



IMPACT STORY
OCTOBER 2018

EITI in Colombia: Building trust in a challenging post-conflict environment

STORY HIGHLIGHTS

Colombia is the first country in the Americas to achieve 'satisfactory progress' in the EITI process. ■

The World Bank supported EITI implementation in Colombia with \$800,000. ■

Going forward, Colombia will extend EITI implementation to the sub-national level. ■

The relevance of extractives

Extractive industries play a significant role in Colombia's economy, accounting for 7% of the country's GDP, half of its exports, and contributing on average more than \$5 billion (9%) every year to the budget through taxes and royalties. The sector's

contribution as a source of foreign direct investment varies around 21%.

Beyond economic relevance, extractive industries provide new opportunities for significantly improving lives in several regions, including former guerrilla-controlled territories in remote locations.

The context for EITI implementation

Extractive industries in Colombia have faced an evolving and challenging environment. After Colombia joined EITI, low commodity prices had a negative impact on production and fiscal revenues. Also, a new royalty distribution regime came into force, resulting in a switch from automatically channeling royalties to producing regions, to a system of distribution

through several development funds, with complex allocation rules. As royalties account for a third of the industry's contribution to the economy, this has had significant repercussions in the areas of extractives operation.

In addition, illegal mining expanded significantly during the last decade, seriously affecting the reputation of the sector.

“The EITI Board decides that Colombia has made satisfactory progress overall in implementing the EITI Standard. EITI Colombia is well-placed to continue contributing to improved governance of the extractive sector.”

—EITI Board,
June 2018



With little trust in public institutions and environmental damage produced by illegal mining, many in Colombia are keen to focus

on environmental impacts and illegal mining as key priorities.

EITI Board decision

The Colombian government requested early validation of its status to the EITI Board. This was meant to close the previous government's agenda, where transparency was a high priority, before handing affairs to the next government in August 2018. Validation was completed in June 2018 and Colombia became the first country in the Americas to achieve EITI's 'satisfactory progress' status.

Over three years of EITI implementation, Colombia has provided a trusted source of data to inform public debate and expanded the scope of EITI reporting to include a wide range of areas from mineral transport to environmental regulation. Colombia has also established mechanisms for discussing revenue transparency, the sector's contribution to the economy, and the challenges in revenue distribution, social contributions, environmental regulation and illegal mining.

SUSTAINED DONOR SUPPORT: THE WORLD BANK AND EGPS DONORS AS COMMITTED PARTNERS

In 2014, Colombia secured a \$800,000 grant from the EGPS Multi-Donor Trust Fund. Between 2014 and 2018 the grant supported development, publication, and dissemination of three EITI Colombia reports addressing four fiscal years, as well as part of the operational capacity of Colombia's EITI national secretariat. EITI Colombia started with 31 companies in 2014 and has now reached 34 company members. World Bank support will continue with an EGPS grant of \$400,000, approved by the donors in June 2018.



“Our main commitment from now on, is to take this initiative to the communities and empower them to make informed decisions regarding the sector”

—**Carolina Rojas Hayes**
Mining Vice-Minister,
Colombia

A BIG STEP TOWARDS MAINSTREAMING

- The 2016 EITI Report was the first 100% digital report in the EITI organization, published online in December 2017. Data collection was conducted with an online platform, which allows reporting companies and government agencies to input the data directly.
- The online report was publicized through social media (Twitter, Facebook), with #EITIColombia becoming the Twitter trend of the day during the launch.
- A geo-referenced tool allows for browsing information on licenses, production and royalties by municipality and province, by company and by commodity.
- Representatives from the Ministry of the Environment and Sustainable Development were included in the National Multi-Stakeholder Group in 2017 to safeguard environmental interests, going beyond International Standard requirements.
- A quality seal identifies mining and energy companies that are committed to transparency and good practices.

Bringing EITI to the municipalities

EITI Colombia has organized several regional outreach and training events since 2015, including in San Jose Ure (mining community), Neiva (hydrocarbon area), and Medellin (close to a large gold project). EITI Colombia also partnered with civil society to organize workshops in Acacias and Hatonuevo communities to respond to demand for information at the community level. Two additional outreach events were organized in Agua Azul and La Jagua de Ibirico municipalities. In 2017,

four regional workshops were organized in Montelibano, El Bagre and Barrancas (mining) and Barrancabermeja (hydrocarbons). The 2016 EITI Report was also launched in the Montelibano community, which hosts a major ferro-nickel operation.

EITI Colombia has also used its website to reach out to stakeholders. Content includes a five-module EITI capacity building course open to the public, archives of all EITI Reports, videos and news items.

“In countries where a sizable portion of revenues derived from extractives are shared with municipalities, EITI implementation on the local level will add significant value.”

—Sven Renner,
Program Manager
of the World Bank-
EGPS Trust Fund



Challenges going forward

EITI Colombia still faces several challenges in terms of fully implementing the EITI Standard. This includes monitoring reforms, such as strengthening licensing management (including through beneficial ownership disclosure); improving engagement at the regional and community levels; coordinating efforts to expand transparency across government agencies; helping curb illegal mining; and improving compliance with environmental regulations. One of the most important challenges is to establish open and permanent spaces for multi-stakeholder dialogue in some of the key producing municipalities. Based

on the experience gained so far, one of the key premises of the EITI national action plan for Colombia is the need for replicating EITI sub-nationally (in the country's key extraction areas) in order to: improve local government accountability in the use of public funds derived from the extractives sector, particularly with regard to royalties, which frequently contribute significantly to local finances. At the same time, a constructive, meaningful dialogue and engagement between government, civil society, and the private sector will lay the foundation for trust on the local level.

EGPS

The Extractives Global Programmatic Support (EGPS) is a multi-donor trust fund established by the World Bank's Energy and Extractives Global Practice. EGPS supports resource-rich developing countries to use their oil, gas and mineral resources sustainably and transparently to reduce poverty and boost sustainable economic growth. It is funded by Australia, Belgium, Canada, European Union, Finland, Germany, the Netherlands, Norway, Switzerland, and the United Kingdom.



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