

2021 Resource Governance Index Colombia

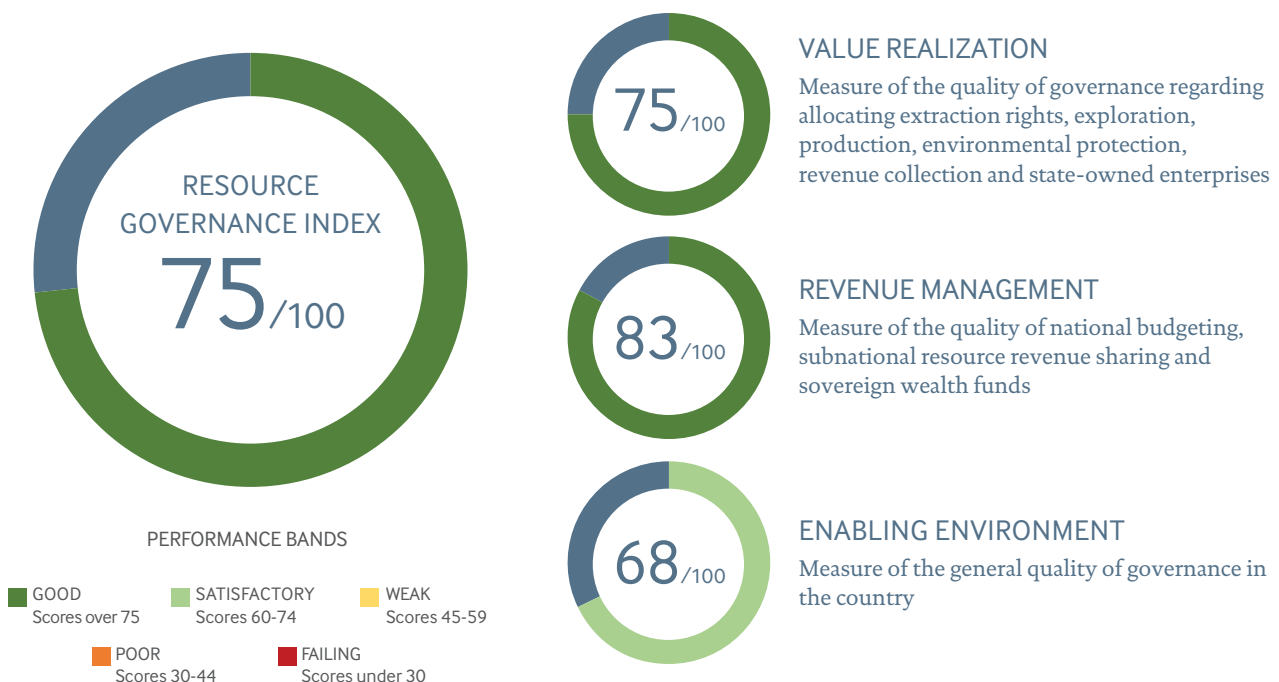


Colombia's mining sector scored 75 out of 100 points in the 2021 Resource Governance Index (RGI), placing it in the "good" performance band. The assessment, which focused on gold mining, shows an increase of 6 points since the 2017 RGI.

The scores for the components and subcomponents in the 2021 RGI for the mining sector in Colombia range from "good" to "satisfactory." Revenue management received the highest score with 83 points. Important gains were also made in value realization, which jumped from 59 points in the 2017 RGI to 75 in the 2021 assessment. Nonetheless, work is still needed in terms of licensing and compliance with standards to mitigate local impacts.

- Colombia improved its governance of licensing due to the development and implementation of the online ANNA Minería platform by the National Mining Agency (*Agencia Nacional de Minería, ANM*).
- On local impact, the regulation of environmental impact assessments has progressed under the National Environmental Licensing Authority (*Autoridad Nacional de Licencias Ambientales, ANLA*), as well as the environmental license procurement process through the VITAL platform. However, it is not yet possible to consult licenses online.
- In terms of transparency, there has been no progress in the compulsory disclosure of tax and royalty payments or of information on companies' beneficial owners, which are standard transparency requirements as part of the Extractive Industries Transparency Initiative (EITI).

Colombia mining: 2021 Resource Governance Index and component scores



2021

Resource Governance Index

RESOURCE GOVERNANCE INDEX RESULTS SUMMARY

The 2021 RGI for the Colombian mining sector shows positive steps. The sector reached a total score of 75 out of 100, a six-point improvement from the 2017 RGI (69 points). These gains are mainly due to improvements in the mining licensing procedure and in the legal framework and enforcement of environmental licenses.

It should be noted that the 2021 RGI exclusively assessed Colombia's gold mining sector, given its importance in the country and the large number of licenses in place. [Mining for gold and precious metals accounts for 37 percent of the total of 7.7 billion USD in mining exports during the year 2020 \(while coal represented 54 percent\).](#)

Colombia mining sector 2017 and 2021 Resource Governance Index scores

	2017 RGI score	2021 RGI score	Trend
RGI COMPOSITE SCORE	69	75	6
VALUE REALIZATION	59	75	16
Licensing	59	69	10
Taxation	73	78	5
Local impact	46	79	33
State-owned enterprises	-	-	-
REVENUE MANAGEMENT	82	83	1
National budgeting	75	95	20
Subnational resource revenue sharing	70	78	8
Sovereign wealth funds	100	75	-25
ENABLING ENVIRONMENT	67	68	1
Voice and accountability	72	77	5
Government effectiveness	72	76	4
Regulatory quality	83	87	4
Rule of law	71	67	-4
Control of corruption	74	73	-1
Political stability and absence of violence	20	30	10
Open data	81	69	-12
LAW	78	84	6
PRACTICE	66	77	11
GAP (PRACTICE LESS LAW)	-12	-7	5

VALUE REALIZATION

The governance of the granting of mining licenses has improved, although weaknesses persist in managing local impacts

The greatest strides were around value realization. Important changes were made by the National Mining Agency for mining licenses, specifically in the process of requesting licenses and disseminating information through the [ANNA Minería platform](#). This platform is used to submit requests for mining titles that can be submitted online and to verify available areas through a geo-referenced database, thus streamlining requests and assessment for approval.

As an EITI implementing country, Colombia has periodically submitted annual reports for the past six years. Nonetheless, there is no significant progress on the establishment of a standard to require the disclosure of information on taxes and royalties paid by extractive companies. Legislation to clarify information on beneficial ownership - that is, the individual owners of the extractive companies - is also pending.

On the governance of local impacts, the government made important progress towards the development of norms and standards, as well as the enforcement of regulations around environmental impact assessments and mitigation plans. ANLA has developed and launched the VITAL virtual platform to facilitate the submission of environmental licensing information. Nonetheless, the online consultation module, which would allow users to directly access information, is still not active. Environmental impact assessments and mitigation plans are as a result only available through written requests.

As for mine closures, community compensation and resettlement, no specific normative framework was found, and no regulations were identified in sector-specific government entities to establish and share the appropriate procedures for closure planning, compensation and resettlement. A clear example of this shortcoming is the inability to access the compensation and resettlement plans that mining companies must submit when required by environmental impact assessments. This information is not available on the ANLA portal or through the VITAL platform.

A detailed normative framework for mine closure is urgently needed, given the [significant local impacts](#) of gold mining, including alluvial mining practices that tend to be done in small-scale or localized artisanal operations. The dynamics of these operations make ensuring appropriate closure of operations difficult. The lack of specific legislation for resettlement and appropriate environmental liability management for gold and coal mining is also problematic.

REVENUE MANAGEMENT

Solid transparency practices and access to information, except for minor deteriorations by the Savings and Stabilization Fund

In terms of revenue management, the governance of the mining sector has maintained its good performance with 83 points, thanks to robust transparency systems and solid practices for access to information implemented through reforms in 2012. These systems are linked to different platforms connected to the [General Royalties System](#), including the Royalties Map, Gesproy, Sicodis, and others.

An area of concern in terms of royalty management is the lack of annual reports from the Savings and Stabilization Fund (FAE) according to this latest assessment. In years prior to the 2021 RGI, annual reports outlined the flow of the fund's deposits and withdrawals, and detailed the investments and yields. At the time of this assessment period (2019 - 2020), only quarterly and monthly reports were accessible. Although the importance of the FAE has diminished due to the reforms in the general royalties' system in 2020, the fund still administers significant resources for local territories, for which access to detailed information is necessary.

Lastly, Colombia's governance conditions received a score of 68 points. The most critical subcomponent is related to political stability and an absence of violence. The score (30 points) for this component is due to ongoing armed conflict and numerous [killings of social movement leaders](#).

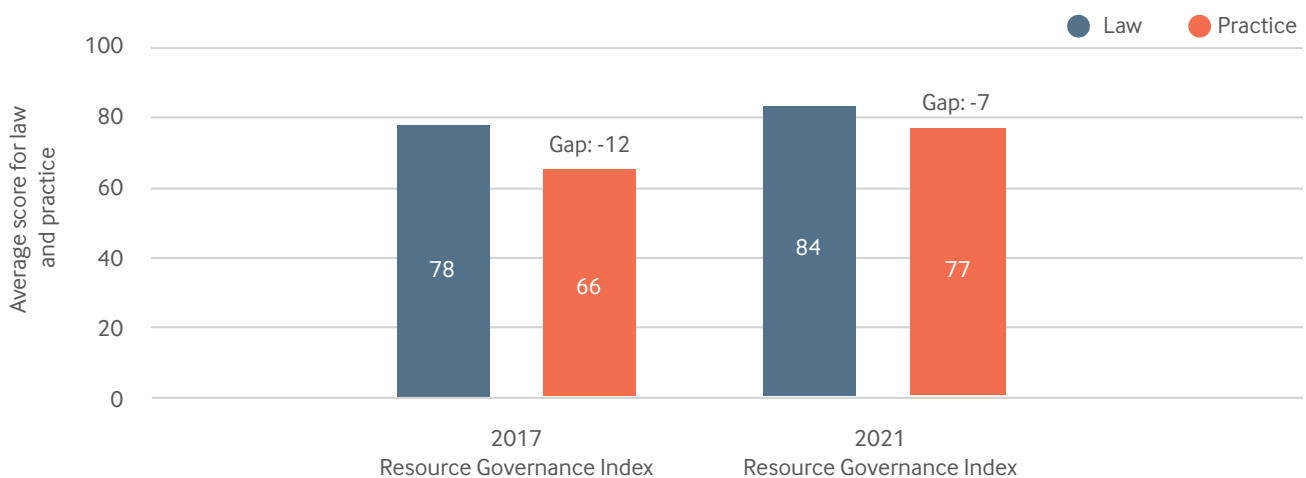
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LAW AND PRACTICE SCORES

Weaknesses exist in the implementation of regulations for mine closure, compensation, and resettlement

The implementation gap in Colombia's enforcement of its legislation has shrunk to 7 points (compared to a 12-point gap in the 2017 RGI), although a gap persists. The greatest change since the 2017 assessment is the implementation of the regulatory framework on local impacts related to mine closure and resettlement, where the normative framework received a good score of 88 while the implementation scored only a satisfactory 67 points.

Evolution of the gap between law and practice in Colombia's mining sector



PILOT QUESTIONS

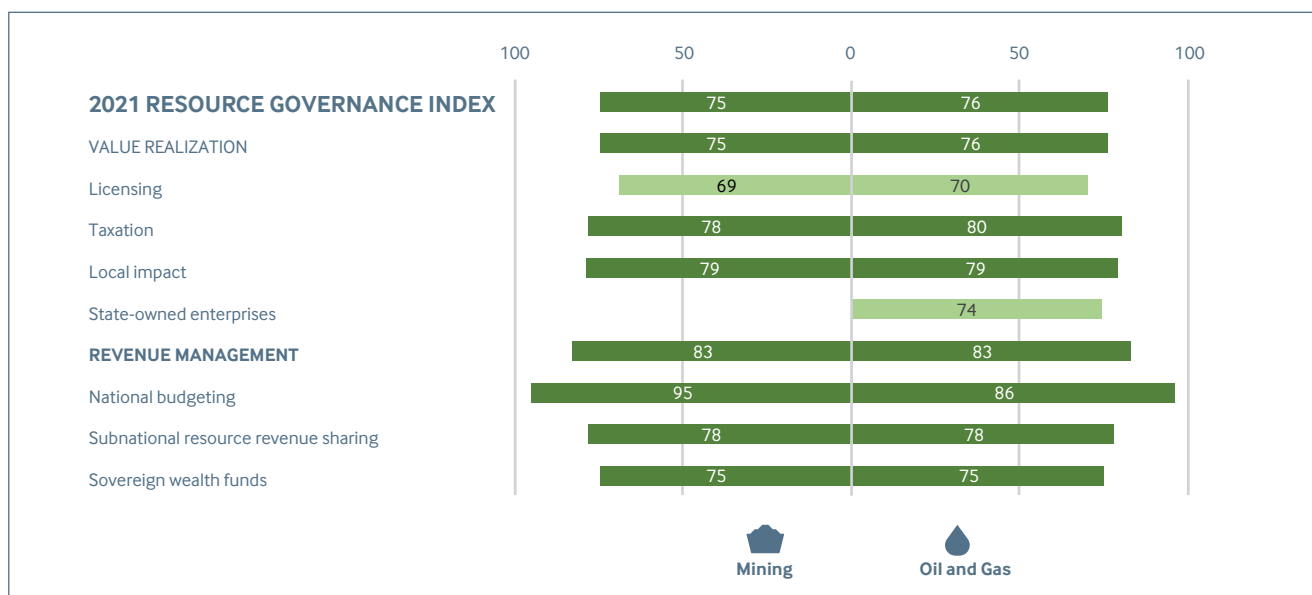
New questions in the RGI questionnaire, which are not included in the calculation of the score, revealed interesting provisions on local economic linkages—that is the relationships between different sectors of the economy, where operations in one sector help to grow another—around the mining industry in Colombia. Specifically, the mining code has provisions to support the development of local vendors and employment. The mining development plan, valid until 2025 and drafted by the Mining Energy Planning Unit (*Unidad de Planeación Minero Energética, UPME*), describes the importance of forward and backward linkages. However, no statistics were found on the progress of the development of local vendors and employment.

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COMPARISON OF THE MINING AND OIL AND GAS SECTORS

In addition to the mining sector, NRGi assessed Colombia's oil and gas sector. Since the 2017 RGI, both the mining and the oil and gas sectors have made positive strides, with similar scores (75 and 76 respectively), placing them in the "good" performance band. This reflects progress made in the development and implementation of both sectors' regulatory frameworks.

Comparison between Colombia's mining and oil and gas sectors in the 2021 Resource Governance Index



RECOMMENDATIONS



Given the importance of gold mining in Colombia, NRGi recommends the following courses of action to further advance good governance:

- 1. The Congress of the Republic of Colombia** should pass legislation on real beneficial ownership and on the mandatory and non-voluntary disclosure of payments made to the state by all mining companies. Both of these are EITI Standard requirements, of which Colombia is an implementing country.
- 2. The National Environmental Licensing Authority** should enable the VITAL platform to allow online access to environmental impact assessments, mitigation plans, and others, to ensure effective disclosure of environmental licensing.
- 3. The Ministry of the Treasury** should publish the annual reports of the Savings and Stabilization Fund. Although this isn't stipulated in the regulatory framework for the sovereign wealth fund, ensuring access to annual reports including information on deposits and withdrawals, as well as a detailed breakdown of investments and their yields, would constitute best practice.
- 4. The Vice-Ministry of Mines and the National Mining Agency** should promote the development and implementation of a regulatory framework for mine closures as well as operational issues such as compensation and resettlement.
- 5. The Colombian Government** can make strides toward consolidating benefits in mining territories by strengthening forward and backward linkages. Sector-specific government entities should regulate local content legislation and monitor progress in mining companies' efforts to develop local suppliers and vendors and provide local employment.

What is the Resource Governance Index?

The 2021 RGI assesses how 18 resource-rich countries govern their oil, gas and mineral wealth. The index composite score is made up of three components. Two measure key characteristics of the extractives sector – value realization and revenue management – and a third captures the broader context of governance — the enabling environment. These three overarching dimensions of governance consist of 14 subcomponents, which comprise 51 indicators, which are calculated by aggregating 136 questions.

Independent researchers, overseen by NRGi, in each of the 18 countries completed a questionnaire to gather primary data on value realization and revenue management. For the third component, the RGI draws on external data from over 20 international organizations. The assessment covers the period 2019-2020. For more information on the index and how it was constructed, review the RGI Method Paper.