own revenues. Smaller municipalities are particularly dependent on transfers, with up to 71.3% of their revenues coming from this source.

On the expenditure side, municipal governments in 2023 allocated 83.8% of their budgets to investment, 12.6% to operational costs, and 3.6% to debt servicing. Investment is primarily directed toward constitutionally mandated sectors like health and education. However, the pandemic strained fiscal balances, leading to temporary cuts in expenditures and increased reliance on central transfers and borrowing.

Debt levels have risen significantly since 2019. The debt-to-GDP ratio for municipal governments increased from 1.0 in 2019 to 1.5% by 2023, with total debt reaching COP 23.6 trillion (USD 5.5 billion). Internal debt made up 85.6% of this figure, and cities like Bogotá and Barranquilla accounted for a substantial portion of the increase. The pandemic also prompted the temporary relaxation of borrowing rules, enabling local governments to raise additional debt to cover budget shortfalls, particularly for capital investments.[13]

Subnational government finances: key ratios (2019)				
Level of government	***Total reported liabilities, % of total revenue***	***Borrowing (loans & bonds), % of total reported liabilities***	***Debt service, % of total expenditures***	***Operating surplus (deficit), % of total revenue***
Local (**municipalities**)	19%	100%	3.6%	-4.5%
All sub-national governments (**department, municipalities**)	18%	100%	3.6%	-5.4%

Source: World Bank Group City Creditworthiness Initiative – Local Government Borrowing Database

Main legal provisions	
Approved lenders:	Domestic, foreign, international financial institutions (Public banks, development banks, commercial banks, etc.)
Instruments:	Loans and bonds
Central govt guarantee:	The national government is restricted from guaranteeing domestic debt for municipal governments but may provide guarantees for external debt under strict conditions.
Revenue intercept(pledge) of government transfers:	There are no regulations concerning Central government revenue intercepts.
Insolvency framework:	Colombia's municipal government insolvency regime is shaped by Law 550 of 1999 and Law 1116 of 2006.
Accounting basis:	Accrual
Credit rating requirements for borrowing:	None found
Debt capacity limit:	Total debt must not exceed 100% of a municipal government's current income, which includes revenue from taxes, fees, and transfers.
Debt service limit:	Debt interest payments must not exceed 60% of a municipal government's operational savings. Operational savings refer to the portion of revenues remaining after covering operating expenses.
Reporting of contingent liabilities:	In 2003 Law 819 established that contingent liabilities of central and sub-national governments had to be included in the Medium-Term Fiscal Framework (MTFF) presented annually to Economic Commissions of Congress.

Significant legal and regulatory instruments	
Constitution (1991)	The 1991 Constitution enhanced local autonomy and created a more equitable distribution of resources. The Constitution transferred several functions, including education, health, and infrastructure, to municipal governments and allowed them to manage their own tax revenues while receiving central government transfers.
Law 358 (1997)	Law 358, also known as the Traffic Light Law, was the first significant intervention to regulate municipal borrowing. It established the definition of ability to pay by introducing two key indicators: a payment capacity indicator and a sustainability indicator.
Law 550 (1999)	Law 550 provides an expedited process for restructuring the debt of public entities, including municipal governments (like municipalities). This law allows these entities to renegotiate their debt with creditors to maintain financial stability and continue providing public services.
Law 617 (2000)	Law 617 or Spending Rationalization Law, set limits on operating expenses relative to current revenues, aiming to align expenditures with revenue-generating capacity. This law imposed quantitative restrictions on spending for different categories of municipal governments, ensuring that their operational expenses did not surpass defined thresholds.
Law 819 (2003)	Law 819 or Fiscal Responsibility Law introduced the Medium-Term Fiscal Framework (MFMP**)**, requiring municipal entities to submit annual fiscal plans and primary surplus targets. It also strengthened controls on borrowing by imposing stricter requirements for risk assessments and prudent management of temporary surpluses
Law 2155 (2021)	Law 2155 made some permanent changes to borrowing limits. It raised the sustainability indicator from 80% to 100% for investment projects

	and increased the payment capacity indicator to 60%. The Law also distinguished between autonomous and critical borrowing instances.

Organizational roles and responsibilities: debt	
National govt. regulatory & process	
Ministry of Finance	Borrowing is closely monitored by the Ministry of Finance, with more stringent oversight for entities with high debt levels or seeking external credit. MoF can also offer a guarantee for external debt of municipal governments.
Departamento Nacional de Planeación (DNP)	The National Planning Department (DNP), through its Directorate of Finance and Public Investment, is responsible for overseeing and coordinating national public investment programming, modifications, and follow-up. This includes managing the distribution of funds from the General System of Royalties and the General System of Participations. Additionally, it is tasked with prioritizing investment projects that may qualify for external financing and ensuring that national investment expenditure data is reported according to legal, regulatory, and technical standards.
Main lenders	
Findeter	Through Article 1 of Decree 468 of 2020, Findeter was authorized to provide direct loans to municipal entities at subsidized rates. Findeter became a key lender for municipal governments and by 2023 the balance of loans granted to municipal governments had reached COP 3.04 trillion.
Bonds	In recent years, municipal governments have issued bonds in the local capital market, accounting for more than 10% of total local bond issues in 2019 and 2021. In 2022 bonds represented over 20% of departments and capital cities' total share of internal debt.
Commercial banks	In 2022, domestic commercial banks were the largest lenders to departments and capital cities with over 57% of total share of internal debt.
INFIS (*Institutos de Fomento y Desarrollo Regional*)	INFIS are public financial institutions and in 2022 accounted for less than 1% of total internal debt of Departments and Capital cities

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Notes

[1] CPI adjusted numbers with 2016 as base year: www.worldbank.org/en/research/brief/inflation-database

[2] External debt is defined as any debt entered into by public entities with non-residents of Colombia and/or those that are agreed upon in foreign currency

[3] Aggregate data on internal and external debt is only available for department and capital cities and we defined it as subnational

[4] Municipalities can adjust rates for the Industry and Commerce Tax (ICA) and the Property Tax (Impuesto Predial) within specified limits.

[5] Contraloría General De La República. 2024

[6] World bank, Local Government borrowing Database, 2023

[7] Contraloría General De La República. 2024

[8] Institutos Financieros de Fomento y Desarrollo

[9] ICP, 2012

[10] IMF, 2018

[11] IMF, 2018

[12] IMF, 2018

[13] Contraloría General De La República. 2024