

Prospectors & Developers Association of Canada (PDAC)

World Bank Group Session

**“Recent Developments in Mining and Sustainable Development
in Latin America”**

**(Colombia: A Mining Sector in Transition –
Perspective from de Private Sector)**

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Large Scale Mining Sector Association (LSMS)

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Sector de la Minería a Gran Escala ^{MGE}



✦ The mining sector is an important economic agent in Colombia

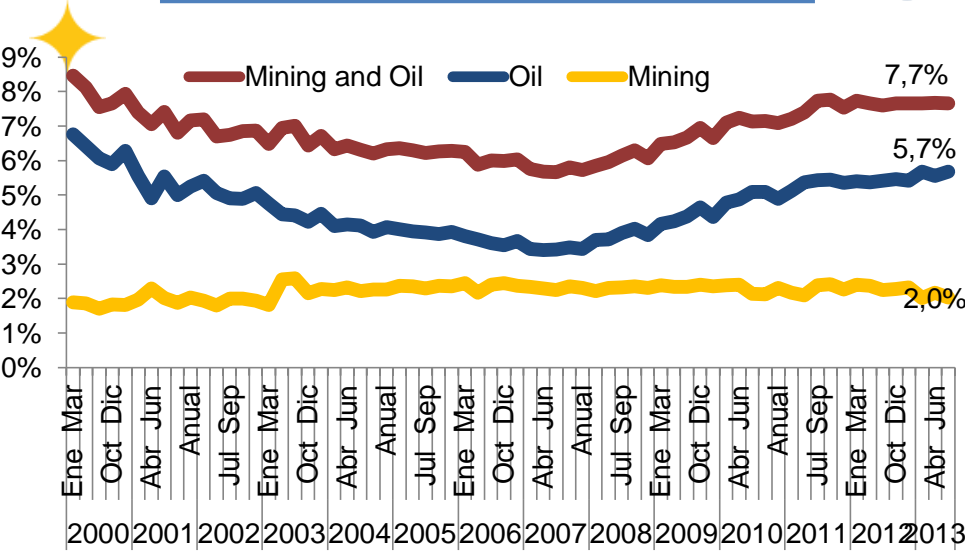
Macroeconomic Contributions (2013)

Sector de la

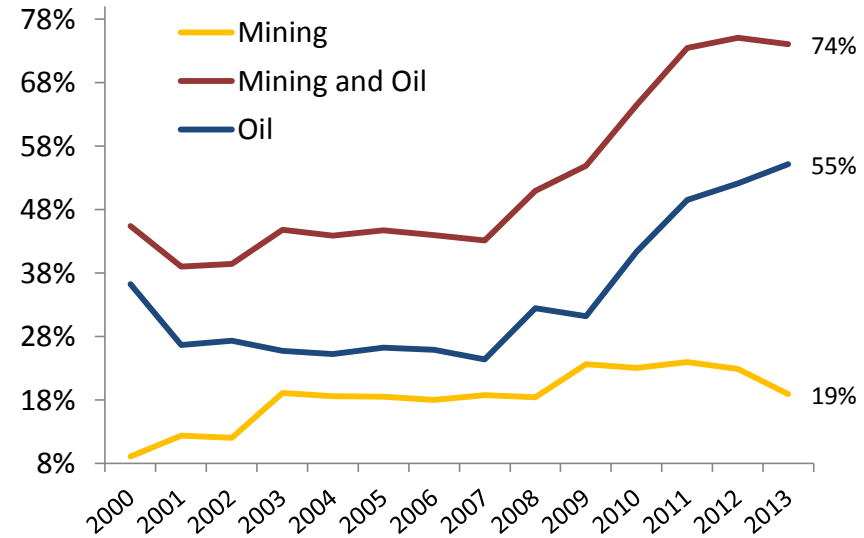
Minería a Gran Escala MGE

2% GDP (QIII 2013)

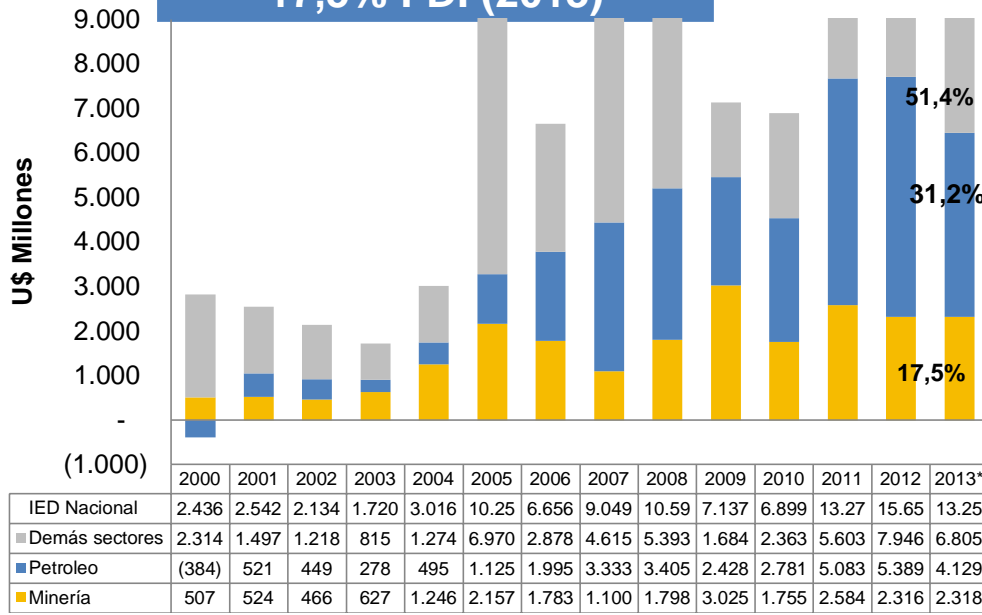
2020:
3.6%



19% Exports



17,5% FDI (2013)



14,8% Royalties expected **

	2013	Participation
	(USD billions)	
Hydrocarbons	4,4	85,15%
Coal	0,6	12,31%
Precious Metals	0,1	1,54%
Nickel	0,1	1,00%
Mining	0,8	14,85%
Total	5,2	100,00%

Biannual Budget Act
2013: 9,1
2014: 8,6

Source : Dane; BR, SMGE and Ecopetrol, computation SMGE

*2013 is IQ-IIIQ

** Expected and projection

✦ But Colombia is not
a mining country

The Colombian mining on the world

Colombia is not a major producer of minerals other than emeralds

Producers	Production <u>2012</u>	Percentage of world production *
Carbón	89,2 MTn	1,1%
Níquel	52.000 Tn	2,48%
Oro	66,2 Tn	2,45%

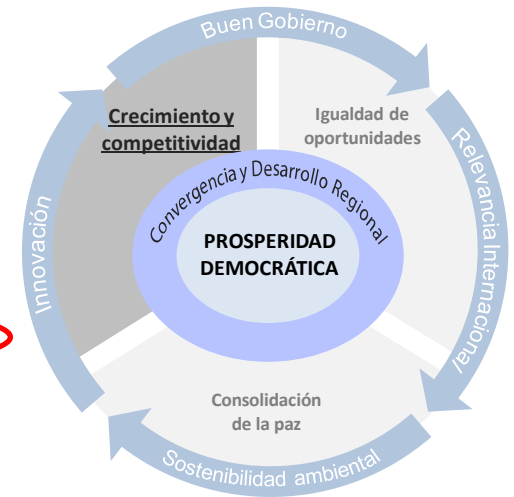
World Ranking *	Latin America Ranking *
11	1
10	3
12	5

Source : U.S. Geological Survey, Servicio Geológico Colombiano, [Bloomberg](#) y Reuters

✦ The public policy balance

Big expectations: engine for the National Development Program

- *Innovation-based sectors (ICT, tourism, biotechnology, design, logistics, health, cultural and creative industries, ...)*
- *Agricultural sector (1, 5 million hectares. Returned and securitized, restitution of land to 160 000 families)*
- *Housing (1 million new homes SITP structure of 4 * and 28 mobility plans)*
- *Mining and energy sector (oil production to 1.4 MMBPE **, and coal to 124 million tons)*
- *Infrastructure (2,000 km of dual carriageways operational, 4,000 km of roads in the rehabilitation and maintenance program, 50,000 km of tertiary intervened)*



*SITP: Integrated Public Transport System
**MMBPE (Mill. Barrels oil equiv.) - include oil & gas.

**Minería
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desarrollo de
Colombia**

Institucional Reforms

Vice-Ministry of Mines: public policy guidelines

National Agency of Minerals: national authority for the **administration**, promotion and control of the mining resources.

Colombian Geological Service: specialized in the knowledge of Colombian geology

Shocks plans implemented in the field of the land registry (**mining titles**), industrial safety, licenses and consultations for communities

Support of **specialized firms in the control** of the mining resources.

11 strategic minerals and + 25 million hectares in **strategic reserved areas.**

General Royalties System reform

Stable rules of the game

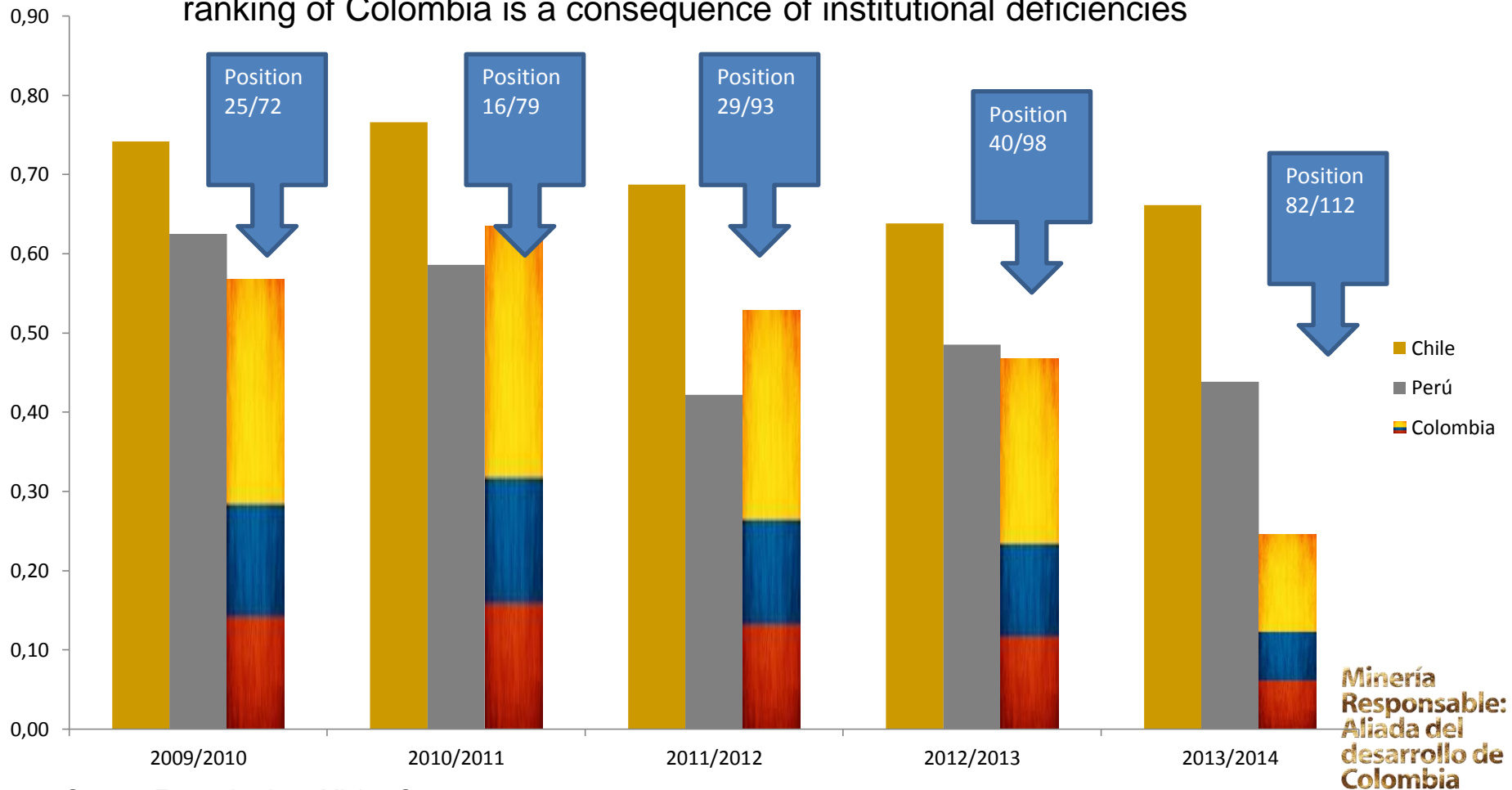
- ✦ Multiple legal initiatives at the Congress (tax reforms)
- ✦ Environmental regulation:
 - CAR clearly opposing,
 - uncertainty boundaries (Páramos),
 - temporary reserves areas (2 years),
 - uncertainty in land use
- ✦ Reform of the local environmental authorities(CAR)
- ✦ Popular consultations (art. 37 – Law 865)
- ✦ 5 municipal agreements (Támesis, Jardín, Urrao, Caicedo y Cañasgordas) prohibiting mining activity + Mayors
- ✦ Previous consultations and environmental licensing (MADS and the ANLA)
- ✦ Role of Control Authorities

✦ ... Institutional maturity and international rankings are indicative of the transition...

Mineral Potential Index Colombiano

with regulation and restriction of land

The result of the Policy Perception Index and Best Practices Mineral Potential Index assuming current regulation and land constrain, means that the loss of ranking of Colombia is a consequence of institutional deficiencies



✦ However...

Colombia remains an attractive destination for mining investment

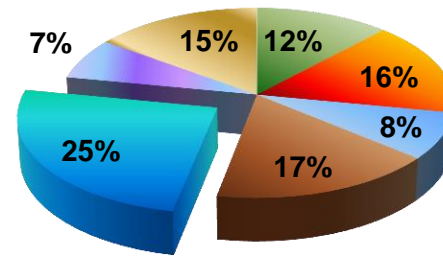
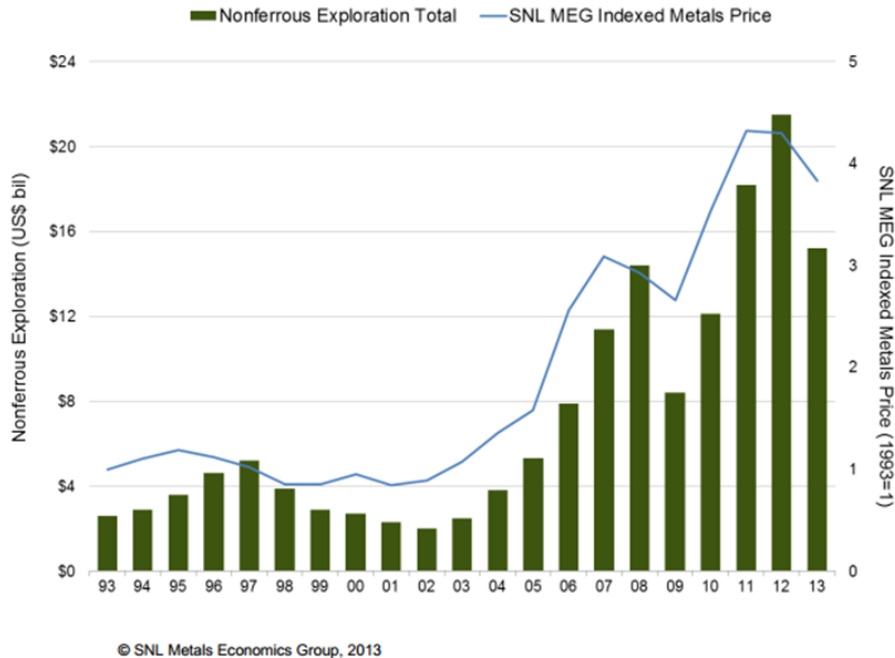
- * Mining institutions in consolidation process
 - * Opportunity for new discoveries
- * Mineral potential Index-Best practices
- * Security conditions have improved
 - * Stable macroeconomic policy

Mining investment dynamic

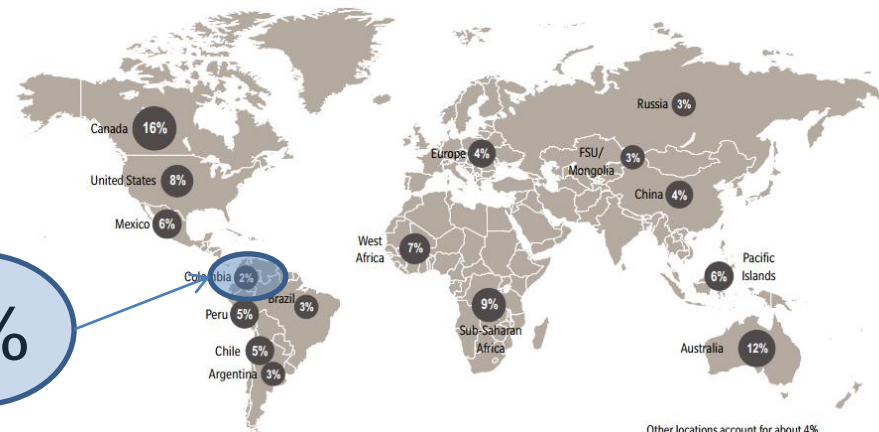
✦ Mining investment (-29%)

✦ Latin America is the first destiny for the investors

Estimated Global Nonferrous Exploration Budgets and Indexed Metals Price*, 1993-2013**



- Australia
- Canadá
- Estados Unidos
- África
- América Latina
- Asia Pacífico Sudeste
- Resto del Mundo



2%

✦ Challenges to achieve the expectations

Challenges 2014 (public policy)

- ✦ 1. A complex reality require of public policies which support the growth and the competitiveness of a responsible mining sector.
- ✦ 2. Clear regulation, stable and open to investment: especially in environmental and tax fields (legal stability contracts).
- ✦ 3. Implementation and functioning of technique and coordinated institutions (specifically, environment institution, supervision institution, and local administration)
- ✦ 4. Formalizing of the small mining
- ✦ 5. Combating illicit mineral extraction - Security
- ✦ 6. Infrastructure to meet the needs of the sector

- ✦✦ 1. Behaving as a new economic agent
- ✦ 2. Participate in the construction of the new institutions related to the mining sector
 - ✦ Formal and institutional spaces of interlocution
 - ✦ Interlocution and support to the local authorities
- ✦ 3. Leading sector positioning
 - ✦ Document of Self-Regulatory Commitments
 - ✦ Alliance for the reduction of the extreme poverty in mining areas
 - ✦ Declaration for the efficient use of royalties
 - ✦ Development of clusters
 - ✦ Adhesion at the EITI

Country strategies : Politics of Good Practice

Guidelines for implementation of standards by **all** miners and oil operators in Colombia



Formulation

- ✦ Unions, companies, s. civil
- ✦ International principles
- ✦ Pioneers and experiences

Implementation



AXES

- ✦ **Transparency**
- ✦ Industrial Safety
- ✦ Sustainable Development
- ✦ Corporate Social Responsibility



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✦ Concluding remarks

Concluding remarks

- ✦ Mining activity: engine of development in Colombia, in period of international crisis
- ✦ Among a mining investment boom in Latin America, Colombia occupies a privilege place and represent a destination of growth expectation. However, in 2013 the Colombia competitiveness has lost positions in the international ranking.
- ✦ In terms of public policy we have experienced progress, but we still have challenges of medium term vision in the support of the sector growth. Key topic for the international cooperation (WB - SEGOM)
- ✦ The essential requirements for expectations become true are: Integral regulation framework that allows the use of natural resources in a competitive and responsible way + active and engaged private sector + new forms of articulation between public and private sector (PPP)
 - ✦ **Colombia: a mining sector in transition**
 - ✦ **where investors must be right now**