

# Colombia



The Resource Governance Index (RGI) measures the quality of governance in the oil, gas and mining sector of 58 countries. Learn more and explore findings at [www.revenuewatch.org/rgi](http://www.revenuewatch.org/rgi).

## Background

The extractive sector accounted for 69 percent of Columbia's exports in 2011. The petroleum industry is particularly important; it generated 4 percent of total government revenue in 2011 and is the focus of this assessment. However, over the last decade interest in Columbia's coal, nickel, gold, and other mineral resources has grown. Tax incentives and market reforms have created attractive conditions for foreign direct investment and a number of multinational extractive companies recently began operations in Colombia.

Colombia	2000	2005	2011
Population (million)	39.76	43.04	46.93
GDP (constant 2011 international \$ billion)	127.5	165.9	333.4
GDP per capita, PPP (constant 2005 international \$)	6,619	7,305	8,860
Oil and gas revenue (% total government revenue)	...	3%	4%
Extractive exports (% total exports)	44%	42%	69%

SOURCES: Oil and gas revenue as share of total government revenue from the Economist Intelligence Unit and the International Monetary Fund. All other data from the World Bank. Oil and gas revenues 2005 data from 2006.

## Colombia's Performance on the RGI

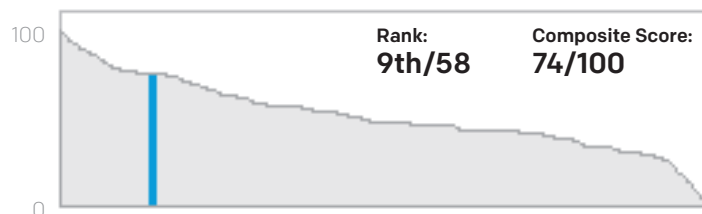
Colombia received a "satisfactory" score of 74, ranking 9th out of 58 countries. Excellent performance on the Safeguards and Quality Controls component contrasted with a lower Enabling Environment score.

### Institutional and Legal Setting

(Rank: 17th/58 Score: 75/100)

While critical gaps in public access to information remain, Columbia's comprehensive legal framework and independent licensing process earned it a "satisfactory" score of 75.

The National Hydrocarbons Agency (ANH) grants extractive rights following direct negotiations or open bidding. A 2003 hydrocarbons law replaced production-sharing agreements with a concession system in which companies pay the government taxes and royalties in exchange for extractive rights. The Customs and Tax Authority collects taxes while the ANH collects non-tax revenues and regulates the oil sector. Royalties go into a special account at the Finance Ministry and do not enter the national treasury.



Environmental and, in some cases, social impact assessments are required before projects begin. The results are published, but the consultation process does not always address the concerns of affected communities. Colombian law includes several provisions designed to improve public access to information, some of them specific to the extractive sector, but there is no equivalent of a Freedom of Information Act.

### Reporting Practices

(Rank: 11th/58 Score: 73/100)

Colombia received a "satisfactory" score of 73. The government publishes comprehensive data on production volumes, exploration, and the licensing process, but disclosure of contract terms and revenues is incomplete.

The ANH annually publishes signed contracts with oil companies. The contracts are not particularly detailed and confidentiality clauses protect technical information from public disclosure.

The Finance Ministry publishes some information on royalty policies and on dividends from Ecopetrol, the national oil company, but no other revenue figures. The Mining and Energy Ministry publishes data on reserves, investment, royalties, and production data by company. The ANH provides information on reserves, production volumes, investment, operating companies, royalties, and taxes. The Central Bank publishes the amount of resource exports and foreign direct investment, as well as historical information on production-sharing contracts.

### Safeguards and Quality Controls

(Rank: 3rd/58 Score: 91/100)

Colombia earned a "satisfactory" score of 91, its highest on any component, due in part to extensive audit requirements and new conflict-of-interest disclosure policies.

Extractive sector laws limit the discretion of licensing officials, and their decisions may be appealed. Oil revenues are reviewed by the ANH's internal auditor and national audit agencies; their reports are published and presented to lawmakers. A legislative commission is responsible for monitoring the extractive sector, but its oversight capabilities are weak.

### Enabling Environment

(Rank: 14th/58 Score: 58/100)

Colombia received a "partial" score of 58, reflecting fair performance on indicators of budgetary openness and poorer rankings on corruption control and the rule of law.

## State-Owned Companies

(Rank: 6th/45 Score: 88/100)

Before the legislative reforms of 2003, all petroleum companies operating in Colombia were required to partner with Ecopetrol. A few such production-sharing contracts remain, but Ecopetrol now competes with private companies for concessions. The company remains the largest oil producer in the country, but is no longer entirely government-owned.

Since its restructuring in 2003, Ecopetrol has improved transparency standards. General financial data are available and properly audited, but information on the remaining production-sharing contracts and joint ventures is incomplete.

## Natural Resource Fund

In 1995 the government created a Savings and Stabilization Fund financed by royalty payments from oil-producing regions. The fund was used to pay off public debt and no longer exists.

## Subnational Transfers

(Rank: 10th/30 Score: 78/100)

The distribution of royalties to oil-producing regions has been controversial; corruption scandals led to legislative changes in 2011. New law reduces the share of resource revenues allotted to regional and municipal governments and imposes more conditions on transfers. The rules governing transfers are published, as are quarterly reports of disbursements.

## Colombia's Composite, Component and Indicator Scores

Rank (out of 58)		Score (out of 100)
<b>9</b>	<b>COMPOSITE SCORE</b>	<b>74</b>
<b>17</b>	<b>Institutional and Legal Setting</b>	<b>75</b>
	Freedom of information law	33
	Comprehensive sector legislation	100
	EITI participation	33
	Independent licensing process	100
	Environmental and social impact assessments required	100
	Clarity in revenue collection	67
	Comprehensive public sector balance	44
	SOC financial reports required	100
	Fund rules defined in law	..
	Subnational transfer rules defined in law	100
<b>11</b>	<b>Reporting Practices</b>	<b>73</b>
	Licensing process	100
	Contracts	33
	Environmental and social impact assessments	100
	Exploration data	100
	Production volumes	100
	Production value	67
	Primary sources of revenue	50
	Secondary sources of revenue	33
	Subsidies	..
	Operating company names	100
	Comprehensive SOC reports	50
	SOC production data	100
	SOC revenue data	38
	SOC quasi fiscal activities	..
	SOC board of directors	100
	Fund rules	..

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	..
	Subnational transfer rules	100
	Comprehensive subnational transfer reports	100
	Subnational reporting of transfers	0
<b>3</b>	<b>Safeguards and Quality Controls</b>	<b>91</b>
	Checks on licensing process	89
	Checks on budgetary process	89
	Quality of government reports	67
	Government disclosure of conflicts of interest	100
	Quality of SOC reports	100
	SOC reports audited	100
	SOC use of international accounting standards	100
	SOC disclosure of conflicts of interest	100
	Quality of fund reports	..
	Fund reports audited	..
	Government follows fund rules	..
	Checks on fund spending	..
	Fund disclosure of conflicts of interest	..
	Quality of subnational transfer reports	67
	Government follows subnational transfer rules	100
<b>14</b>	<b>Enabling Environment</b>	<b>58</b>
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	50
	Open Budget (IBP Index)	80
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	54
	Government effectiveness (WGI)	61
	Rule of law (WGI)	45

<span style="color: green;">■</span>	Satisfactory	<span style="color: orange;">■</span>	Weak
<span style="color: yellow;">■</span>	Partial	<span style="color: red;">■</span>	Failing